BACANORA MINERALS LTD.
Consolidated Financial Statements
June 30, 2017 and 2016

Management's Responsibility

To the Shareholders of Bacanora Minerals Ltd.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

BDO Canada LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Calgary, Alberta
October 24, 2017

(signed) "Peter Secker"	*(signed) "Derek Batorowski"*
Peter Secker	Derek Batorowski
Chief Executive Officer	Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of
Bacanora Minerals Ltd.

We have audited the accompanying consolidated financial statements of Bacanora Minerals Ltd., which comprise the consolidated statements of financial position as at June 30, 2017 and June 30, 2016, the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bacanora Minerals Ltd. as at June 30, 2017 and June 30, 2016 and its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 18 to the consolidated financial statements, which explains that certain comparative information for the year ended June 30, 2016 has been restated.

BDO Canada LLP

Chartered Professional Accountants
Calgary, AB
October 24, 2017

BACANORA MINERALS LTD.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at	June 30, 2017	June 30, 2016 (Note 18)
Assets		
Current		
Cash	**$ 38,755,184**	$ 28,730,168
Other receivables (Note 5(a))	**676,498**	265,342
Deferred costs	**23,330**	102,607
Total current assets	**39,455,012**	29,098,117
Non-current assets		
Investment in Joint Venture (Note 7)	**10,946,471**	-
Long-term derivative asset (Note 7)	**2,689,639**	-
Property and equipment (Note 8)	**2,769,008**	2,364,371
Exploration and evaluation assets (Note 9)	**17,828,645**	17,816,713
Total non-current assets	**34,233,763**	20,181,084
Total assets	**73,688,775**	49,279,201
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	**1,092,806**	1,041,117
Warrant liability (Note 10(b))	**-**	897,323
Joint Venture obligation (Note 7)	**4,474,832**	-
Total current liabilities	**5,567,638**	1,938,440
Non-current liabilities		
Joint Venture obligation (Note 7)	**1,927,626**	-
Deferred tax liability (Note 11)	**135,000**	135,000
Total non-current liabilities	**2,062,626**	135,000
Total liabilities	**7,630,264**	2,073,440
Shareholders' Equity		
Share capital (Note 10)	**91,805,916**	57,058,924
Contributed surplus (Note 10(e))	**6,784,655**	3,528,990
Foreign currency translation reserve	**2,273,622**	2,574,478
Deficit	**(34,001,997)**	(15,150,873)
Attributed to Shareholders of Bacanora Minerals Ltd.	**66,862,196**	48,011,519
Non-controlling interest	**(803,685)**	(805,758)
Total shareholders' equity	**66,058,511**	47,205,761
Total Liabilities and Shareholders' Equity	**$ 73,688,775**	$ 49,279,201

Approved by the Board of Directors:

(signed) "Jamie Strauss" — Jamie Strauss, Director

(signed)"Raymond Hodgkinson" — Raymond Hodgkinson, Director

See accompanying notes to the consolidated financial statements.

BACANORA MINERALS LTD.
Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

For the years ended	**June 30, 2017**	June 30, 2016 (Note 18)
Revenue		
Interest income	**$ 94,895**	$ 114,079
Expenses		
General and administrative (Note 12)	**5,059,076**	4,226,962
Warrant liability valuation	**(348,964)**	444,024
Accretion of Joint Venture obligation (Note 7)	**401,915**	-
Depreciation (Note 8)	**184,153**	88,887
Stock-based compensation (Note 10(f))	**3,297,445**	3,277,615
	8,593,625	8,037,488
Loss before other items	**(8,498,730)**	(7,923,409)
Other income	**15,738**	-
Foreign exchange gain (loss)	**(2,377,094)**	(4,497,544)
Impairment of exploration and evaluation assets	**(8,037,430)**	-
Joint Venture investment profit (loss)	**48,465**	-
Loss for the year	**(18,849,051)**	(12,420,953)
Foreign currency translation adjustment	**(300,856)**	879,145
Total comprehensive loss	**(19,149,907)**	(11,541,808)
Loss attributable to shareholders of Bacanora Minerals Ltd.	**(18,851,124)**	(12,295,476)
Loss attributable to non-controlling interest	**2,073**	(125,477)
	(18,849,051)	(12,420,953)
Total comprehensive loss attributable to shareholders of Bacanora Minerals Ltd.	**(19,151,980)**	(11,416,331)
Total comprehensive loss attributable to non-controlling interest	**2,073**	(125,477)
	(19,149,907)	(11,541,808)
Net loss per share (basic and diluted)	**$ (0.15)**	$ (0.13)

See accompanying notes to the consolidated financial statements.

BACANORA MINERALS LTD.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars

	Share Capital						
	Number of Shares	Amount	Contributed Surplus	Accumulated other comprehensive income	Deficit	Non-controlling interest	**Total**
Balance, June 30, 2015 (Note 18)	**84,947,409**	**$24,827,911**	**$657,254**	**$1,695,333**	**$(2,855,397)**	**$(680,281)**	**$23,644,820**
Brokered placements	21,226,944	32,099,923	-	-	-	-	32,099,923
Shares issued on exercise of options	1,700,000	1,046,880	(405,879)	-	-	-	641,001
Share issue costs	-	(915,790)	-	-	-	-	(915,790)
Stock-based compensation expense	-	-	3,277,615	-	-	-	3,277,615
Foreign currency translation adjustment	-	-	-	879,145	-	-	879,145
Loss for the period	-	-	-	-	(12,295,476)	(125,477)	(12,420,953)
Balance, June 30, 2016	**107,874,353**	**$57,058,924**	**$3,528,990**	**$2,574,478**	**$(15,150,873)**	**$(805,758)**	**$47,205,761**
Brokered placements	20,907,186	30,895,043	-	-	-	-	30,895,043
Shares issued on exercise of options	200,000	101,780	(41,780)	-	-	-	60,000
Shares issued on exercise of warrants	2,925,000	4,493,502	-	-	-	-	4,493,502
Share issue costs	-	(743,333)	-	-	-	-	(743,333)
Stock-based compensation expense	-	-	3,297,445	-	-	-	3,297,445
Foreign currency translation adjustment	-	-	-	(300,856)	-	-	(300,856)
Loss for the period	-	-	-		(18,851,124)	2,073	(18,849,051)
Balance, June 30, 2017	**131,906,539**	**$91,805,916**	**$6,784,655**	**$2,273,622**	**$(34,001,997)**	**$(803,685)**	**$66,058,511**

See accompanying notes to the consolidated financial statements.

BACANORA MINERALS LTD.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended		**June 30, 2017**		June 30, 2016 (Note 18)
Cash provided by (used in)				
Operating activities				
Net loss	**$**	**(18,849,051)**	$	(12,420,953)
Depreciation		**184,153**		88,887
Stock-based compensation expense (Note 10(f))		**3,297,445**		3,277,615
Warrant liability revaluation		**(348,964)**		444,024
Accretion of Joint Venture obligation		**401,915**		-
Joint Venture investment profit (loss)		**(48,465)**		-
Impairment of exploration and evaluation assets		**8,037,430**		-
		(7,325,537)		(8,610,427)
Changes in non-cash working capital				
Other receivables		**(411,156)**		(24,533)
Deferred costs		**79,277**		(84,101)
Accounts payable and accrued liabilities		**51,689**		242,355
		(7,605,727)		(8,476,706)
Financing activities				
Issue of shares, net of expenses		**30,151,710**		31,637,432
Warrants proceeds		**3,945,143**		-
Option proceeds		**60,000**		641,001
		34,156,853		32,278,433
Investing activities				
Additions to exploration and evaluation assets (Note 9)		**(7,965,180)**		(5,499,515)
Reclamation costs		**-**		(150,000)
Investment in Joint Venture (Note 7)		**(7,334,277)**		-
Additions to property and equipment (Note 8)		**(560,011)**		(186,393)
		(15,859,468)		(5,835,908)
Increase in cash position		**10,691,658**		17,965,819
Exchange rate effects		**(666,642)**		773,312
Cash, beginning of the year		**28,730,168**		9,991,037
Cash, end of the year	**$**	**38,755,184**	$	28,730,168

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

Bacanora Minerals Ltd. (the "**Company**" or "**Bacanora**") was incorporated under the *Business Corporations Act* of Alberta on September 29, 2008. The Company is dually listed on the TSX Venture Exchange as a Tier 2 issuer and on the AIM Market of the London Stock Exchange, with its common shares trading under the symbol, "BCN" on both exchanges. The address of the Company is 2204 6 Avenue N.W. Calgary, AB T2P 3S2.

The Company is an exploration stage mining company engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico and Germany. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon attainment of future profitable production. The amounts capitalized as exploration and evaluation assets represent costs incurred to date, and do not necessarily represent present or future values.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The annual consolidated financial statements were authorized for issue by the Board of Directors on October 24, 2017. The Board of Directors has the power and authority to amend these financial statements after they have been issued.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the British pound sterling ("**GBP**") and US dollar for its subsidiaries. The Company's functional currency for the consolidated financial statements was previously the Canadian dollar up until June 30, 2016. The functional currency was changed to GBP given that the Company's expenses and financings are primarily denominated in this currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, 70% of its subsidiary, Mexilit S.A. de C.V. ("**Mexilit**"), 70% of its subsidiary, Minera Megalit S.A de C.V. ("**Megalit**"), 100% of its subsidiary, Operador Lithium Bacanora S.A de CV ("**OLB**") and through its wholly-owned subsidiary, Mineramex Limited, 99.9% of Minera Sonora Borax, S.A. de C.V. ("**MSB**"), and 60% of Minerales Industriales Tubutama, S.A. de C.V. ("**MIT**"). Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

b) Joint Arrangements

Certain of the Company's activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Company has a direct ownership interest in jointly controlled assets and obligations for liabilities. The Company does not have this type of arrangement.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements, the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter. When the Company's share of losses in a joint venture equals or exceeds its interest in a joint venture it does not recognize further losses. The transactions between the Company and the joint venture are assessed for recognition in accordance with IFRS.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

c) Foreign currency

(i) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in net income (loss) for the year.

(ii) Translation to presentation currency:

The results and balance sheet of the subsidiary are translated to the presentation currency as follows:

Assets and liabilities are translated at the closing rate at the dates of the consolidated statements of financial position;

Share capital is translated using the exchange rate at the date of the transaction; revenue and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and all resulting exchange differences are recognized in other comprehensive income (loss) in the consolidated statements of comprehensive loss.
The Company treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment in a foreign operation and any resulting exchange difference on these balances is recorded in other comprehensive loss. When a foreign entity is sold, such exchange differences are reclassified to income (loss) in the consolidated statements of comprehensive loss as part of the gain or loss on sale.

d) Cash

Cash is comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less with a Canadian chartered bank, a British bank and a Mexican bank. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

e) Exploration and evaluation assets

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential mineral resources, and include costs such as exploratory drilling, sample testing, activities in relation to the evaluation of technical feasibility and commercial viability of extracting a mineral resource, and general & administrative costs directly relating to the support of exploration and evaluation activities. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Assets are allocated to cash generating units not larger than operating segments for impairment testing.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortized. Where the Company's exploration commitments for a mineral property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess, if any, is recorded to the statements of comprehensive loss. Asset swaps are recognized at the carrying amount of the asset being swapped when the fair value of the assets cannot be determined.

Once the work completed to date on an area of interest is sufficient such that the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are tested for impairment before the assets are transferred to development property, capitalized expenditure is transferred to mine development assets or capital work in progress.

f) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is provided at rates calculated to expense the cost of property and equipment, less their estimated residual value, using the straight-line method over a five year period.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

g) Rehabilitation provision

The Company recognizes provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests (exploration and evaluation assets) and plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

i) Interest income

Interest income is recorded on an accrual basis using the effective interest method.

j) Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

(i) Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition: loans and receivables; financial assets at fair value through profit of loss; held-to-maturity investments; and available-for-sale financial assets.

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that the net realizable value of a financial asset or a group of financial assets is lower than its carrying value.

(ii) Loans and receivables

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

Loans and receivables comprise cash and other receivables.

(iii) Fair value through profit or loss

Financial assets measured at fair value through profit loss are subsequently measured at fair value with changes in those fair values recognized in net income (loss).

Assets held at fair value through profit or loss comprise long-term derivative asset.

(iv) Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities measured at amortized cost include accounts payables and accrued liabilities and Joint Venture obligation. The Company accounts for the warrant liability at fair value through profit and loss. The Company currently does not have any financial liabilities classified as held for trading.

k) Impairment of assets

(i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss, unless the impairment relates to an equity investment.

(ii) Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in net income (loss).

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in net income (loss).

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in comprehensive loss.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

m) Earnings (loss) per share

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

n) Stock-based payments

(i) Stock-based payment transactions

The Company grants stock options to acquire common shares to directors, officers and employees (“equity-settled transactions”). The board of directors determines the specific grant terms within the limits set by the Company’s stock option plan. The Company’s stock-based payment plan does not feature any option for a cash settlement.

(ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the “vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to profit (loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of the options that will eventually vest.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise, stock-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of stock options, the proceeds received are allocated to share capital along with any value previously recorded in share option reserve relating to those options. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

o) Segment reporting

The reportable segments identified make up all of the Company's activities. The reportable segments are an aggregation of the operating segments within the Company as prescribed by IFRS 8. The reportable segments are based on the Company's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors. The sector results are attributable to unallocated head office corporate costs and exploration costs. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location. Income and expenses included in profit or loss for the year are allocated directly or indirectly to the reportable segments.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets, property and plant and equipment. Current segment assets comprise the current assets used directly for segment operations, including other receivables and deferred costs. Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the consolidated accounts.

p) Standards, amendments and interpretations not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements are provided below.

- IFRS 9, "Financial Instruments ("IFRS 9"). IFRS 9 provides a comprehensive new standard for accounting for all aspects of financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

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

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

  Amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company is in the process of evaluating the impact that IFRS 9 may have on the Company's consolidated financial statements.

- IFRS 15, *"Revenue from Contracts with Customers" ("IFRS 15").* IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect to its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's consolidated financial statements.

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

  IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact that IFRS 16 may have on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgments, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a) Exploration and evaluation assets

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable mineral reserves. The recoverability of carrying values for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development, and the success of future operations.

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review when assessing impairment. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the net income (loss) in the period when the new information becomes available. In situations where indicators of impairment are present for the Company's exploration and evaluation assets, estimates of recoverable amount must be determined as the higher of the estimated value in use or the estimated fair value less costs to sell.

The carrying value of these assets is detailed in Note 9.

b) Title to mineral property interests

Although the Company has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

c) Rehabilitation provision

Rehabilitation or similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations.

d) Functional currency

The Company transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated group involves the use of judgment in determining the primary economic environment each entity operates in. The Company first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency the Company also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Company exercises judgment in determining the date of change.

e) Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted to directors, officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield, and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

The same estimates are required for transactions with non-employees where the fair value of the goods or services received cannot be reliably determined.

f) Income taxes

The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. In the prior year these transactions included the transfer of properties between Mexican subsidiaries. Transactions between the Company's Mexican subsidiaries are required by Mexican tax rules to be recorded on an arms' length basis and the Company made estimates as to the measurement of these transactions. The

Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. Despite the Company's belief that its tax return positions are supportable, the Company acknowledges that certain positions may potentially be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretation of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities, and such differences will impact income tax expense in the period in which such determination is made.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized.

g) Joint Venture investment

The Company applies IFRS 11 to all joint arrangements and classifies them as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company holds 50% of the voting rights of its joint arrangement with SolarWorld AG. The Company has determined to have joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangement is structured through a limited liability entity – Deutsche Lithium GmbH ("**DL**") and provides the Company and SolarWorld AG (parties to the agreement) with rights to the net assets of DL under the arrangements. Therefore, this arrangement has been classified as a joint venture. The Joint Venture obligation includes assumptions regarding the expected timing of the expenditures and on the discount rate used. Any changes in the timing of the expectations could impact the recorded amount. Refer to Note 7 regarding inputs used.

h) Long-term derivative asset

The Company's Joint Venture arrangement with SolarWorld AG stated above gives it the right, either alone or together with another party, to purchase the remaining 50% of the voting rights of DL for 30 million Euros (herein referred to as the "Option"). This Option is available to the Company within 6 months of the earlier of the completion of the Feasibility Study or the second anniversary of the agreement. The Company used significant judgment to determine the fair value of this Option and considered the enterprise value per measured and indicated resources of comparable mining entities within the last quarter of fiscal 2017 to determine an appropriate range. The Company re-assesses its inputs to determine change in the valuation of the Option at each reporting period. Any changes in the assumptions could have a material impact on the Option value.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 other receivables which relate solely to input tax receivables in Canada and value added tax receivables in Mexico. 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, UK 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 became 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 liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk arises primarily from accounts payable and accrued liabilities, current portion of the Joint Venture obligation and commitments, all with maturities of one year or less.

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, other receivables, accounts payables and accrued liabilities are denominated in US dollars and Mexican pesos and are therefore subject to fluctuation in exchange rates. As at June 30, 2017, a 5% change in the exchange rate between the Canadian dollar and the GBP would have an approximate $5,595,000 (2016 - $2,353,000) change to the Company's total comprehensive loss.

d) ***Fair values***

The fair value of cash, other receivables, accounts payable and accrued liabilities and current portion of the Joint Venture obligation approximate their carrying values due to the short term nature of the instruments.

Fair value measurements recognized in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Expressed in Canadian dollars

The fair value disclosed for the long-term derivative asset (Note 7), Joint Venture obligation (Note 7) and recoverable amount of certain exploration and evaluation assets (Note 9) are classified under Level 3.

Each of these items was recognised during the year and there were no transfers between any levels of the fair value hierarchy.

6. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders equity excluding contributed surplus, of $60,077,541 at June 30, 2017 (2016 - $44,482,529). 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.

7. INVESTMENT IN JOINTLY CONTROLLED ENTITY

Effective February 17, 2017, the Company acquired a 50% interest in a jointly controlled entity, Deutsche Lithium GmbH located in southern Saxony, Germany that is involved in the exploration of a lithium deposit in the Alterberg-Zinnwald region of the Eastern Ore Mountains in Germany. The determination of DL as a joint venture was based on DL’s structure through a separate legal entity whereby neither the legal form nor the contractual arrangement give the owners the rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibility for settling liabilities associated with the arrangement. Accordingly, the investment is accounted for using the equity method.

The Company acquired its interest for a cash consideration of €5 million (approximately $7.1 million) from SolarWorld AG (“**SolarWorld**”) and an undertaking to contribute up to €5 million toward the costs of completion of a feasibility study, which is anticipated to take approximately 18-24 months. Additionally, legal fees of $228,679 were paid in connection to this transaction. The Company, alone or together with any reasonably acceptable third party, has an option to acquire the remaining 50% of the jointly controlled entity within this 24 month period for €30 million. In the event that the Company does not exercise this right within the above stated timeframe, then SolarWorld has the right but not the obligation to purchase the Company’s 50% interest for €1.

The following table summarizes the purchase price allocation for the joint venture acquisition:

	Amount
Working capital	$ 178,337
Exploration and evaluation assets	13,692,671
Property and equipment	108,730
Less: deferred tax liability	(3,244,919)
Enterprise value	**$ 10,734,819**

The current value of DL is substantially attributed to the exploration and evaluation assets, and therefore, contribution paid in excess of the carrying value of net assets is attributed to the exploration and evaluation assets.

Expressed in Canadian dollars

Consideration for the joint venture acquisition consisted of the following:

	Amount
Cash	$ 7,334,277
Joint venture obligation	6,000,542
Less: Long-term derivative asset	(2,600,000)
Total consideration paid	**$ 10,734,819**

The Company's undertaking to contribute up to €5 million toward the costs of completion of a feasibility study within the next 18-24 months has been recorded as a liability in the consolidated statement of financial position, presented in accordance with its due date, between current and non-current portions. As at June 30, 2017, the current portion of the obligation was $4,474,832 and the non-current portion was $1,927,626 which includes the accretion of $401,915. The Company used a discount rate of 20% and final payment to conclude in March, 2019 to determine the present value of the obligation. If the estimated rate increased/decreased by 5% it would result in an (decrease) increase to the obligation of ($243,000) and $265,000 respectively.

The option to purchase the remaining 50% interest has been recognized as a derivative asset in the consolidated statement of financial position as it represents the option to acquire equity instruments at a future point in time. This derivative asset has been recorded at the present value of its fair value at $2,689,639. The fair value was determined by reviewing the total enterprise value per contained lithium quantity multiples of comparable hard-rock mining lithium companies. If the multiple used increased or decreased by 10% it would result in a fair value increase (decrease) of $1.7 million and $(1.8 million) respectively. The derivative asset has been classified as long-term due to its realization being in line with the completion of a feasibility study, which is anticipated to take approximately 18-24 months.

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

	June 30, 2017
Opening Balance	**$ -**
Investment in DL	10,734,819
Share of profit	48,465
Translation gain	163,187
Balance, June 30, 2017	**$ 10,946,471**

Summarized financial information in respect of the Company's joint venture in DL is set out below. The summarized information represent amounts shown in DL's financial statements, as adjusted for differences in accounting policies and fair value adjustments required related to the Company's investment in the joint venture. Amounts have been translated in accordance with the Company's accounting policy on foreign currency translation.

	June 30, 2017
Current assets	**$ 509,292**
Non-current assets	**27,795,666**
Current liabilities	**6,093,169**
Profit from continuing operations	**271,868**
Total comprehensive income	**271,868**

Expressed in Canadian dollars

8. PROPERTY AND EQUIPMENT

Cost	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	**Total**
Balance, June 30, 2015	**$ 2,932,054**	**$ 3,147**	**$ 11,464**	**$ 146,396**	**$ 3,093,061**
Additions	108,777	-	17,840	59,776	**186,393**
Foreign exchange	(267,264)	-	(18,765)	(17,909)	**(303,938)**
Balance, June 30, 2016	**$ 2,773,567**	**$ 3,147**	**$ 10,539**	**$ 188,263**	**$ 2,975,516**
Additions	410,546	-	-	149,465	**560,011**
Foreign exchange	38,917	-	-	3,908	**42,825**
Balance, June 30, 2017	**$ 3,223,030**	**$ 3,147**	**$ 10,539**	**$ 341,636**	**$ 3,578,352**

Accumulated depreciation	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	**Total**
Balance, June 30, 2015	**$ 412,036**	**$ 3,147**	**$ 7,843**	**$ 99,232**	**$ 522,258**
Additions	80,591	-	2,696	5,600	**88,887**
Balance, June 30, 2016	**$ 492,627**	**$ 3,147**	**$ 10,539**	**$ 104,832**	**$ 611,145**
Additions	131,300	-	-	52,853	**184,153**
Foreign exchange	11,712	-	-	2,334	**14,046**
Balance, June 30, 2017	**$ 635,639**	**$ 3,147**	**$ 10,539**	**$ 160,019**	**$ 809,344**

Carrying amounts	Building and equipment	Office furniture and equipment	Computer equipment	Transportation equipment	**Total**
At June 30, 2016	**$ 2,280,940**	**$ -**	**$ -**	**$ 83,431**	**$ 2,364,371**
At June 30, 2017	**$ 2,587,391**	**$ -**	**$ -**	**$ 181,617**	**$ 2,769,008**

9. EXPLORATION AND EVALUATION ASSETS

The Company's mining claims consist of mining concessions located in the State of Sonora, Mexico. The specific descriptions of such properties are as follows:

a. Magdalena Borate property

The Magdalena Borate project consists of seven concessions, with a total area of 7,095 hectares. The concessions are 100% owned by MSB. The Magdalena property is subject to a 3% gross overriding royalty payable to Minera Santa Margarita S.A. de C.V., a subsidiary of Rio Tinto PLC, and a 3% gross overriding royalty payable to the estate of the past Chairman of the Company on sales of borate produced from this property.

Expressed in Canadian dollars

During the year ended June 30, 2017, the Company determined there to be indicators of impairment on the exploration and evaluation assets located in the Magdalena Borate property based on the Company's decision to not further explore borates. As such, the Company recognized impairment of $8,037,430 (2016 - $Nil) on these assets as the recoverable amount of the property was lesser than the carrying value based on fair value less cost to sell. Fair value for the property has been assessed by the Company on the basis of estimated land value.

b. Sonora Lithium property

The Sonora Lithium Project consists of ten contiguous mineral concessions. The Company through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, covering 1,820 hectares. Of the remaining concessions, five are owned 100% by Mexilit - El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 covering 6,334 hectares. Mexilit is owned 70% by Bacanora and 30% by Cadence Minerals Plc ("**Cadence**") formerly known as Rare Earth Minerals Plc.

The remaining three concessions, Buenavista, Megalit and San Gabriel, cover 89,235 hectares, and are subject to a separate agreement between the Company and Cadence. As at June 30, 2017, Buenavista and San Gabriel concessions are owned by Megalit, while the Megalit concession was in the process of being transferred to Megalit. The Megalit concessions is currently owned by MSB. Megalit is owned 70% by Bacanora and 30% by Cadence. As at June 30, 2017 USD$1,012,444 (2016 – USD$1,048,780) of the Company's cash is restricted to be spent on Megalit.

The Sonora Lithium property is subject to a 3% gross overriding royalty payable to the estate of the past Chairman of the Company, on sales of mineral products produced from certain concessions within this property.

The balance of investment in mining claims as of June 30, 2017 and June 30, 2016 corresponds to concession payments to the federal government, costs of exploration and paid salaries, and consists of the following:

	Magdalena Borate	La Ventana Lithium	Mexilit Lithium	Megalit Lithium	Total
Balance, June 30, 2015	**$ 7,246,158**	**$ 1,931,837**	**$ 2,091,527**	**$ 637,905**	**$ 11,907,427**
Additions	1,142,138	3,152,334	1,078,990	126,053	5,499,515
Foreign exchange	213,887	63,223	71,984	60,677	409,771
Balance, June 30, 2016	**$ 8,602,183**	**$ 5,147,394**	**$ 3,242,501**	**$ 824,635**	**$ 17,816,713**
Additions	74,608	8,118,390	24,968	48,214	8,266,180
Reimbursement of expenses from Cadence	-	-	(301,000)	-	(301,000)
Impairment loss	(8,037,430)	-	-	-	(8,037,430)
Foreign exchange	39,764	25,659	16,056	2,703	84,182
Balance, June 30, 2017	**$ 679,125**	**$ 13,291,443**	**$ 2,982,525**	**$ 875,552**	**$ 17,828,645**

10. SHARE CAPITAL

a) Authorized

The authorized share capital of the Company consists of an unlimited number of voting common shares without nominal or par value.

Expressed in Canadian dollars

b) Common Shares Issued

	Shares	Amount
Balance, June 30, 2015	**84,947,409**	**$ 24,827,911**
Shares issued on exercise of options	850,000	355,410
Shares issued in private placement for cash(1)	11,476,944	17,871,564
Shares issued on exercise of options	850,000	691,470
Shares issued in private placement for cash(2)	9,750,000	14,228,359
Share issue costs	-	(915,790)
Balance, June 30, 2016	**107,874,353**	**$ 57,058,924**
Shares issued on exercise of warrants(2,3)	2,925,000	4,493,502
Shares issued on exercise of options	200,000	101,780
Shares issued in private placement for cash(4)	12,333,261	18,057,648
Shares issued in private placement for cash(5)	8,573,925	12,837,395
Share issue costs	-	(743,333)
Balance, June 30, 2017	**131,906,539**	**$ 91,805,916**

(1) On November 13, 2015, the Company completed a private financing of 11,476,944 common shares at a price of $1.56 (£0.77) per share for aggregate gross proceeds of $17,871,564 (£8,837,247). The Company paid commission of $354,280 and other share issue expenses of $56,117. As part of the financing, 1,973,407 common shares were acquired by Cadence, a company that is a significant shareholder.

(2) On May 20, 2016, the Company completed a private financing that raised approximately $14,681,700 (£7,702,500) via the placing of 9,750,000 units (the "Placing Units") at a price of approximately $1.48 (£0.79) per Placing Unit (the "Placing"). The Company paid commission of $440,500 and other share issue expenses of $64,893. Each Placing Unit is comprised of one new common share of the Company (a "Placing Share") and 0.3 of one common share purchase warrant, with each whole warrant (a "Placing Warrant") being exercisable into one common share at a price of approximately $1.48 (£0.79) at any time subsequent to July 25, 2016, but on or before September 30, 2016. Accordingly, an aggregate of 9,750,000 Placing Shares and 2,925,000 Placing Warrants were issued under this Placing. The Placing Warrants are denominated in a currency different than the functional currency and were recorded originally as warrant liability of $453,299 using the Black-Scholes option pricing model. This warrant liability was re-measured as at June 30, 2016 to be $897,323 using the Black-Scholes option pricing model. On the exercise date of September 30, 2016, the warrant liability was re-measured to be $548,359 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model to determine the valuation of the warrant liability:

Input	May 20, 2016	June 30, 2016	September 30, 2016
Risk-free interest rate	0.39%	0.25%	0.12%
Expected volatility	38%	44%	32.63%
Expected life (years)	0.33	0.25	0.01
Fair-value per warrant	$0.15	$0.31	$0.19

(3) On September 30, 2016, the Company issued 2,925,000 common shares upon the exercise of its warrants at a price £0.79 ($1.35) per share for aggregate gross proceeds of £2,310,750 (approximately $3.9 million). The Company paid commission of £69,323 ($118,355) and recognized a further increase in its share capital of $548,359 in relation to the previously recorded warrant liability.

(4) On May 2, 2017, the Company issued 12,333,261 common shares to Hanwa Co., LTD. The common shares represent 10.0% of the issued and outstanding share capital of the Company and were issued at a price of £0.83 ($1.46) per share for gross proceeds of £10,175,000 (approximately $18.1 million) for Bacanora pursuant to the Company's offtake agreement for battery grade lithium carbonate at its Sonora lithium project in Mexico. The Company paid other share issue expenses of $74,505.

Expressed in Canadian dollars

(5) On May 24, 2017, the Company completed a private financing of 8,573,925 common shares at price of £0.86 ($1.49) per share to a US based investment company for aggregate gross proceeds of approximately £7.4 million (approximately $12.8 million). The Company paid commission of £294,943 ($513,496) and other share issue expenses of $36,977.

c) Stock options

The following tables summarize the activities and status of the Company's stock option plan as at and during the year ended June 30, 2017.

	Number of options	Weighted average exercise price
Balance, June 30, 2015	**2,475,000**	**$ 0.38**
Exercised	(1,700,000)	0.33
Expired	(50,000)	1.58
Issued	4,250,000	1.75
Balance, June 30, 2016	**4,975,000**	**$ 1.52**
Exercised	(200,000)	0.30
Expired/Cancelled	(325,000)	0.68
Issued	2,937,400	1.41
Balance, June 30, 2017	**7,387,400**	**$ 1.55**

Grant date	Number outstanding at June 30, 2017	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable at June 30, 2017
September 28, 2012	50,000	0.25	0.3	Sept. 28, 2017	50,000
September 11, 2013	500,000	0.30	1.2	Sept. 11, 2018	500,000
December 2, 2015	925,000	1.58	3.4	Dec. 2, 2020	975,000
January 22, 2016	1,000,000	1.56(1)	0.6	Jan. 22, 2018	1,000,000
April 27, 2016	2,000,000	1.94(2)	2.0	May 27, 2019	2,000,000
March 1, 2017	400,000	1.39(3)	4.7	March 1, 2022	400,000
March 1, 2017	2,012,400	1.39(3)	2.7	March 1, 2020	829,092
May 15, 2017	500,000	1.53(4)	2.9	May 15, 2020	165,000
	7,387,400				5,919,092

(1) Exercise price of £0.77 per share
(2) Exercise price of £0.96 per share
(3) Exercise price of £0.85 per share
(4) Exercise price of £0.87 per share

d) Warrants

The following tables summarize the activities and status of the Company's warrants as at and during the year ended June 30, 2017.

Expressed in Canadian dollars

	Number of warrants	Remaining contractual life (Years)	Expiry date	Weighted Average Exercise price
Balance, June 30, 2015	833,333	2.8	March 26, 2018	$ 0.45
Issued	2,925,000	0.3	September 30, 2016	$ 1.51
Balance, June 30, 2016	3,758,333			
Exercised	(2,925,000)	-	-	$ 1.51
Balance, June 30, 2017	**833,333**	**0.8**	**March 26, 2018**	**$ 0.45**

Grant date	Number Outstanding at June 30, 2015	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Expiry date	Financing Warrants
March 26, 2013	833,333	$ 0.45	2.8	March 26, 2018	833,333
June 30, 2017	**833,333**	**$ 0.45**	**0.8**	**March 26, 2018**	**833,333**

e) Contributed surplus

The following table presents changes in the Company's contributed surplus.

	June 30, 2017	June 30, 2016
Balance, beginning of year	**$ 3,528,990**	$ 657,255
Exercise of stock options	**(41,780)**	(405,880)
Stock-based compensation expense (Note 10(c))	**3,297,445**	3,277,615
Balance, end of year	**$ 6,784,655**	$ 3,528,990

f) Stock-based compensation expense

During the year ended June 30, 2017, the Company recognized $3,297,445 (2016 - $3,277,615) of stock-based compensation expense. The fair value of the stock-based compensation as estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2017	June 30, 2016
Risk-free interest rate	**0.77% - 1.15%**	0.45% - 0.89%
Expected volatility	**101.34% - 127.03%**	123.09% - 138.90%
Expected life (years)	**3 –5**	2 – 5
Fair value per option	**$0.77 - $1.15**	$1.02 - $1.35

Expected volatility is based on historical volatility of the Company's stock prices.

Expressed in Canadian dollars

g) Per share amounts

Basic loss per share is calculated using the weighted average number of shares of 112,991,355 for the year ended June 30, 2017 (2016 – 102,255,672). Options and warrants were excluded from the dilution calculation as they were anti-dilutive.

11. INCOME TAXES

The income tax provision differs from income taxes which would result from applying the expected tax rate to net loss before income taxes. The differences between the “expected” income tax expenses and the actual income tax provision are summarized as follows:

June 30,	2017	2016
Loss before tax	**$ (18,849,051)**	$(12,420,953)
Expected income tax recovery at 27% (2016 – 27%)	**(5,089,244)**	(3,353,657)
Non-deductible expenses and others	**1,067,111**	1,625,041
Foreign exchange	**268,428**	103,786
Difference from foreign operations	**(537,187)**	34,735
Change in deferred tax asset not recognized	**4,290,892**	1,590,096
Total income taxes	**-**	-

The components of the Company’s net future income tax asset (liability) are as follows:

June 30,	2017	2016
Canada		
Share issuance costs	**$ 299,626**	$ 374,838
Unrealized foreign exchange	**170,801**	253,880
Non-capital losses available for future periods	**4,018,703**	2,798,090
Capital losses available for future periods	**821,614**	-
Unrecognized deferred tax asset	**(5,310,744)**	(3,426,808)
Canada net deferred income tax asset		-
Mexico		
Property and equipment	**$ (190,773)**	$ (183,944)
Exploration and evaluation assets	**1,054,167**	(1,515,757)
Unrealized foreign exchange	**-**	(28,731)
Non-capital losses available for future periods	**1,682,501**	1,767,372
Unrecognized deferred tax asset	**(2,680,895)**	(173,940)
Mexico net deferred tax liability	**(135,000)**	(135,000)
Total net deferred tax asset (liability)	**$ (135,000)**	$ (135,000)

As at June 30, 2017, the Company has, for tax purposes, non-capital losses available to carry forward to future years as follows: Canada - $14,884,084 (2016 - $10,636,297) expiring from 2027 to 2037 and Mexico - $5,608,337 (2016 - $5,891,242) expiring from 2020 to 2027.

Expressed in Canadian dollars

12. GENERAL AND ADMINISTRATIVE EXPENSES

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

For the year ended	June 30, 2017	June 30, 2016
Management fees (Note 14)	**$ 2,192,560**	$ 1,861,713
Legal and accounting fees	**1,420,460**	1,248,410
Investor relations	**622,320**	434,753
Office expenses	**158,390**	317,977
Travel and other	**665,346**	364,109
Total	**$ 5,059,076**	$ 4,226,962

13. SEGMENTED INFORMATION

The Company currently operates in two operating segments, the exploration and development of mineral properties in Mexico and the exploration and development of mineral properties in Germany. Before this year, the Company operated only in one segment in Mexico. Management of the Company makes decisions about allocating resources based on two operating segments. Summary of the identifiable assets, liabilities and net loss by operating segment are as follows:

June 30, 2017	Mexico	Germany	Head Office	Consolidated
Current assets	$ 2,853,283	$ -	$ 36,601,729	$ 39,455,012
Long-term derivative asset	-	-	2,689,639	2,689,639
Property and equipment	2,673,516	-	95,492	2,769,008
Investment in jointly controlled entity	-	10,946,471	-	10,946,471
Exploration and evaluation assets	17,828,645	-	-	17,828,645
Total assets	$ 23,355,444	$ 10,946,471	$ 39,386,860	$ 73,688,775
Current liabilities	$ 672,578	$ -	$ 4,895,060	$ 5,567,638
Joint Venture obligation	-	-	1,927,626	1,927,626
Deferred tax liability	-	-	135,000	135,000
Total liabilities	$ 672,578	-	$ 6,957,686	$ 7,630,264

For the year ended June 30, 2017	Mexico	Germany	Head Office	Consolidated
Interest income	$ -	$ -	$ 94,895	$ 94,895
General and administrative	(644,294)	-	(4,414,782)	(5,059,076)
Warrant liability valuation	-	-	348,964	348,964
Accretion of Joint Venture obligation	-	-	(401,915)	(401,915)
Depreciation	(184,153)	-	-	(184,153)
Stock-based compensation	-	-	(3,297,445)	(3,297,445)
Loss before other items	$ (828,447)	$ -	$ (7,670,283)	$ (8,498,730)

Expressed in Canadian dollars

Other income	**15,738**	**-**	**-**	**15,738**
Foreign exchange loss	**(245,149)**	**-**	**(2,131,945)**	**(2,377,094)**
Impairment on exploration and evaluation assets	**(8,037,430)**	**-**	**-**	**(8,037,430)**
Joint venture investment profit	**-**	**48,465**	**-**	**48,465**
Segment loss for the year	**$ (9,095,288)**	**$ 48,465**	**$(9,802,228)**	**$ (18,849,051)**

14. RELATED PARTY TRANSACTIONS

a. Related party expenses

The Company's related parties include directors and officers and companies which have directors in common.

During the year ended June 30, 2017, directors and management fees in the amount of $1,593,504 (2016 - $1,970,030) were paid to directors and officers of the Company which was expensed as general and administrative costs. Of the total amount incurred as directors and management fees, $72,636 (2016 – $38,075) remains in accounts payables and accrued liabilities on June 30, 2017.

During the year ended June 30, 2017, the Company paid $712,255 (2016 - $856,061) to Grupo Ornelas Vidal S.A. de C.V., a consulting firm of which Martin Vidal, director of the Company and president of MSB, is a partner. These services were incurred in the normal course of operations for geological exploration and pilot plant operation. As of June 30, 2017, $Nil (2016 - $77,416) remains in accounts payable and accrued liabilities.

b. Key management personnel compensation

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

For the year ended,	**June 30, 2017**	June 30, 2016
Director's remuneration:		
Estate of Colin Orr-Ewing	**$ 10,056**	$ 59,706
James Leahy(1)	**45,263**	28,011
Guy Walker	**-**	4,396
Shane Shircliff (2)	**6,462**	16,671
Derek Batorowski	**3,546**	16,671
Kiran Morzaria	**9,973**	16,794
Raymond Hodgkinson	**29,461**	-
Jamie Strauss	**32,368**	-
Andres Antonius	**6,317**	-
Junichi Tomono	**-**	-
Total directors' remuneration	**$ 143,446**	$ 142,249
Management's remuneration:		
Mark Hohnen	**$ 366,119**	$ 392,577
Peter Secker	**464,895**	972,418

Expressed in Canadian dollars

Martin Vidal	**317,631**	240,336
Derek Batorowski	**312,732**	222,450
Total management's remuneration	**$ 1,461,377**	$ 1,827,781
Total directors' and management's remuneration	**$ 1,604,823**	$ 1,970,030
Operational consulting fees:		
Groupo Ornelas Vidal SA CV	**$ 712,255**	$ 856,061
Stock-based compensation expense to directors and management	**$ 1,086,552**	$ 2,020,881

1. Resigned from his position on May 15, 2017.
2. Resigned from his position on November 23, 2016.

As at June 30, 2017, the following options were held by directors of the Company:

	Date of grant	**Exercise price**	**Number of options**
	September 11, 2013	$0.30	200,000
	December 2, 2015	$1.58	175,000
Martin Vidal	March 1, 2017	$1.39	125,000
	September 11, 2013	$0.30	200,000
	December 2, 2015	$1.58	175,000
Derek Batorowski	March 1, 2017	$1.39	125,000
	December 2, 2015	$1.58	1,000,000
	January 22, 2016	$1.94	2,000,000
Mark Hohnen	March 31, 2017	$1.39	249,900
Jamie Strauss	March 1, 2017	$1.39	750,000
Raymond Hodgkinson	March 1, 2017	$1.39	200,000
Andres Antonius	May 15, 2017	$1.53	500,000
Junichi Tomono	-	-	-

15. COMMITMENTS AND CONTINGENCIES

The Company has commitments for lease payments for field office and camp with no specific expiry dates. The total annual financial commitment resulting from these agreements is $9,156. Additionally, the Company has commitments for lease payments for its UK office in the amount of $49,000 per year until July, 2018.

The properties in Mexico are subject to spending requirements in order to maintain title of the concessions. The capital spending requirement for 2017 is $744,060. The properties are also subject to semi-annual payments to the Mexican government for concession taxes, which will be approximately $167,586 in fiscal 2018.

16. SUBSEQUENT EVENTS

On September 20, 2017, the Company announced the implementation of a restricted share unit plan along with the grant of an aggregate of 1,192,277 restricted share units thereunder and the grant of an aggregate of 2,227,410 options to acquire common shares in the capital of the Company at a price of £0.80 (approximately $1.32) pursuant to the Stock Option Plan of the Company. All of the aforementioned 2,227,410 stock options have been granted to directors, officers and senior management members of the Company and its subsidiaries. Such options vest 1/3rd on the date of grant and an additional 1/3rd on each of the first and second anniversaries of the date of grant and are exercisable for a period of three (3) years.

Expressed in Canadian dollars

On September 28, 2017, 833,333 of the Company's warrants and 50,000 of the common shares options were exercised at $0.45 and $0.25 respectively each for gross proceeds of $387,500.

17. NON-CONTROLLING INTERESTS

The summary financial information for the Company's Mexican subsidiaries Mexilit, Megalit and MIT is as follows.

MIT

	June 30, 2017	June 30, 2016
Current assets	**$ 29,714**	$ 43,357
Non-current assets	**-**	700
Accumulated non-controlling interest	**779,701**	746,552
Loss (income) for the year	**213,356**	182,996

Mexilit

	June 30, 2017	June 30, 2016
Current assets	**$ 226,067**	$ 262,744
Non-current assets	**3,776,528**	3,754,053
Current liabilities	**868**	11,010
Non-current liabilities	**2,417,493**	2,391,348
Accumulated non-controlling interest	**44,970**	10,288
Loss (income) for the year	**33,321**	(625,914)
Net cash flow from operating activities	**(30,409)**	(772,931)
Net cash flow from financing activities	**26,145**	615,147
Net cash flow from investing activities	**(26,854)**	(598,484)
Net change in cash	**(31,118)**	(756,268)
Cash beginning of year	**221,280**	977,548
Cash end of year	**190,162**	221,280

Megalit

	June 30, 2017	June 30, 2016
Current assets	**$ 171,756**	$ 231,931
Non-current assets	**780,821**	608,095
Current liabilities	**1,038**	197
Non-current liabilities	**518,901**	515,635

Expressed in Canadian dollars

Accumulated non-controlling interest	**17,741**	48,918
Loss (income) for the year	**48,629**	(95,931)
Net cash flow from operating activities	**(50,172)**	572,329
Net cash flow from financing activities	**181,810**	(570,641)
Net cash flow from investing activities	**(186,376)**	(45,068)
Net change in cash	**(54,738)**	(43,380)
Cash beginning of year	**187,030**	230,410
Cash end of year	**132,292**	187,030

18. COMPARATIVE INFORMATION

The Company has reclassified $2,000,000 from foreign currency translation adjustment to foreign exchange loss to correct these amounts in the consolidated statement of comprehensive loss for the year ended June 30, 2016 which represents foreign exchange amounts erroneously classified in prior year. This reclassification had no effect on opening balances for the 2016 fiscal year and as such no opening consolidated statement of financial position has been presented. The consolidated statement of cash flows has also been updated for this change and to correct amounts recorded as additions to exploration and evaluation assets and exchange rate effects.

Consolidated Statement of Financial Position as at June 30, 2016

	As Issued		Adjusted
Foreign currency translation reserve	$ 574,478	$ 2,000,000	$ 2,574,478
Deficit	(13,150,873)	(2,000,000)	(15,150,873)

Consolidated Statement of Comprehensive loss for the year ended June 30, 2016

	As Issued		Adjusted
Foreign exchange gain (loss)	$ (2,497,544)	$ (2,000,000)	$ (4,497,544)
Foreign currency translation adjustment	(1,120,855)	2,000,000	879,145
Net loss per share (basic and diluted)	$ (0.11)	$ (0.12)	$ (0.13)

Consolidated Statement of Cash Flows for the year ended June 30, 2016

	As Issued		Adjusted
Net loss	$ (10,420,953)	$ (2,000,000)	$(12,420,953)
Additions to exploration and evaluation assets	(6,726,203)	1,226,688	(5,499,515)
Increase in cash position	$ 18,739,131	$ (773,312)	$ 17,965,819
Exchange rate effects	$ -	$ 773,312	$ 773,312