

DEVELOPING A WORLD CLASS LITHIUM PROJECT

AGM Q&A session

30 June 2021



BACANORA
lithium

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CORPORATE

MARKET

AIM

TICKER

BCN

MARKET CAP

~£222m
as of 29.06.21

SHARE PRICE

57.95p
29.06.21

SIGNIFICANT SHAREHOLDERS

Ganfeng Lithium	28.88%
M&G Investment Funds	13.67%
Robeco	4.24%
Hanwa Co., Ltd	3.21%
Igneous Capital Ltd	1.81%
D&A Income Ltd	1.23%
Other	46.96%

(Shareholding Percentages are as of 26.05.21)



OUTCROPPING LITHIUM CLAY DEPOSITS COMBINED WIDTH OVER 40 METRES



Q&A GUIDELINES

- *Whilst we understand there may be questions in relation to the Possible Offer announcement from Ganfeng, it must be understood that is a non-binding Possible Offer and under the Takeover Code, the Company is restricted from providing any material new information or significant new opinions that has not been disclosed in previous stock exchange announcements.*
- *The Company's Financial Adviser, Peel Hunt, is required to be present in all shareholder meetings and to report to the Takeover Panel that these information protocols have been maintained.*
- *If an offer is made, and there can be no certainty that an offer will be forthcoming, the Board will set out in full its views on the offer, in advance of shareholders having to make any offer-related decision.*
- *The following pages contains questions submitted by shareholders and responses as far as the Board is able to provide at this stage.*

Q&A

What is the status of the possible offer from Ganfeng and why are Bacanora directors supporting the possible offer?

- *If a firm offer is made by Ganfeng, then the Board will consider the offer, in conjunction with its advisers.*
- *There can be no certainty that a firm offer will be made even if the pre-conditions referred to below are satisfied or waived.*
- *It is expected to take up to eight months for the Outbound Direct Investment Pre-Condition to be satisfied, such that in the event that each Pre-Condition has been satisfied (or alternatively waived if capable of waiver), an Agreed Form 2.7 Announcement may be made prior to 31 December 2021.*

Q&A

Why is the Company not discussing any part of this deal? Why have you agreed to an extension on the deal, as most people think that Ganfeng would not need the extra time?

- *Under the Takeover Code, the Company is restricted from providing any material new information or significant new opinions that has not been disclosed in previous stock exchange announcements. The possible offer is subject to a number of pre-conditions and is expected to take up to eight months for the Outbound Direct Investment Pre-Condition to be satisfied, such that in the event that each Pre-Condition has been satisfied (or alternatively waived if capable of waiver), an Agreed Form 2.7 Announcement may be made prior to 31 December 2021.*
- *If a firm offer is made by Ganfeng, then the Board will consider the offer, in conjunction with its advisers.*

Q&A

Why was the management bonus clause removed from the most recent Annual Report about a cash bonus paying out on sale of the company if it was at 1.30p a share or above?

- *The bonus structure was created in November 2017 and had a validity period of 2 years. It was designed to automatically expire thereafter. No cash pay outs were ever awarded under this one-off incentive scheme and the structure no longer exists.*
- *All options and RSUs issued and awarded to date are a result of assessment against performance criteria set at the start of each financial period. They are further subject to vesting periods defined under the scheme rules. All awards have been fully disclosed in the Company's Annual Reports.*

Q&A

Did the Board solicit an offer from Ganfeng?

- *The Company did not solicit an offer.*

Q&A

Will/Has the Board/Management receive/received any incentives to support the proposed transaction?

- *No*

Q&A

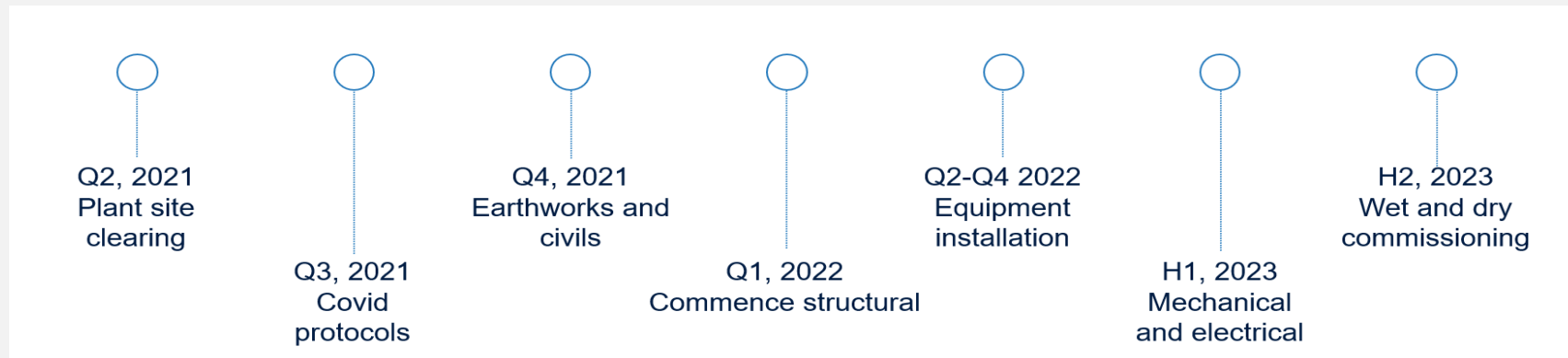
What is the Company's current view on the political situation in Mexico and the discussions about nationalising lithium leases?

- *During 2020, the Mexican government restructured several undersecretary positions in various sectors, including that for mining. The functions, staff, and responsibilities of the areas that reported to the undersecretary for mining remained intact, and continued to function as normal, under the responsibility of the Secretariat of the Economy.*
- *President Andrés Manuel López Obrador and the Secretariat of the Economy have consistently supported investment in the mining sector and specifically projects with downstream applications, such as Bacanora's Sonora Lithium Project. The government actions do not currently represent a change in those policies.*
- *We continue to monitor the commentary around nationalisation of lithium licences.*

Q&A

Will Covid or any other factors impact the project timetable or the project capital costs for first production in H2, 2023?

- *You will have seen the Company's announcement of 22 June 2021 which has seen a delay to some of the early construction work due to increased Covid-19 protocols, but the current project commissioning remains unchanged for H2 2023. The Company continues to monitor developments of Covid-19 in Mexico and our priority remains the health and well-being of our staff, partners and local communities.*



Q&A

If the Possible offer does not proceed, will it have any impact on the joint venture or the project timetable?

- *Both Bacanora and Ganfeng continue to focus on construction activities, nothing has changed in this regard.*

Q&A

What is the current lithium price and what the Company's views on lithium pricing and supply/demand over the next decade?

- *After three years of declining prices for both lithium carbonate and hydroxide, the prices have started to recover this year. They are still significantly below the highs of 2017 when contract prices were above US\$15,000/t. We believe in the long-term demand fundamentals of vehicle electrification and renewable energy and believe lithium demand will continue to grow.*
- *The Company has signed 2 long term off take agreements of >10 years for the lithium production from Sonora as previously announced on 10 April 2017 and 28 June 2019, with 50% of Stage 1 production being sold to Hanwa Corporation of Japan and 50% to Ganfeng, at prevailing market pricing.*
- *As a result of these agreements, 100% of stage 1 production and 75% of stage 2 is under long term off-take.*

Q&A

Do you regard Lithium as a country specific strategic material, and if so, do you regard Bacanora Lithium Plc as an essential UK asset?

- *Lithium is not a particularly rare commodity and lithium deposits are found on every continent in the world.*
- *The Sonora lithium project is located in Mexico and as previously stated, in 2017 and 2019 we entered into long term off-take agreements to deliver product to China and Japan.*

Q&A

How is the company planning to fund the expansion from Stage 1 to Stage 2?

- *The Company will consider all funding options nearer the time including equity, debt and cash flow.*

Q&A

Why did the Company not seek better debt terms before the recent 45p fundraise given it has recently announced it is seeking better terms over the RK mining debt facility? What progress has been made on new financing?

- *The first tranche of the RK debt facility, US\$25 million, was drawn down in July 2018 and Bacanora will maintain this first tranche in accordance with the existing terms of the debt facility. Discussions regarding the possible extension to this facility commenced early in 2021 and have only just concluded.*
- *As of the 31 May 2021 the Company had an aggregated cash balance of US\$161 million (including cash of US\$30 million in Sonora Lithium Ltd) and the Company has sufficient funds to support the short-term funding requirements and the ongoing construction program for the next 18 months.*
- *The Company will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions.*

Q&A

The Company successfully raised funds in February 2021. Does the Board think that it now has sufficient funding in place to get the mine into production? When will the project become cash flow positive? Has the Board changed any of its assumptions regarding capital expenditure requirements and funding since the February 2021 fund raise? If so could you please outline what has changed.

- *As of the 31 May 2021 the Company had an aggregated cash balance of US\$161 million (including cash of US\$30 million in Sonora Lithium Ltd) and the Company has sufficient funds to support the short-term funding requirements and the ongoing construction program for the next 18 months.*
- *Pleasingly, recent quotes for bulk steel deliveries and plate work in Mexico have confirmed that pricing is still within budget and the Company is still of the view that the optimised forecast project construction budget of US\$407 million (+/-12.5%) is still a reasonable number.*
- *Project commissioning is scheduled for H2, 2023.*
- *The Company continues to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions.*

Q&A

What is the latest on the Orr-Ewing Royalty dispute?

- *There was a hearing in March on a technical matter around time limitations, on which the Alberta Court has yet to rule. We will issue a further update once that result is known. The Company maintains the Royalty is invalid and intends to exhaust all legal avenues on behalf of all its shareholders to ensure the Courts adjudicate fully on the merits of the case.*

Q&A

The Bacanora share price traded up to 65p in January 2021 prior to the fund raise at 45p. Was this because of rumours circulating in the market place about the value of the company? Was the Board aware of the activity of some investors in the bulletin boards at that time? Did the Board make any actions to ensure there was an orderly market in its shares? Please note that I have reported these share price movements to the FCA and have asked them to investigate.

- *The Company fully complies with the FCA and works closely with its NOMAD regarding movements in the share price. The Company ensures shareholders are made aware of any price sensitive information as it becomes available.*

Q&A

How has Bacanora's interest in Zinnwald Lithium developed in the last year? Do Ganfeng value its potential?

- *Zinnwald Lithium plc has now completed the acquisition of the 50% of Deutsche Lithium that it did not already own for a cash payment of €1.5 million and approximately 50 million new shares.*
- *Zinnwald now owns 100% and has full operational control of the Zinnwald Project. Bacanora's shareholding in Zinnwald is now 35.5%.*
- *Ganfeng's views on Zinnwald is a question for Ganfeng.*



**WE WILL NOW INVITE ANY QUESTIONS FROM
SHAREHOLDERS IN THE ROOM.**

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An aerial photograph of a vibrant turquoise river with white rapids, winding through a dense, lush green forest. The river flows from the top center towards the bottom right. The surrounding forest is thick with various shades of green trees and vegetation. A large, semi-transparent circular graphic is overlaid on the left side of the image, framing the 'THANK YOU' text.

THANK YOU

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