Report on

Updated and Reclassified Lithium Resources, Sonora Lithium Project

Sonora, Mexico

For

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This report has been prepared in compliance with National Instrument 43-101 of the Canadian Securities Administrators

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Dated: June 24, 2014.

Date and Signature Page

Date

Dated Effective: June 24, 2014.

Signature

Signed " Carl G. Verley"

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1.0 Summary

This report documents additional diamond drilling conducted in late 2013 and early 2014, on the La Ventana, El Sauz and Fleur concessions within the Sonora Lithium Project. The additional drill results have been used to revise and reclassify the lithium resources to the indicated[1] category from the previously declared inferred category for these concessions.

The Sonora Lithium Project consists of ten contiguous mineral concessions. Bacanora Minerals Ltd. ("Bacanora or the "Company") through its wholly-owned Mexican subsidiary, Minera Sonora Borax S.A. de C.V. ("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 will be owned 100% by Mexilit S.A. de C.V. ("Mexilit"). The Mexilit concessions consist of: El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 and cover, in total, 6,334 hectares. Mexilit is owned, on a 70:30 basis, by Bacanora and Rare Earth Minerals PLC ("REM") respectively under the terms of REM Agreement 1. The remaining three concessions: Buenavista, Megalit and San Gabriel cover 89,235 hectares and will be owned 100% by Minera Megalit S.A. de C.V. ("Megalit"). Under the terms of REM Agreement 2 between Bacanora, MSB and REM, REM has earned a 10% interest in Megalit and will earn a further 20% in Megalit by providing funding of $US1 million on or before November 23, 2014. Under the terms of REM Agreement 1 and REM Agreement 2, REM has the conditional right to negotiate to acquire up to 49.9% of Mexilit and Megalit. There is a 3% royalty in favor of Colin Orr-Ewing on all of the concessions.

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

The Sonora Lithium Project is underlain by Oligocene to Miocene rhyolitic tuffs, ignimbrites and breccias of the upper volcanic complex of the Sierra Madre Occidental. This succession was subjected to Basin and Range extensional normal faulting during Miocene times that resulted in the development of a series of half-grabens. The half-grabens are locally filled with fluvial-lacustrine sediments and intercalated tuffs. Alkaline volcanism around this time is thought to have contributed lithium and other alkali metals into these basins. Quaternary basalt flows cover the basinal sediment-volcaniclastic succession, except where later faulting and uplift have exposed the basin infill. Mineralization on the concessions consists of lithium-bearing clays localized in lacustrine basins.

Exploration by Bacanora, commencing in 2010, that led to the discovery of the lithium-bearing clay units initially consisted of rock sampling. Diamond drilling also commenced in 2010 on the La Ventana concession. Continued drilling through 2011 on La Ventana as well as drilling in 2012 and 2013 on the El Sauz and Fleur concessions resulted in the declaration of inferred lithium resources on these properties (Verley et al., 2012 and Verley, 2013). In addition, in early 2013 Bacanora released a Preliminary Economic Assessment ("PEA") for the La Ventana lithium deposit (Verley and Vidal, 2013).

[1] As per CIM Definition Standards for Mineral Resources and Mineral Reserves (2010)

Figure 1. Location Map of the Sonora Lithium Project (red area).

1.1 La Ventana

Based on drilling conducted by Bacanora on the La Ventana concession in 2010, 2011 and 2013, Table 1 summarizes the revised and reclassified indicated lithium resources estimated for the clay units situated on that concession using cut-offs of 1,000, 2,000 and 3,000 ppm Li. The base case for the estimate, using a 2,000 ppm Li cut-off, is an indicated resource for the Upper Clay unit of 21,470,000 tonnes averaging 2,256 ppm Li (1.20% lithium carbonate equivalent[2] or "LCE"). For the Lower Clay unit the indicated resource is estimated at 53,850,000 tonnes averaging 3,540 ppm Li (1.88% LCE). The indicated resource for both the Upper and Lower clay units is estimated to total 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE) or 1,273,000 tonnes LCE. Both the Upper and Lower Clay units are open down-dip.

[2] Lithium carbonate equivalent assumes that all lithium can be converted to lithium carbonate with no recovery or processing losses.

On La Ventana the best grades of lithium co-incident with elevated levels of potassium and cesium and are found in the southern part of the deposit. Magnesium appears to be irregularly distributed and does not follow lithium or the other alkalis. The thickness of the clay units varies from 6.4 to 69.8 metres, averaging 33.38 metres for the Upper Clay and from 3.41 to 44.35 metres, averaging 24.63 metres for the Lower Clay. Mineralized intervals within the clay units vary for the Upper Clay from 25% to 79% of the overall thickness and from 42% to 100% for the Lower Clay unit, depending on cut-off used.

Table 1. Indicated Lithium Resource Estimate Summary – La Ventana Concession.

Cut-off ppm Li	Tonnes	Li ppm (average)	LCE % (Average)	Tonnes of LCE
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	**21,470,000**	**2,256**	**1.20**	**258,000**
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	**53,850,000**	**3,540**	**1.88**	**1,015,000**
3,000	38,180,000	4,510	2.40	917,000
Total for Upper and Lower Clay Units				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	**75,320,000**	**3,174**	**1.69**	**1,273,000**
3,000	48,210,000	4,235	2.25	1,087,000

Investors are cautioned that the resource estimate does not mean or imply that an economic lithium deposit exists at the La Ventana concession. Further testing will need to be undertaken to confirm economic feasibility.

Metallurgical test work on drill core samples and one tonne bulk samples has demonstrated that lithium can be put into a solution. The lithium-bearing solutions can then be concentrated to produce a lithium carbonate precipitate that meets battery grade specifications (i.e. 99.5% or greater lithium carbonate).

Based on previously disclosed inferred resources and preliminary metallurgical test work; a positive, preliminary economic assessment ("PEA") for the La Ventana lithium deposit was concluded (Verley and Vidal, 2013). The PEA is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. In order to make the preliminary economic assessment forward looking information was used including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm economic feasibility of the La Ventana Lithium Deposit. There have been no prior pre-feasibility or feasibility studies undertaken for this deposit.

Table 2 shows highlights of a preliminary economic analysis of a potential lithium mining and production operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life, suggest annual revenue of $US210 million for an IRR of 138% with a 1.9 year pay back. Capital costs are estimated at $US114 million and average operating costs at $US1,958/tonne. Net present value (NPV) of the Project, discounted at 8%, is $US848 million, assuming an average lithium carbonate price of $US6,000/tonne.

Table 2. Preliminary Financial Highlights – La Ventana Lithium Deposit.

Open Pit Mine Production per annum	2,735,000	tonnes @ 0.3% Li
Lithium carbonate production per annum	35,000	tonnes
Revenue ($US6,000/tonne of lithium carbonate) per annum	$US210	million
NPV (8% Discount)	$US848	million
Internal rate of return (IRR)	138%	
Average Operating costs	$US1,958	per tonne
Total Initial Capital Costs	$US114	million
Expected Mine Life	20	years
Pay Back of Capital Costs	1.9	years

1.2 El Sauz and Fleur Concessions

In 2013, Bacanora initiated a diamond drill program on the El Sauz and Fleur concessions that was concluded in early 2014 with the completion of 4,998 metres in 41 holes. The program was successful in confirming the continuation of lithium-bearing clay units found on Bacanora's adjacent La Ventana concession onto the El Sauz and Fleur concessions. It demonstrated that significant lithium values occur in the two clay units identified by the drilling along the 4.2 kilometres of strike length tested.

The drilling results have been used to estimate revised and reclassified lithium resources in the two clay units. The total resource is summarized in Table 3; At a base case cutoff of 2,000 ppm Li, the estimate of indicated resources for the Upper Clay unit is 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE); for the Lower Clay unit the indicated resource is estimated at 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE). The indicated resource for both the Upper and Lower Clay units is estimated to total 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE) or 2,010,000 tonnes LCE. Both the Upper and Lower Clay units are open down-dip.

On El Sauz and Fleur concessions the best grades of lithium also coincide with elevated levels of potassium and cesium and are found to extend from the central part of El Sauz to the north through Fleur where they essentially join up with similar values in the clay units on the adjoining La Ventana concessions. Magnesium appears to be irregularly distributed and does not follow lithium or the other alkalis. The length of the clay intercepts varies from 4.63 to 47.70 metres, averaging 25.01 metres for the Upper Clay and from 2.74 to 44.80 metres, averaging 24.07 metres for the Lower Clay. Mineralized intervals within the clay units vary for the Upper

Clay from 25% to 79% of the overall thickness and from 42% to 100% for the Lower Clay unit, depending on cut-off used.

Investors are cautioned that the resource estimate does not mean or imply that an economic lithium deposit exists on the Property. Further testing will need to be undertaken to confirm economic feasibility.

Table 3. Estimate of Total Indicated Lithium Resources for El Sauz – Fleur Concessions.

Cut-off (ppm)	Tonnage	Average Grade		Tonnes LCE
		Li ppm	LCE%	
Upper Clay Unit				
1000	97,080,000	1,657	0.88	856,000
2000	**47,360,000**	**2,222**	**1.18**	**560,000**
3000	18,390,000	3,773	2.01	369,000
Lower Clay Unit				
1000	98,250,000	3,028	1.61	1,584,000
2000	**73,630,000**	**3,698**	**1.97**	**1,450,000**
3000	58,910,000	4,140	2.20	1,298,000
Upper & Lower Clay Units Combined				
1000	195,330,000	2,347	1.25	2,440,000
2000	**120,990,000**	**3,120**	**1.66**	**2,010,000**
3000	77,300,000	4,053	2.15	1,667,000

Based on the drill results, the Qualified Person concludes that a significant lithium resource exists on the concessions of the Sonora Lithium Project. Pilot plant testing has demonstrated that the clay units are amenable to the recovery of lithium and the production of a commercial grade lithium carbonate. Further work is recommended to undertake preliminary feasibility studies, including engineering design work for a mining complex and commercial scale lithium carbonate production facility.

The estimated cost of this work is $US750,000.

2.0 Introduction

This report was prepared at the request of Mr. Martin F. Vidal, President of Bacanora Minerals Ltd.

The purpose of the report is to provide a summary of scientific and technical information concerning revised and reclassified estimates of lithium resources on the Property as a part of Bacanora's continuous disclosure requirements under Canadian securities laws and regulatory policies and corresponding TSX Venture Exchange rules.

All maps in this report, with the exception of Figure 1, are located with reference to metric geographic coordinates of the North American Datum of 1927, zone 12 (i.e., NAD 27, zone 12). Figure 1 is located with reference to latitude and longitude coordinates in degrees.

2.1 Sources of Information

Information contained in this report was sourced from Bacanora Minerals Ltd. survey data, drill logs, assay and analytical reports, Government of Mexico mineral titles data base and topographic maps. General information concerning regional geology and deposits types was sourced from references cited herein and listed at the end of this report.

The Qualified Person responsible for this report is Mr. Carl G. Verley, P.Geo.

Mr. Verley has inspected the Sonora Lithium Project during the period March 16 to 18, 2013, April 26, 2013, June 4, 2013, November 29 to December 2, 2013 and again from February 23 to March 1, 2014 during which time he examined the geology of the Sonora lithium Project, examined the diamond drill core from Bacanora's drilling of the La Ventana and El Sauz – Fleur concessions, in addition to collecting duplicate core samples for QA/QC purposes.

3.0 Reliance on Other Experts

In the preparation of this report the Competent Persons have relied upon the following sources of information disclosed under Item 4.0, Property Description and Location:

- Luis Alonso Melicoff Durazo: Mexican Legal Opinion on Concession Status.

Concerning mineral processing and metallurgical testing of the La Ventana and El Sauz and Fleur concessions the Competent Persons have relied on the following reports as they apply to information disclosed under Item 13.0, Mineral Processing and Metallurgical Testing:

- Geoff Allard, P.E.: Executive Summary – Progress Reports 1 - 8 for Magdalena Colemanite Project dated May 24, 2012.
- John Fox, P.Eng.: Preliminary Lithium Testwork, Technical Note #BCO-1101 dated November 14, 2012.
- John Fox, P.Eng.: Lithium test work preliminary interim report, Technical Note #BCO-1301 dated January 8, 2013.
- John Fox, P.Eng.: Summary of Lithium Test work Status, Technical Note #BCN 13084 dated August 28, 2013.
- Michael Redfearn, P.Eng. and Boja Grcic B.Sc.: Preliminary Metallurgical Testing for Lithium Recovery on Samples from the Bacanora Minerals, La Ventana Deposit, Sonora Lithium Project dated October 28, 2013.
- Michael Redfearn, P.Eng. and Boja Grcic B.Sc.: Metallurgical Testing for Lithium Recovery on Samples from The Bacanora Minerals Ventana and Sauz Zones – Part 2 dated April 14, 2014.
- Grinding Solutions Ltd: 14-1076: Investigation of Clays in Bacanora Mineral Deposits, report dated April 2, 2014 for Bacanora Minerals Ltd.

4.0 Property Description and Location

The Sonora Lithium Project consists of 10 individual mineral concessions. Bacanora through its wholly-owned Mexican subsidiary, MSB, has a 100% interest in two of these concessions: La Ventana and La Ventana 1, which cover 1,820 ha.

The concessions are located approximately 190 kilometres northeast of the city of Hermosillo, in Sonora State, Mexico, and are about 200 kilometres south of the border with Arizona, USA. Table 4 lists the individual concessions. A map with the locations of the ten contiguous concessions is illustrated in Figure 2 and a detailed map of the core concessions in Figure 3.

The boundaries of each concession are located with reference to a concession monument (Punto de Partida) and the distances and directions from the monument are specified in the title document as issued by the Mexican Mining Authorities once the approval for a claim application has been granted. Concessions applied for in 2013 have had their surveys approved but final title documents and title numbers have not yet been issued by the Mexican mining authorities. On the basis of survey approval, the Qualified Person is of the belief that there is little or no risk concerning the validity of these titles.

Mexilit S.A. de C.V. will have a 100% interest in five concessions (El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1) covering 6,334 ha. Mexilit is owned 70% by Bacanora and 30% by REM's subsidiary, REM Mexico Ltd, under terms of REM Agreement 1. In addition, REM Mexico Ltd has the first right until September 30, 2014 to negotiate with Bacanora to increase its interest from 30% by a further 19.9% to 49.9%.

Table 4: Concession Status, Sonora Lithium Project

Concession Name	Title #	Record Date	Expiry Date	Area (hectares)
Bacanora 100% owned concessions				
La Ventana	235,611	Jan. 22, 2010	Jan. 21, 2060	875
La Ventana 1	Approved for Title	Apr 2, 2013	n/a	945
Mexilit S.A. de C.V. (Bacanora 70% - REM 30%)				
El Sauz	235,614	Jan. 22, 2010	Jan. 21, 2060	1,025
Fleur	Approved for Title	Apr. 2, 2013	n/a	2,334.50
El Sauz 1	Approved for Title	Apr 2, 2013	n/a	199.55
El Sauz 2	Approved for Title	Aug. 29, 2013	n/a	1,144.31
Fleur 1	Approved for Title	Dec. 7, 2012	n/a	1,630
Megalit S.A. de C.V. (Bacanora 90% - REM 10%)				
Buenavista	235,613	Jan. 22, 2010	Jan. 21, 2060	649
Megalit	Approved for Title	Nov 7, 2013	n/a	87,085.78
San Gabriel	235,816	Mar. 12, 2010	Mar 11, 2060	1,500

Megalit S.A. de C.V. (Megalit) will have a 100% interest in the Buenavista, San Gabriel and Megalit concessions which cover a total of 89,235 ha. Bacanora owns 90% of Megalit with the remaining 10% owned by REM as prescribed under terms of REM Agreement 2. REM can increase its ownership in Megalit to 30% by paying $1.5 million to Bacanora. To date REM has made cash payments of $500,000 to Bacanora in respect of the 30% earn-in under REM Agreement 2 and REM has until November 23, 2014 to pay Bacanora the remaining $1 million in order to earn the 30% interest in Megalit. Under the terms of REM Agreement 2, REM has conditional rights to negotiate to acquire up to 49.9% of Megalit.

Bacanora, through MSB, acquired the La Ventana and El Sauz concessions from their previous owner by paying an aggregate of 600,000 shares in Bacanora and $US40,000 to the previous owner for a 100% interest in the Project. Mexilit acquired its concessions from MSB, by issuing to MSB an aggregate of 100,000 shares in Mexilit at a deemed value of $US1.00 per share.

The ten contiguous concessions lie within seven municipalities: Bacadehuachi, Divisaderos, Granados, Huasabas, Nacori Chico, Sahuaripa and Tepache. The core concessions fall in the municipality of Bacadehuachi, from whom permission to work must be received. In addition, permission to work must be received from individual landowners who have surface rights in the concessions area. These are held by the following ranches: El Rancho Seco, Las Chivas, San Gabriel de los Castores, El Palmar, La Joya, El Sauz, El Cubachi, Zauz de Valencia, Los Americanos, La Ventana, Las Perdices, Moinadehuachi. Bacanora, on behalf of Mexilit and Megalit and for its wholly-owned concessions, has received permission from the Municipality of Bacadehuachi and the ranch owners to conduct exploration work on the concessions.

The concessions making up the Sonora Lithium Project are subject to a 3% gross overriding royalty (“GOR”) to Colin Orr-Ewing. There are no other royalties payable or back-in rights, payments or other agreements or encumbrances to which the concessions are subject - with the exception of the previously mentioned first rights of refusal.

There are no known mineral resources, mineral reserves and mine workings, existing tailing ponds or waste deposits on the concession areas. Land use, by nature of the environment, is restricted to cattle grazing. There are no environmental liabilities to which the concessions are subject.

In order to retain the mineral rights to mineral concessions in Mexico, Bacanora must comply with Mexican government regulations concerning semi-annual payment of property taxes that are based on the number of hectares held and the age of the concessions. In addition, on an annual basis, Bacanora must make government prescribed minimum investments in exploration and development expenditures on each concession. The amounts required for minimum investments are provided in annual fee schedules released by the Mines Office. Title to mineral concessions has inherent risks sometimes due to the difficulties of determining the validity of a title, and at other times, due to potential problems stemming from ambiguous conveyance history of some mineral properties. Bacanora has investigated title to all of its mineral concessions and maintains them in compliance with Mexican Mining Law.

In order to conduct exploration and mine development activities on the concessions Bacanora must file an Environmental Impact report with the Mexican authorities. In addition, Bacanora must apply for Land Use permits with the Mexican authorities and the local land owners. To date Bacanora has all the permits on hand that it requires to conduct the proposed work program on the concessions. Reclamation of drill sites is required and was undertaken at the completion of each drill hole.

There are no other significant factors or risks that the QP has been able to determine that may affect access, title, or the right or ability to perform work on the concessions. Access can be an issue for the Sonora Lithium Project during the July to September rainy season when flash flooding of some creeks and rivers may temporarily block access routes to the concessions, thus affecting the ability to perform work there for short periods of time until access has been upgraded to all weather status.

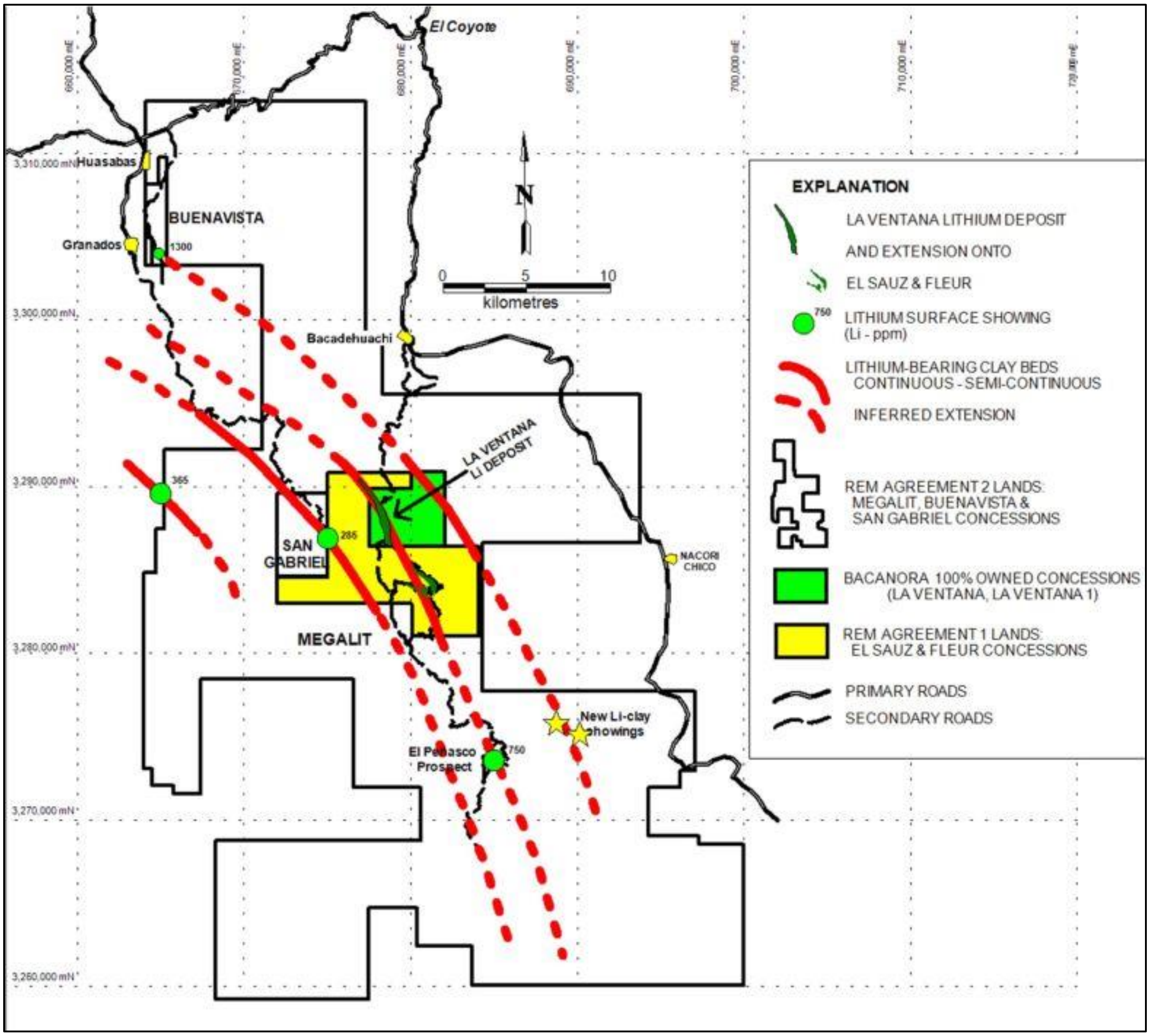

Figure 2. Contiguous Concessions comprising the Sonora Lithium Project

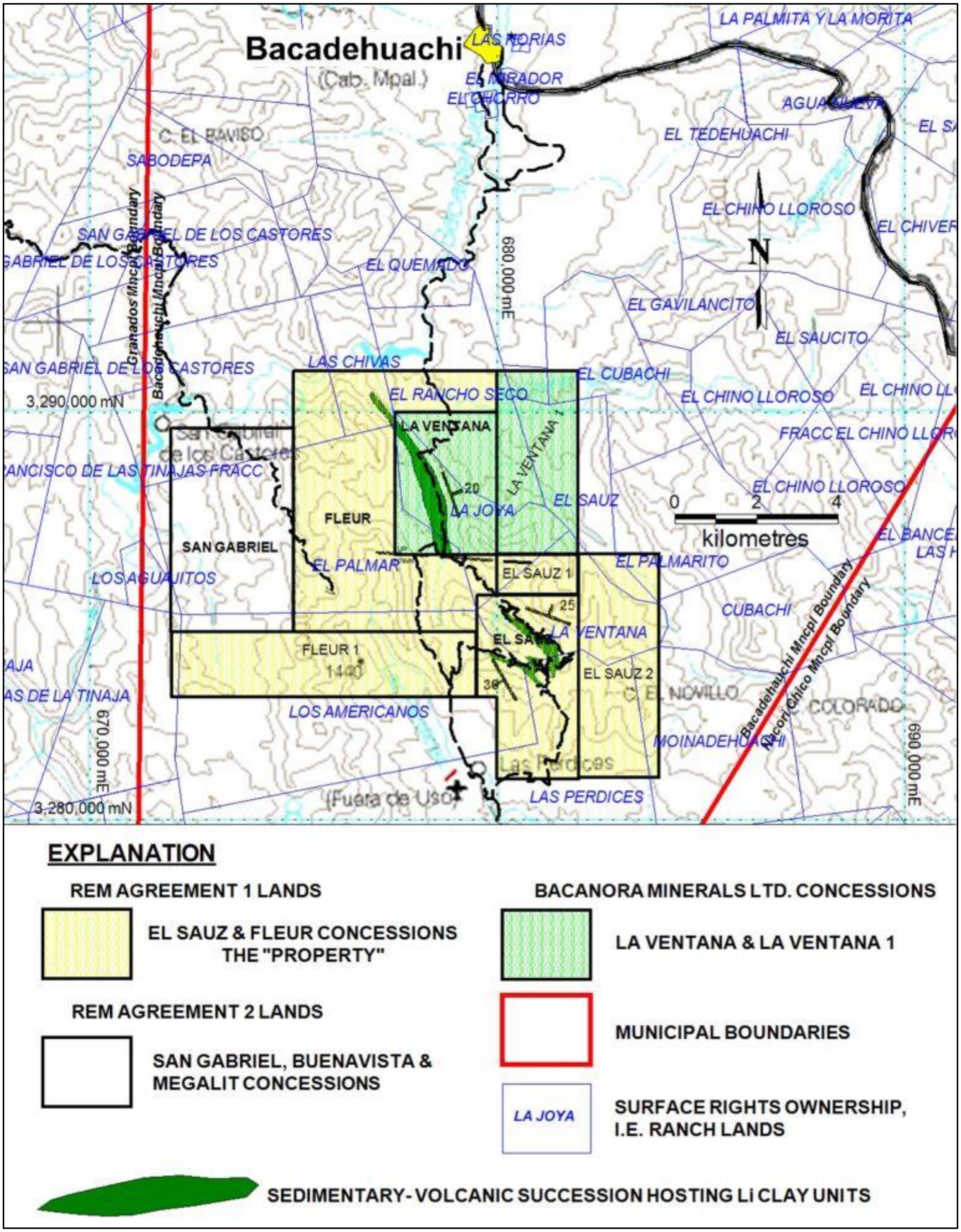

Figure 3. Map of Eight Core Concessions comprising the Sonora Lithium Project

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

5.1 Accessibility

Sonora State has well developed infrastructure. An extensive network of roads, including a four-lane highway (Highway 15) that crosses the state from south to north, joins Sonora with the rest of Mexico and with the United States of America.

Access to the Sonora Lithium Project is by way of Federal Highway 14, a two-lane highway from Hermosillo, for 225 kilometres east (passing through the towns of Ures, Mazocahui, Moctezuma and Huasabas), to the intersection known as "El Coyote", then south from the intersection for 20 kilometres on a recently paved, two-lane highway to the town of Bacadehuachi. Bacanora has set up its base of operations for work on the Project in this town. Access to the concessions from Bacadehauchi is via secondary, unimproved, dry-weather roads, approximately 11 kilometres to the south, crossing various privately owned ranches. Land owners have granted permission for access to the concessions.

The region is well known for cattle ranching, and ranches and fenced zones cross the area. The ranchers have created a network of secondary dirt roads to access other areas, and these roads provide excellent access to the concessions.

5.2 Climate and Physiography

The average ambient temperature is 21°C, with minimum and maximum temperatures of -5ºC and 50ºC, respectively in the project areas. Extreme high temperatures, upwards of 49ºC occur in summer while winters, although short, are cool compared to most of Mexico. The accumulated annual rainfall for the area is approximately 450 millimetres. The wet season or desert "monsoon" season occurs between the months of July and September, and heavy rainfall can hamper exploration at times. The Sonoran Desert, because of its seasonal rainfall pattern, hosts plants from the agave, palm, cactus and legume family, as well as many others. The length of the operating season is 365 days a year.

The Sonora Lithium Project is situated within the Sonoran Desert in the western portion of the "Sierra Madre Occidental" (SMO) physiographic province, within the Basin and Range subprovince. It lies between "Mesa de Enmedio", "Rincon del Sauz" and "El Capulin" mountain ranges. Average elevation at the Project area is 900 metres above sea level. The concessions are surrounded by mountain peaks with elevations ranging up to 1,440 metres above sea level.

5.3 Local Resources and Infrastructure

5.3.2 Sonora Lithium Project

Bacadehuachi is a small farming and ranching community with a population of approximately 2007. Basic services capable of supporting early stage exploration projects are available in the town. Surface rights sufficient for mining operations are obtainable from local landowners, should such activities develop on the concessions.

The closest electric power line is about 10 kilometres north of the concessions, passing very close to Bacadehuachi. The power line then heads toward Nacori Chico, the next village southeast from Bacadehuachi.

All water for exploration and mining activities must be pumped from the local river or from wells. Ranch owners have been supportive in supplying sufficient water for drilling programs. Availability of water for advanced exploration or mining has not been fully assessed. An assessment of the sufficiency of water supply will need to be part of a pre-feasibility study. There is sufficient area on the concessions for potential tailings storage, potential waste disposal and potential processing plant sites.

Mexico has a skilled and mobile exploration and mining labor pool capable of meeting the needs of advanced projects or mining operations.

6.0 History

6.3 Sonora Lithium Project

There are no records of mineral exploration or mineral occurrences in the project area prior to 1992, when an American group initiated regional exploration work in the search for industrial minerals. In 1996, the American group conducted detailed field work in the area, which consisted of geological mapping and rock sampling. The mapping resulted in the discovery of sequences of calcareous, fine-grained sandstones to mudstones intercalated with tuffaceous bands that are locally gypsiferous. Rock sampling across representative sections of the sequence at intervals along the strike extensions of these units returned weakly anomalous boron values. Consequently, the American group abandoned exploration in the area.

In 2010 Bacanora initiated a program of limited rock sampling on the La Ventana concession this work led to the discovery of lithium-bearing clays. Follow-up work in 2011 on the El Sauz concession led to the discovery of the lithium-bearing clays there. These programs are described in detail under Item 9.3.

There are no historical estimates of mineral resources or mineral reserves in the project area.

There has been no mineral production from any of the concessions.

7.0 Geological Setting and Mineralization

7.1 Regional Geology

The Sonora Lithium Project is underlain by Oligocene to Miocene age rhyolitic tuffs, ignimbrites and breccias of the upper volcanic complex of the Sierra Madre Occidental (INEGI, 1982). This succession was subjected to Basin and Range extensional events during Miocene times that resulted in the development of a series of half-grabens. The half-grabens are locally filled with fluvial-lacustrine sediments and intercalated tuffs that contain lithium-bearing clays, as at the Buenavista concession of Bacanora. However, the clay-bearing sequence on the concessions may be derived from pyroclastic debris formed during a slightly earlier stage of alkaline volcanism that was entrained in a caldera formed during the waning stages of volcanic activity. Quaternary basalt flows cover the basinal sediments and alkaline volcaniclastic succession (Figure 4).

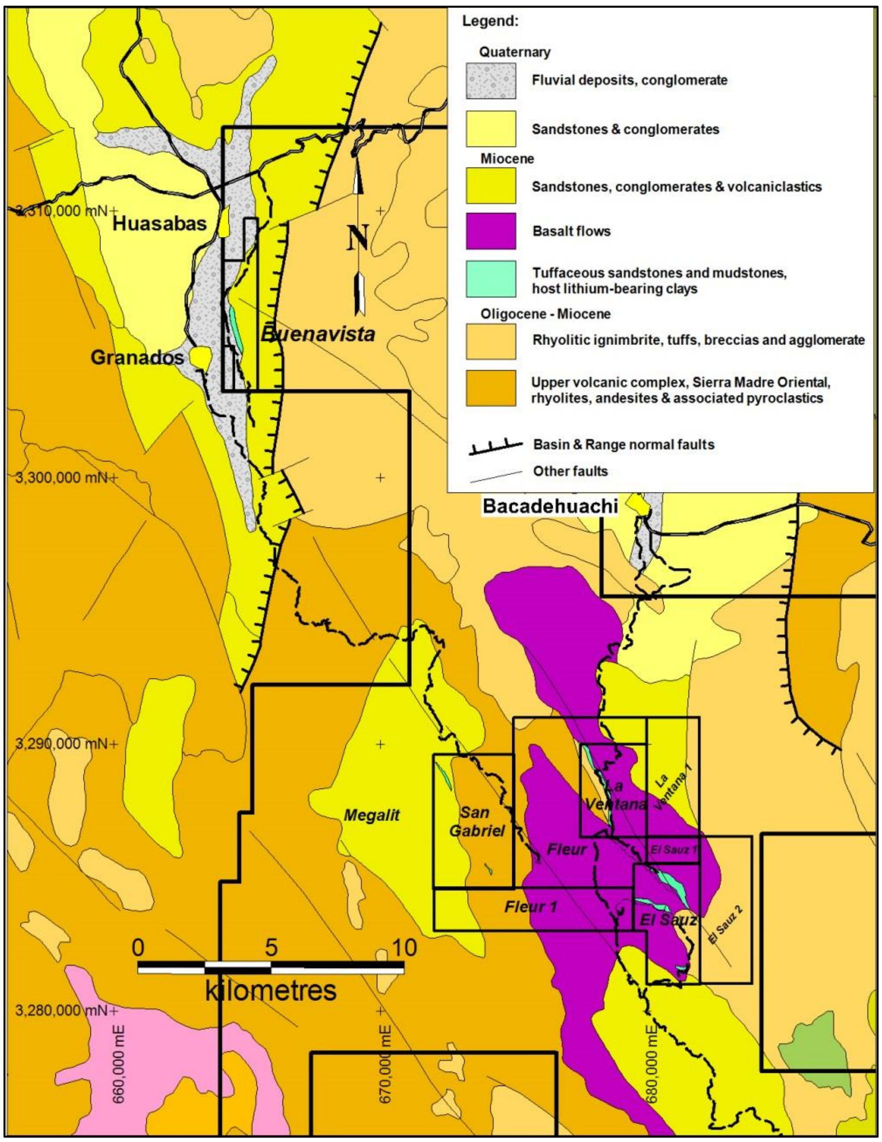

Figure 4. Regional Geology of the Sonora Lithium Project Area

7.2 Property Geology

Preliminary geological mapping of the project core area, which covers Bacanora's La Ventana concession and the REM Agreement 1 lands (El Sauz and Fleur), was conducted by Daniel Calles, a geologist under contract to Bacanora (Figure 5).

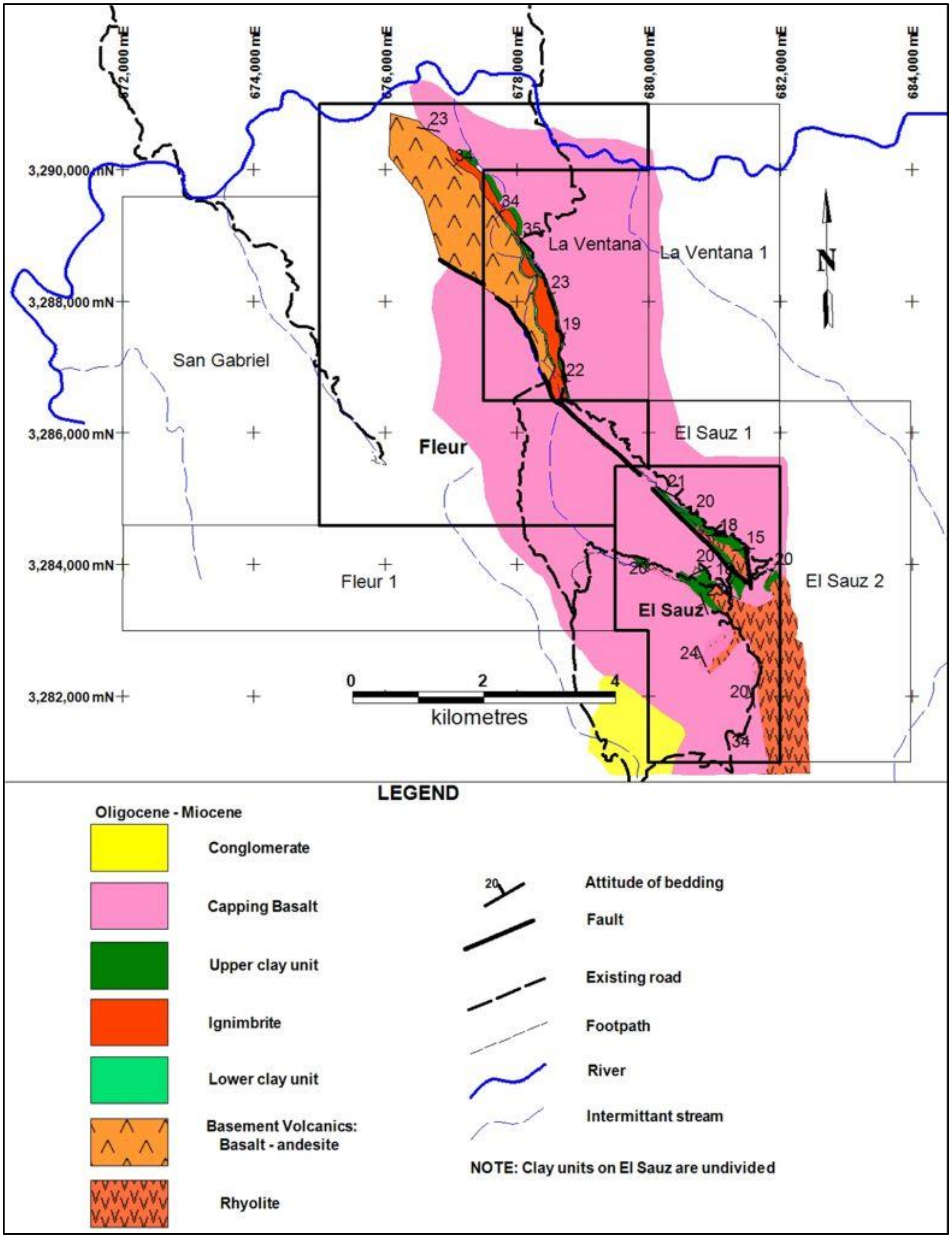

Figure 5. Sonora Lithium Project Core Geology

The stratigraphic succession hosting the lithium-bearing clay units (Table 5) consists of the following sequences, as determined from Mr. Calles' mapping and recent drilling:

1. A basal sequence consisting of basalt, andesitic basalt pyroclastics and rhyolite tuff.
2. Lower clay unit, consisting of several subunits of a basal red siltstone-sandstone-conglomerate unit, tuffaceous sediments, thin lapilli tuff layers and reworked tuff layers interbedded with lithium-rich clay layers. The lower clay unit ranges from 21.6 to 42.1 metres in true thickness and averaging 27.8 metres thick.
3. Ignimbrite layer, consisting of an orange, welded, lapilli tuff ranging from 1.3 to 11.9 metres in true thickness and averaging 5.6 metres.
4. Upper clay unit, also consisting of several subunits of thin, rhythmically laminated clay and silica layers, coarse-grained, poorly sorted brown sandstone beds with a clayey and calcareous matrix; yellowish green clay beds with silica nodules; dark grey clay bands with distinct slump features and local calcite masses; light grey claystone layers interbedded with reddish sandstone beds; reddish medium to coarse-grained sandstone with calcite veinlets. The upper clay unit ranges from 14.1 to 40.4 metres in thickness, averaging 28.2 metres thick.
5. Capping basalt, consisting of vesicular olivine basalt flows and intercalated flow-top breccias.

Table 5. Stratigraphic Succession of the Core Area, Sonora Lithium Project.

Unit	True[3] Thickness (m)	Unit/Subunit Description
Capping basalt	Not determined	Basalt. Contains greenish olivine crystals. Veinlets of kaolinite/alunite (white/greenish, powdery).
Upper clay unit	28.0 (14.10 – 40.39)	Reddish, medium-coarse grained sandstone with calcite veinlets.
		Pale gray tuffaceous claystone intercalated with reddish, sandy layers. Scarce FeOx layers (black).
		Dark gray slumping breccias. Dark, clayey groundmass with tuffaceous fragments. Calcite in masses.
		Green-yellowish silica nodules in a clayey waxy, tuffaceous matrix.
		Brown sandstone. Poorly bedded. Highly calcareous. Reddish tuffaceous coarse grained sandstone. Clay matrix. Soft.
		Pale green-pinkish, fine grained sequence of clays and silica nodules. Waxy in zones. Calcite in masses
Ignimbrite	5.58 (1.29 – 11.89)	Ignimbrite: orange colored, welded lapilli tuff. Locally brecciated.
Lower clay unit	27.78 (21.57 – 42.11)	Pale gray reworked tuff with abundant lithium-bearing clay zones.
		Pale green tuffaceous sediments. K-feldspar groundmass with quartz and biotite. Indurated. Contains lapilli tuff.
Basement Volcanics	Not determined	Dark green basalt, andesitic basalt and rhyolite tuff.

[3] Average true thickness; range of true thickness from minimum to maximum in parentheses.

The lithium-bearing sedimentary sequences are distinct and easily distinguished in the field from the surrounding volcanics by their pale colour and thin to medium bedding, as illustrated in the southeast view across the La Ventana concession (Figure 6) and the northeast view of gently, northeasterly dipping, lithium-bearing sediments near the center of the El Sauz concession (Figure 7).

Figure 6. Looking southeast across the volcano-sedimentary sequence on La Ventana.

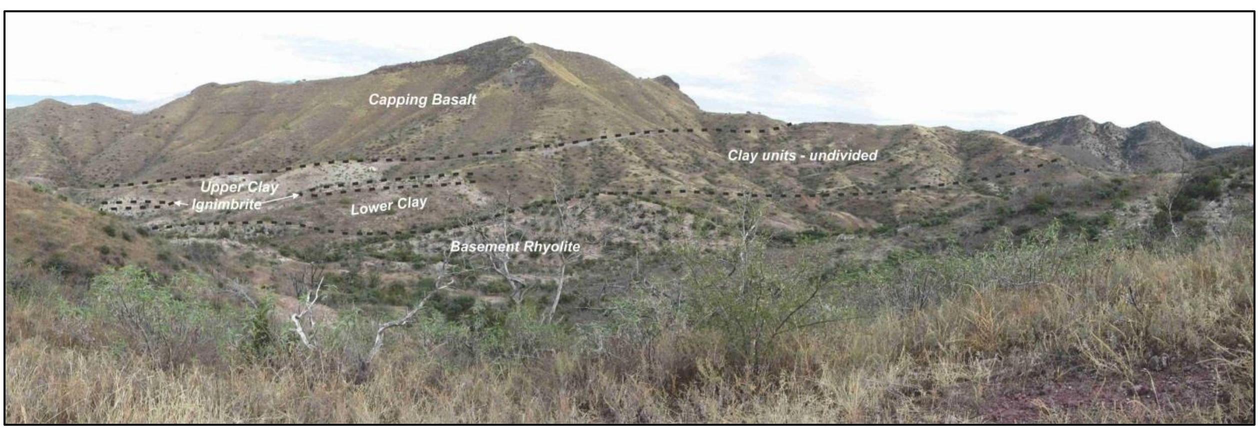

Figure 7. Looking east, stratigraphic succession – northeast from center of El Sauz.

On the La Ventana concession, lithium-bearing clay units are exposed from the northwest corner of the concession to the southeast of the concession, a distance of 3.6 kilometres. The sediments dip approximately 20^o to the northeast. A northwesterly striking oblique slip fault has down dropped the clay units to the south of La Ventana under basalt cover. Drilling has confirmed the continuity of the clay units under the basalt cover for a distance of 2.0 kilometres to the southeast were they are exposed on the El Sauz concession for a distance of 2.0 kilometres to the southeast. This makes for a 7.6 kilometre strike length of the clay unit from the north end of La Ventana to the southern part of El Sauz.

The more southerly exposures of the clay units on El Sauz dip gently westerly probably as a result of offsets and rotation on faults. In addition, exposures of the basement volcanics consist of rhyolite tuff on the southern part of El Sauz versus andesitic basalt on La Ventana.

7.3 Mineralization

Mineralization on the concessions consists of a series of lithium-bearing clays that occur within two bedded sequences, the Upper and the Lower Clay units, which are separated by an ignimbrite sheet.

Preliminary analysis of the clays by the James Hutton Institute in Aberdeen, Scotland, indicated that the fine fraction of the clays consist of 2:1 dioctahedral clays classified as illites or smectites, possibly of bentonite or montmorillonite species (Grinding Solutions, 2014). The clay units are believed to have formed from alteration, by supergene processes or diagenesis, of volcanic ash. The clay layers also contain relict quartz and feldspar crystal shards, lithic fragments and silica bands, and traces of other minerals. The layers are locally interbedded with reddish terrigenous beds composed of sand and silt-sized material.

The Lower Clay unit is underlain by basaltic flows, breccias and tuffaceous rocks and is overlain by an ignimbrite sheet. The average true thickness of the Lower Clay unit is 27.8 metres and it ranges from 21.6 to 42.1 metres in true thickness. Based on the results from a recent drill program on the concessions (refer to Item 10.0), lithium values in the Lower Clay range from 38 to greater than 10,000 ppm Li.

The Upper Clay unit is underlain by the ignimbrite sheet that overlies the Lower Clay unit and the Upper Clay is overlain by a sequence of basalt flows and intercalated flow top breccias. The Upper Clay unit ranges from 14.1 to 40.4 metres in true thickness and averages 28.20 metres. Lithium values in the Upper Clay range from 41 to 6,200 ppm Li, based on results from the analyses of drill core from the recent drill program.

Re-analyses of the drill core sample pulps were undertaken in order to determine values for some of the alkalis that previous analyses reported as being above detection limits. Ranges for selected alkalis are tabulated below.

Table 6. Ranges of analyses for selected alkalis on the Concessions.

	Li ppm	K %	Rb ppm	Cs ppm	Mg %	Sr ppm
Upper Clay	41 - 6,200	0.12 - 1.75	23 - 480	34 - 1,805	0.13 - 5.21	128 - 8,380
Lower Clay	38 - >10,000	0.12 - 4.45	14 - 880	68 - 3,000	0.16 - 5.52	31 - 6,820

Further mineralogical studies are recommended in order to determine what minerals host the various alkali’s in the clay units. Results of such studies could have an impact on beneficiation of these minerals and recovery of the alkali’s.

Controls for the lithium and alkali mineralization follow the shape of a lake in which the clays became entrained. Faults underlying the lake that may have served as channel ways for lithium-rich solutions to percolate into the lake basin and possibly alter and enrich the existing clays in lithium. Alternatively, the lithium may have been sourced from rhyolites (Hofstra et al., 2013). However, rhyolites with lithium-rich melt inclusions have not yet been identified in the succession on or near the concessions.

Based on the surface mapping and drill results, the clay units extend continuously along strike in a southeasterly direction for 4.2 kilometres from the south boundary of the La Ventana concession to the middle of the El Sauz concession, with main exposures in the central part of the El Sauz concession. North from El Sauz, the clay units are covered by basalt, but drilling has demonstrated that they continue to the north under the Fleur concession (Figure 13). The down dip extent to the northeast, southwest and south is not known at present and remains to be tested by further drilling.

There is a high grade lithium core in the area covered by the La Ventana, El Sauz and Fleur concessions. This high grade zone extends from the middle of La Ventana southward across Fleur and approximately a third of the distance south into El Sauz. There lithium grades are generally above 3,000 ppm Li. The best grades of lithium are associated with elevated levels of calcium, cesium, magnesium, potassium, rubidium and strontium. However, the correlation (especially for magnesium) is not one-to-one.

8.0 Deposit Types

8.1 Lithium Deposits

Lithium occurs in commercial concentrations in three types of mineral deposits:

1. Pegmatites,
2. Brines, caliche, and
3. Clays.

8.2.1 Pegmatites

Pegmatites were traditionally the primary source of lithium from contained minerals: spodumene ($LiAlSi_2O_6$), lepidolite ($K(Li, Al)_3(Si, Al)_4O_{10}(F, OH)_2$ and petalite ($LiAlSi_4O_{10}$) (Cerny, 1991). Examples of productive lithium pegmatites are the Kings Mountain – Bessemer City tin-spodumene belt in North Carolina (Broadhurst, 1956), and the Quebec Lithium Property of RB Energy Corp (formerly Canadian Lithium Corp.; Shannon et al., 2011).

8.2.2 Brines and caliche

Brines are the main source for lithium today. In brines, lithium occurs as lithium chlorides (LiCl) that are pumped from the evaporite lakes or salt pans (salars) into a processing facility to produce lithium carbonate (Li_2CO_3). Examples of productive brine fields are found in South America at the Salar de Atacama, Chile as well as at Searles Lake in Clayton Valley, Nevada. In Chile, caliche deposits that are mined for nitrates in the Atacama Desert can also produce lithium as a byproduct.

8.2.3 Clays

Clays such as jadarite ($LiNaB_3SiO_7(OH)$, hectorite ($Na_{0.3}(Mg, Li)_3Si4O_{19}(OH)_2$) and polylithionite ($KLi_2AlSi_4O_{10}F_2$) are some of the lithium-bearing clay minerals that are potential sources for lithium. The lithium-bearing clays are the result of degradation of felsic volcaniclastic rocks through either weathering processes or hydrothermal alteration. Subsequent impoundment of the resulting clay minerals is into local catchment basin lakes. It is also thought that hot-spring activity related to volcanism may also supply some of the lithium into the lake environment by way of faults coming into the lake basins. An example of a potentially economic lithium deposit in clay is the Kings Valley Project in Nevada, USA, of Western Lithium Corp. (Ajie et al., 2009). Lithium clays have two major end uses, as sources for: (i) lithium compounds such as lithium carbonate, as well as (ii) high temperature - high pressure tolerant drilling muds for the petroleum industry.

Demand for lithium compounds is strong because of its unique electrochemical properties that make lithium the element of choice for batteries having high energy storage capacity and other energy applications as well as a host of other industrial and health applications. Deep and horizontal drilling techniques employed in the petroleum industry place a strong demand on lithium-bearing clays used in drilling muds.

Lithium mineralization at the Sonora Lithium Project is of the clay type.

Concepts from the geological model for lithium-bearing clay deposits that are applied to exploration of these deposits include:

1. recognition of young sedimentary basins containing or having the potential to contain clays derived from felsic volcanic rocks, and
2. litho-geochemical sampling of clay units exposed in young sedimentary basins by means of surface sampling or drilling.

9.0 Exploration

Bacanora's initial exploration efforts were focused on testing the clay exposures located on the La Ventana concession. In 2010 a series of six continuous chip samples were taken perpendicular to the strike of upper clay unit at intervals between 1 and 1.5 metres in length at the south end of the concession.

Each sample was placed in a numbered, fiber-weave sack. The samples were then taken to ALS Chemex facility in Hermosillo for lithium analysis and a multi-element scan using ICP-MS techniques.

The results of this work confirmed the high lithium concentrations in the clay unit. Values for the six samples ranged from 1,710 to 4,680 ppm Li (0.91 to 2.49% LCE).

Bacanora then conducted a diamond drilling campaign at La Ventana in 2010. A total of four holes were drilled as an initial test of the lithium-bearing clay units. Details and significant results of Bacanora's drilling on La Ventana are found in Item 10.0.

9.1 Exploration in 2011

A geological reconnaissance and rock-sampling program was conducted on the El Sauz concession by Adrian Edgardo Perez on behalf of MSB during the period September 28 to November 11, 2011. A total of 116 rock samples were collected from exposures of a pale colored, clay-bearing sequence of sediments and intercalated tuffaceous rocks. The sampled exposures occur in the northern half of El Sauz and dip to the east, in the case of the northeastern most outcrops, and west in the case of the more southerly exposures. These opposing dips appear to indicate an anticlinal structure.

The samples were collected across outcrops as continuous chip samples ranging in width from 0.9 to 2.2 metres and averaging 2.0 metres perpendicular to the strike direction of the sediments. Sample spacing was dependent on exposure; consequently, it was difficult to ascertain how representative the samples were of the overall clay-bearing units on El Sauz.

Results of analyses performed on the samples by ALS Chemex ranged from 49 to 7,220 ppm Li, with 39 samples greater than 1,000 ppm Li (Figure 8). The results indicated that significant lithium-bearing clay units occur on El Sauz.

A further eight core holes were drilled into the clay units in 2011. Details and significant results of Bacanora's drilling on La Ventana are found in Item 10.1.

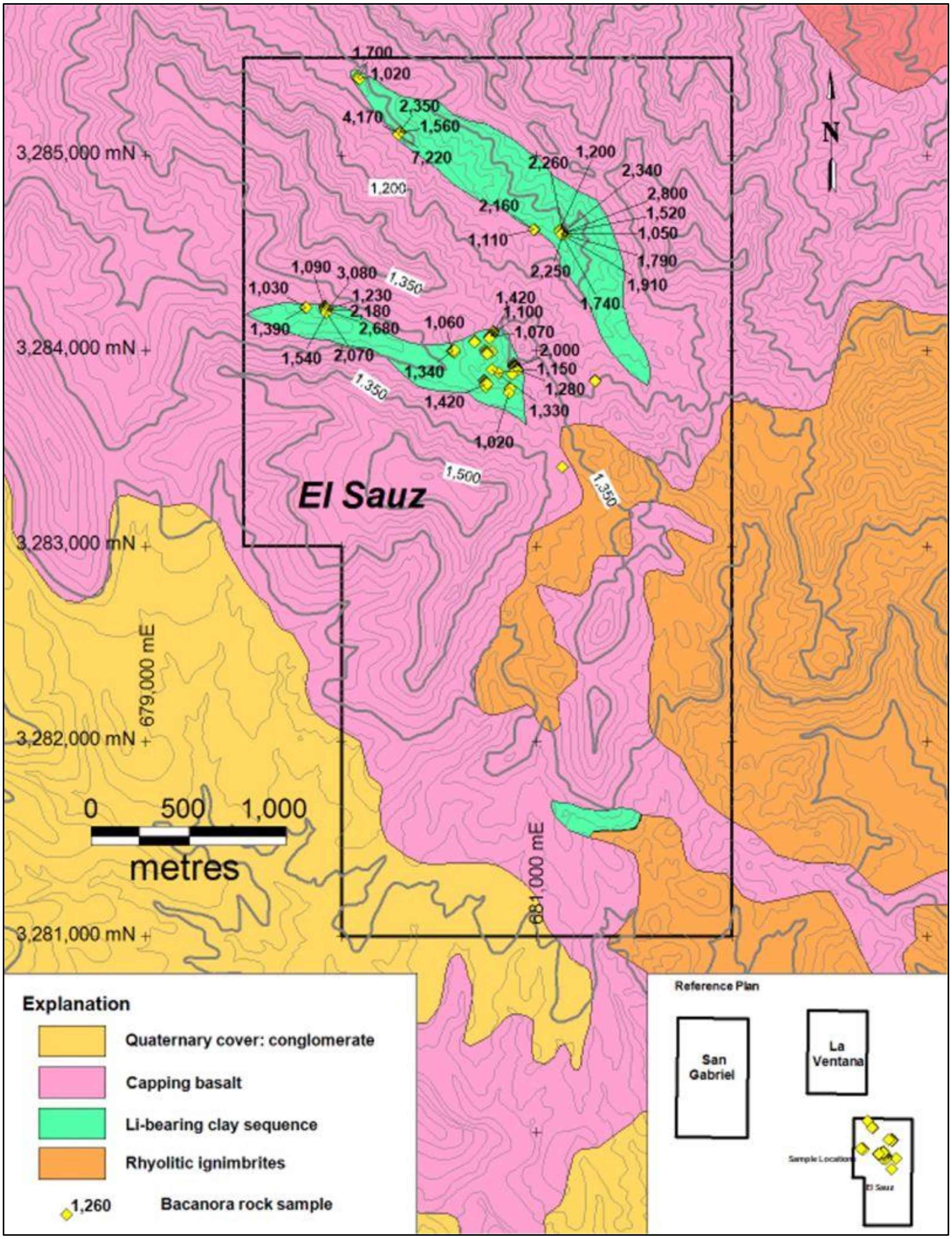

Figure 8. Bacanora 2011 Rock Samples - El Sauz Concession

Only samples with greater than 1000 ppm Li are shown.

9.2 Exploration in 2013

From February to April, 2013, Daniel Calles undertook a mapping and rock sampling campaign on the on the Fleur and El Sauz concessions.

A total of 94 rock samples averaging 1.7 kilograms were taken from outcrops of the clay units exposed on El Sauz (Figure 9). The samples were collected across outcrops as continuous chip samples perpendicular to the strike direction of the sediments. Sample spacing was dependent on exposure; consequently it is difficult to ascertain how representative the samples are of the overall clay-bearing units on El Sauz.

Results of analyses performed on the samples by ALS Chemex ranged from 10 to 2,130 ppm Li, with 15 samples greater than 1,000 ppm Li. The results confirmed that significant lithium-bearing clay units occur on El Sauz and warranted further work in order to more accurately assess the extent of the units and the concentration of lithium within them. The clay units also had elevated levels of other alkali metals and alkali earths, most notably: cesium and strontium (Table 7).

Table 7. Rock Samples Basic Statistics for Alkali Metals and Earths

n = 94	Li ppm	Ca %	K %	Mg %	Na %	Cs ppm	Rb ppm	Sr ppm
Maximum	2,130	21.8	1.37	4.2	2.2	1,215	572	7,160
Minimum	10	0.11	0.04	0.11	0.02	11	7	30
Mean	418	5.52	0.47	1.04	0.21	248	169	2,057
Median	158	3.14	0.42	0.77	0.09	199	133	1,763
75th Percentile	650	7.44	0.62	1.25	0.17	305	232	2,935
90th Percentile	1,110	14.48	0.89	2.43	0.58	532	327	5,027
95th Percentile	1,605	18.18	1.09	3.07	1.06	721	414	6,429

In conjunction with the rock sampling, Mr. Calles mapped the geology of the area around the clay units on El Sauz. In addition, two stages of diamond drilling were undertaken. The geological mapping, combined with the results of the Stage 1 drill program, allowed a comparison to be made between the strata intersected in drill holes and that exposed at surface on El Sauz and those clay units found on the La Ventana concession. From this comparison it is concluded that the lithium-bearing clay units on the El Sauz correlate with those on La Ventana, and therefore, represent a southern extension of the sedimentary basin from La Ventana onto the Fleur and El Sauz concessions.

Structurally the clay units on El Sauz and Fleur dip to the northeast at approximately 20^{o}. However, the clay units are covered by basalt on Fleur. In addition, in the central part of El Sauz the clay units crop out in an arcuate form with the more easterly arm of the arc dipping to the northeast and the westerly arm of the arc dipping westerly.

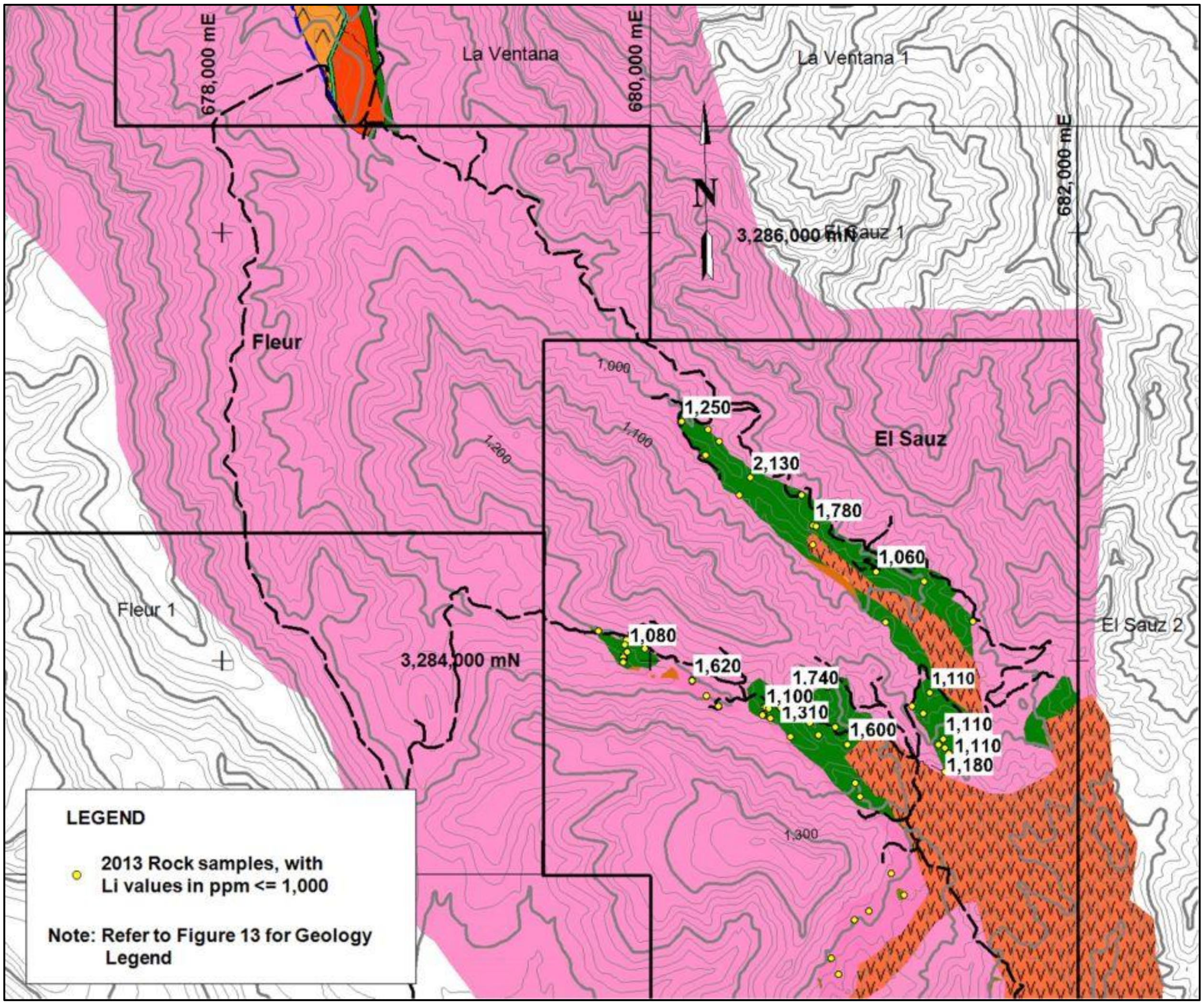

Figure 9. Bacanora 2013 Rock Samples - El Sauz Concession

(Only sample sites with values greater than 1000 ppm Li are shown)

An additional six holes were drilled on the La Ventana concession in late 2013 in order to further test the lower clay unit. Details and significant results of Bacanora's drilling on La Ventana are found in Item 10.1.

9.3 Exploration in 2014

In early 2014, a series of six trenches were excavated across exposures of the lower clay unit on La Ventana in order to provide additional grade control. Continuous chip samples were taken at intervals averaging 1.5 m in length. Results of the trench samples are listed in Table 8 and illustrated in Figure 10. A Stage 3 diamond drill program, consisting of 1096.48 metres in 11 holes was completed in early 2014.

Table 8. Weighted Average Li Content of Trench Samples

Trench No	Surface length in metres	Weighted Average Li ppm
1	12	1,975
2	18	2,055
3	19	2,843
including	5.7	5,828
4	27	4,776
5	22.5	4,771
6	33.6	5,721

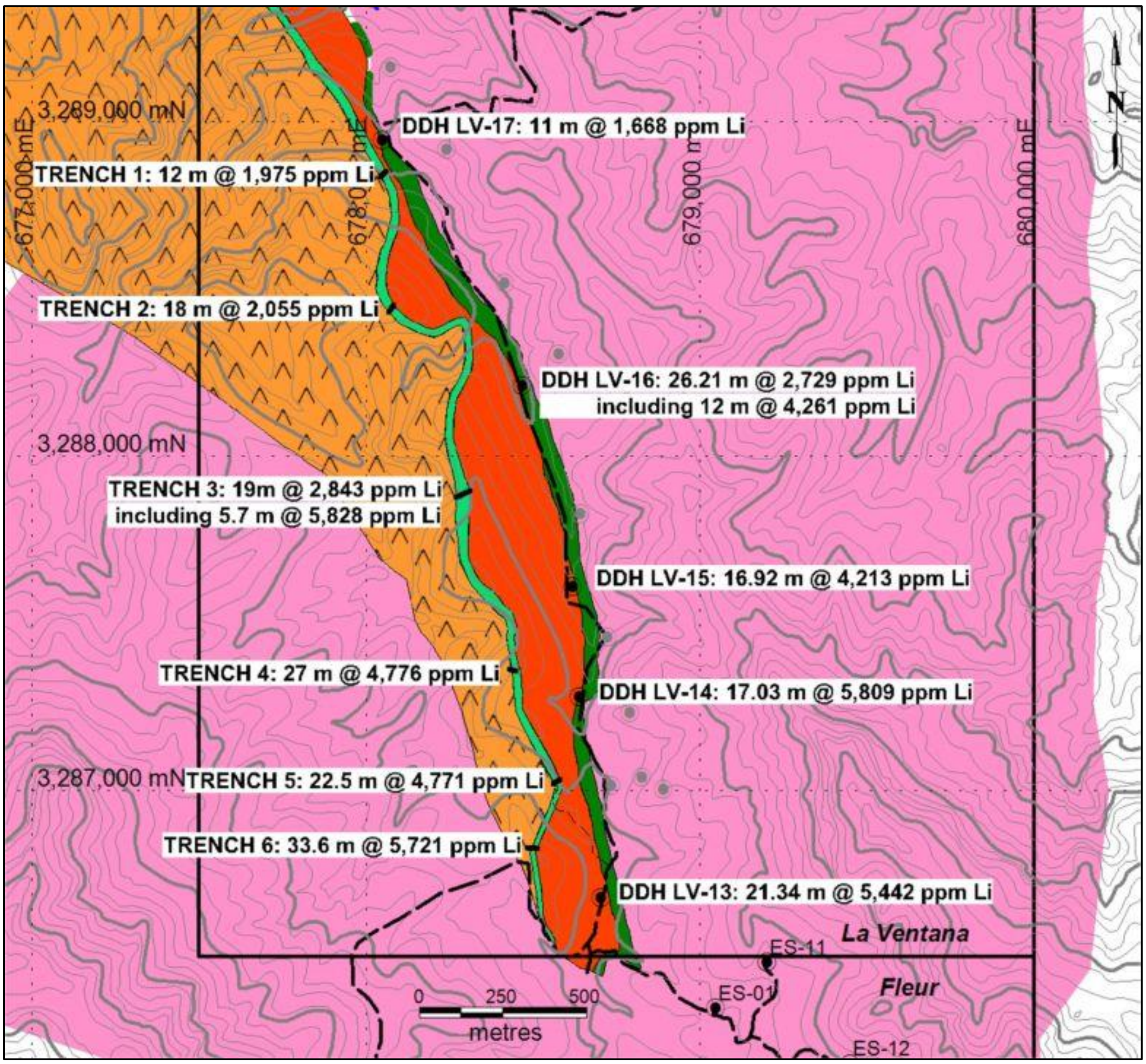

Figure 10. Trench Location Plan – La Ventana

10.0 Drilling

To date, seven stages of drilling have been undertaken on the concessions making up the Sonora Lithium Project. Of these three were conducted on the La Ventana Concession, three on the El Sauz and Fleur concessions, and a more recent campaign was initiated on the Buenavista, San Gabriel and Megalit concessions. All of the drilling conducted to date on the concessions was undertaken by Perforaciones Godbe de Mexico S.A. de C.V., a Mexican subsidiary of Godbe Drilling LLC, based in Montrose, Colorado.

Drill core was moved from the drill sites by Bacanora personnel to a secure compound in Bacadehuachi where it was logged, split and sampled. Core was then moved to Bacanora's secured facility in Magdalena de Kino for storage. In addition to logging of geological parameters in drill core, core recovery was measured and recorded. Drill-hole collar locations were located by hand-held GPS instrument.

The objective of the diamond drilling program was to intersect the down-dip extensions of the exposed lithium-bearing clay horizons. Each drill hole in the program succeeded in meeting this objective.

The relationship between sample length and the true thickness of the mineralization is approximately 94% of sample length, being equivalent to true thickness based on the observed average dip of 20^o for the clay units.

Drill-core recovery was very close to 100% for the drill program. There are no sampling or recovery factors that could materially impact the accuracy of the results.

10.1 Drilling on La Ventana Concession

Bacanora´s first drilling campaign at La Ventana concession was conducted from May to September 2010. A total of 458.4 metres, using an NQ-core recovery diamond drilling technique, were drilled in four holes. Drill sites were laid out to optimally test a section of the lithium-bearing clays exposed at the south end of the property with a fence of holes.

During a second campaign in 2011, a total of 1,453.6 metres, using NQ-core recovery diamond drilling techniques, were drilled in eight holes. Drill sites were laid out so as to test the strike length of the clay horizons on the property.

In late 2013 a further 208.8 metres were drilled in five holes (Figure 11).

Lithium-bearing intercepts in the holes drilled into La Ventana range from 150 to 5,809 ppm Li. A cross-section through hole LV-05 and trench TR-4 is illustrated in Figure 12. Lithium analyses averaged over intervals for LV-05 and TR-4 found in Table 9.

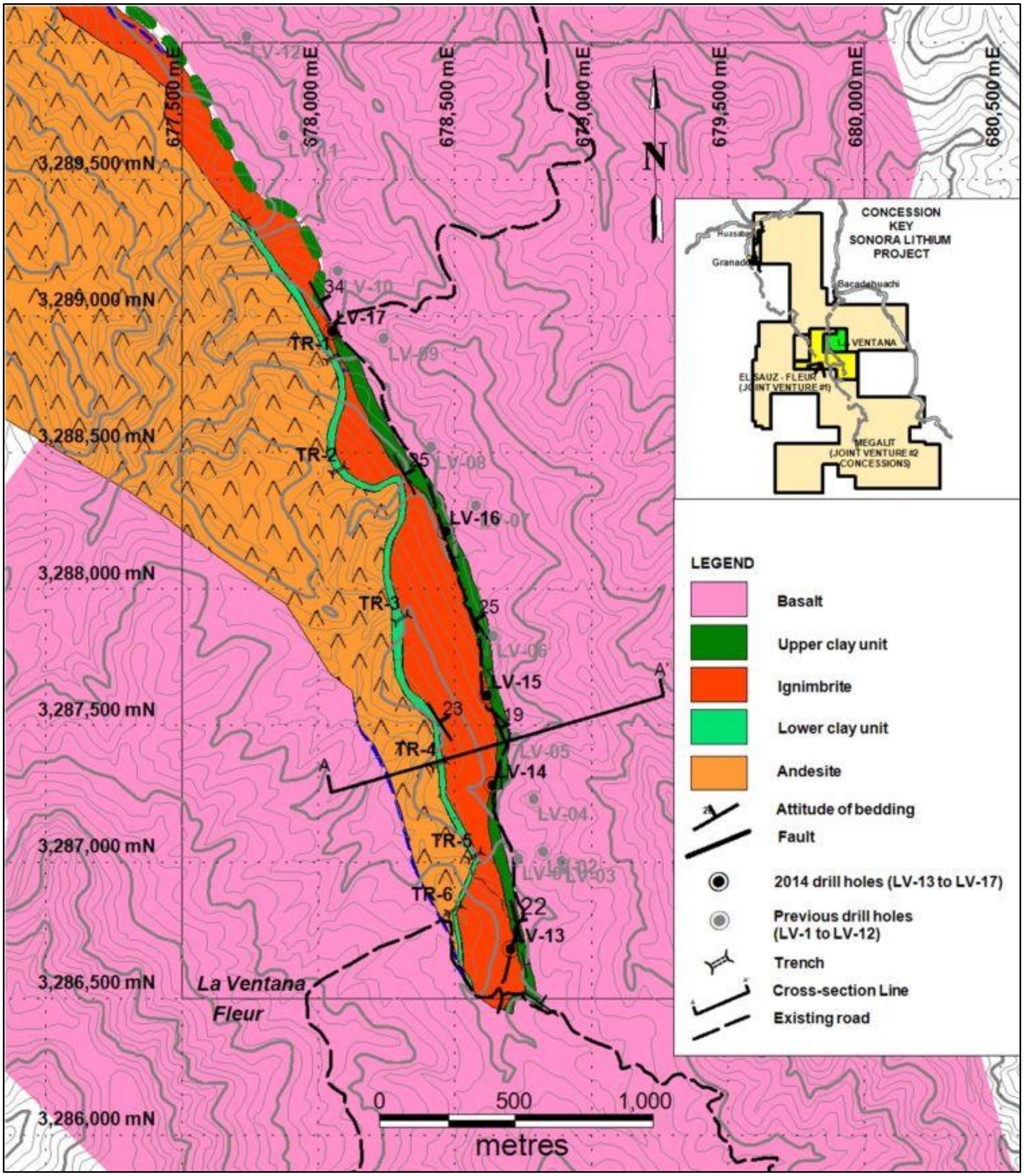

Figure 11. Drill Hole Location Plan La Ventana Concession.

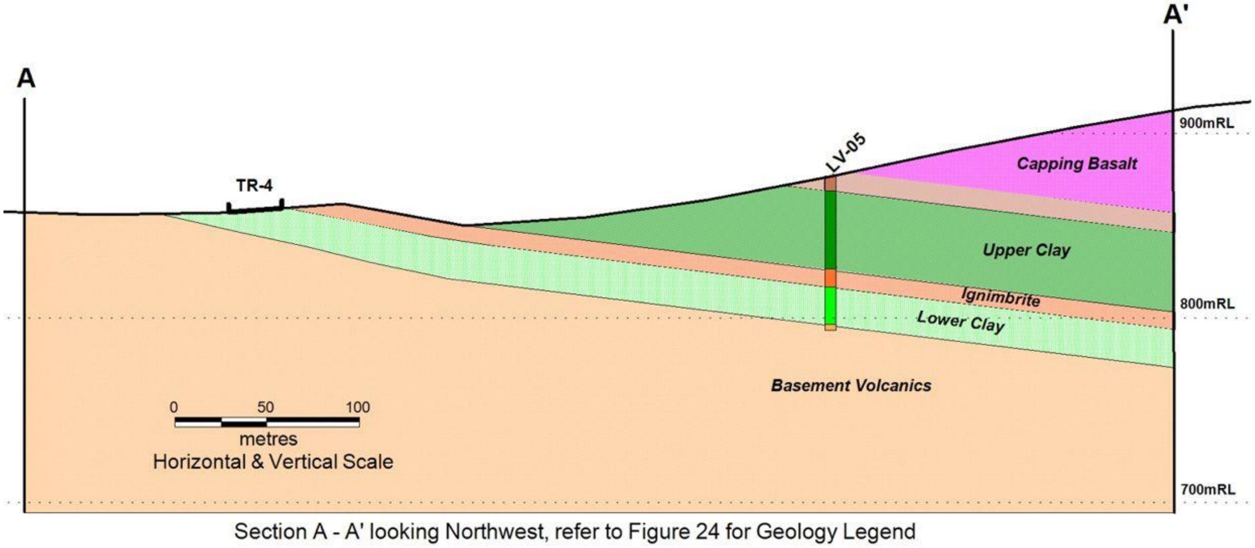

Figure 12. Cross Section through Drill Hole LV-05 and Trench TR-4

Table 9. Lithium-bearing intercepts La Ventana Concession.

Hole No	From (m)	To (m)	Interval (m)	Li ppm	LCE %	Unit
LV-05	20.42	32	11.56	2,517	1.34	Upper Clay
LV-05	36.58	46.63	10.05	3,418	1.82	Upper Clay
LV-05	60.35	80.47	20.08	4,527	2.41	Lower Clay
TR-4	-	-	27.00	4,776	2.54	Lower Clay

10.2 Drilling on Fleur and El Sauz Concessions

To date, three stages of drilling have been completed on the Fleur and El Sauz concessions. Drill hole locations are illustrated on Figure 13 and significant lithium analyses are listed in Table 10.

The first, or Stage 1, drilling campaign on the Fleur and El Sauz concessions was conducted from May to September 2013.

A total of 1,470 metres, using an NQ-core recovery diamond drilling technique, were drilled in 10 holes for Stage 1. Drill sites were laid out in such a manner so as to test the strike length of the lithium-bearing clays exposed on the concessions. A long section through drill holes (A-A', Figure 14) illustrates the gently dipping, apparent attitude of the clay units to the north, where they plunge under the capping basalt on the Fleur concession. Cross sections B-B' and C-C' (Figures 15 & 16) illustrate the true dip of the clay units to the northeast and a fault that results in an apparent thinning of the upper clay unit in this hole. A third cross-section (D-D', Figure 17) through holes ES-06, ES-08 and ES-09 shows apparent dips of the clay units to the northeast as in the case of ES-06 and to the southwest as in the case of ES-08 and ES-09. The nature of the structure between ES-06 and ES-08 has not been confirmed; it could be the result of faulting and rotation of fault blocks, or a gentle fold.

The Stage 2 drill program (holes ES-11 to ES-30) on the Fleur and El Sauz concessions commenced in October and was completed in February 2014. A total of 2,436 metres of NQ drilling was completed in 20 holes.

The more recently completed Stage 3 drill program on the Fleur and El Sauz concessions consisted of 1,096 metres in 11 drill holes.

An example of an intersection of the Lower Clay unit is illustrated in Figure 18, where sample intervals are marked by red heavy lines and footage blocks are labeled in feet. Lithium values from samples that were subsequently split from the core are found in Table 11. Note the slightly darker grey laminations in the interval 729 to 736 that are silica-rich layers; also the slight blue-green cast to intervals of clay in 736 to 741, which appears to be characteristic of lithium-rich clay (4,390 ppm Li in this case).

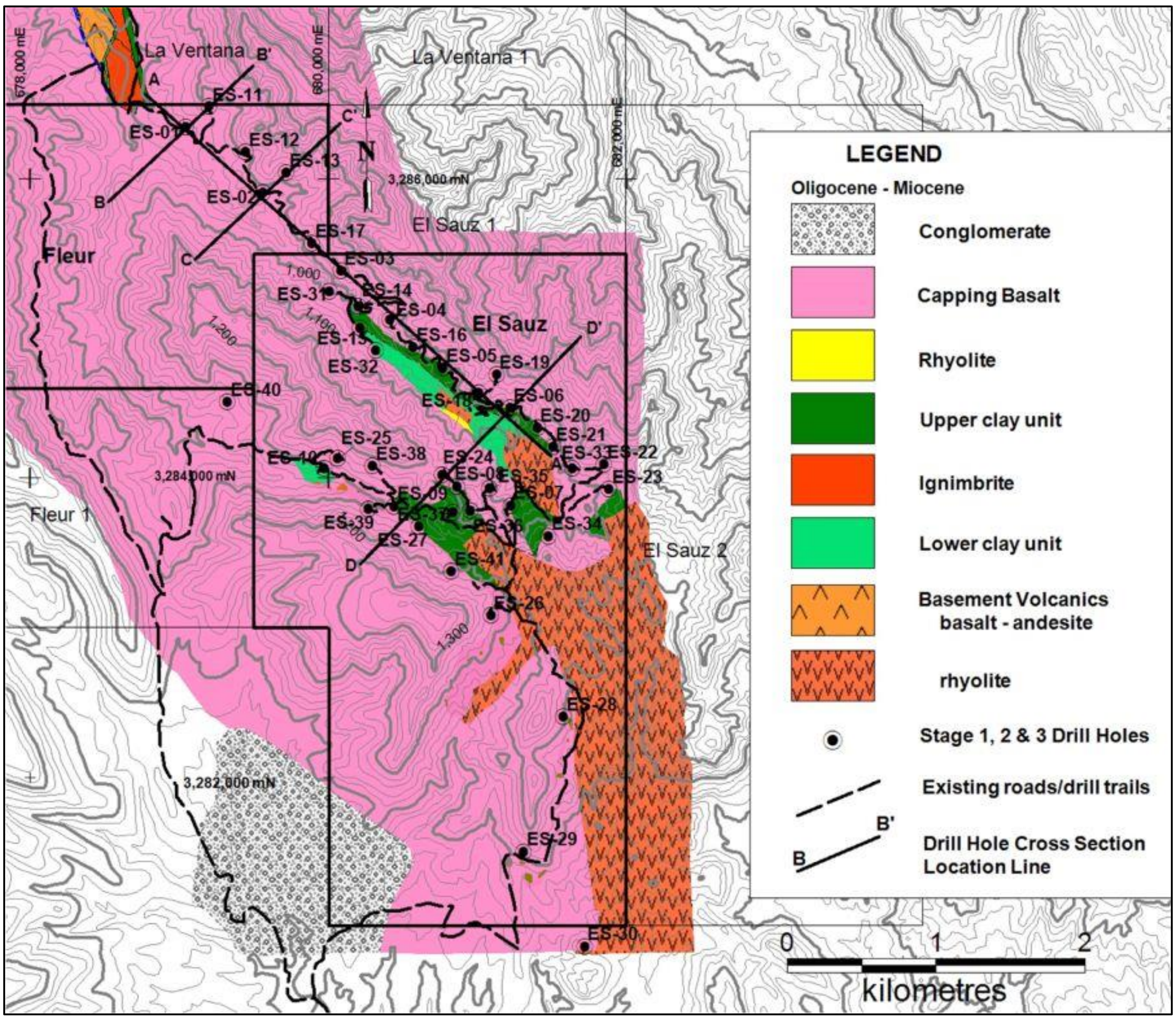

Figure 13. Location Plan of Stage 1, 2 & 3 Drill Holes El Sauz & Fleur Concessions.

Table 10. Significant Lithium Intercepts El Sauz & Fleur Concessions.

Hole No.	From (m)	To (m)	Intercept Length (m)	Li ppm	Unit
ES-01	115.52	143.56	27.97	1,848	Upper Clay
including	124.66	143.56	18.85	2,396	Upper Clay
including	135.33	143.56	8.23	4,019	Upper Clay
ES-01	156.00	179.83	23.83	4,422	Lower Clay
ES-02	190.50	197.21	6.69	1,822	Upper Clay
including	193.55	197.21	3.66	3,116	Upper Clay
ES-02	203.50	235.31	31.73	3,821	Lower Clay
ES-03	160.02	199.85	39.83	1,669	Upper Clay
including	176.78	199.85	23.07	2,211	Upper Clay
including	186.39	199.85	13.46	3,073	Upper Clay
ES-03	210.31	239.65	29.34	3,877	Lower Clay
ES-04	96.39	132.74	36.35	1,207	Upper Clay
including	120.70	131.37	10.67	2,547	Upper Clay
ES-04	140.39	171.75	31.37	3,594	Lower Clay
ES-05	26.21	32.31	6.10	1,125	Upper Clay
ES-05	38.40	54.56	16.16	1,195	Upper Clay
including	47.55	54.56	7.01	2,107	Upper Clay
ES-05	59.82	95.10	35.28	2,853	Lower Clay
including	65.84	92.05	26.21	3.399	Lower Clay
ES-06	20.12	27.74	7.62	1,059	Upper Clay
ES-06	33.48	78.94	45.46	1,472	Lower Clay
including	39.62	45.72	6.1	2,140	Lower Clay
including	53.95	75.90	21.95	2,032	Lower Clay
ES-08	32.92	43.59	10.67	1,007	Upper Clay
ES-08	50.90	75.59	24.69	1,594	Lower Clay
including	50.90	58.52	7.62	2,242	Lower Clay
including	64.62	69.19	4.57	2,029	Lower Clay
ES-09	24.08	27.13	3.05	1,115	Upper Clay
ES-09	38.10	41.15	3.05	1,144	Upper Clay
ES-09	55.78	75.59	19.81	1,648	Lower Clay
including	55.78	64.62	9.1	2,000	Lower Clay

Table 10 continued. Significant Lithium Intercepts El Sauz & Fleur Concessions.

Hole No.	From (m)	To (m)	Intercept Length (m)	Li ppm	Unit
ES-11	183.74	218.69	34.95	1,923	Upper Clay
including	186.84	218.69	31.85	2,080	Upper Clay
including	207.47	218.69	11.22	3,377	Upper Clay
ES-11	231.34	257.25	25.91	5,208	Lower Clay
ES-12	188.06	221.74	33.68	1,966	Upper Clay
including	191.11	221.74	30.63	2,138	Upper Clay
including	211.76	221.74	9.98	4,325	Upper Clay
ES-12	233.63	240.49	6.86	4,050	Lower Clay
ES-13	278.74	315.32	36.58	2,011	Upper Clay
including	305.10	315.32	10.22	4,533	Upper Clay
ES-13	322.48	349.61	27.13	4,078	Lower Clay
ES-14	13.72	59.74	46.02	1,342	Upper Clay
including	41.15	56.69	15.54	2,548	Upper Clay
including	45.72	55.17	9.45	3,052	Upper Clay
ES-14	65.53	95.40	29.87	4,715	Lower Clay
ES-16	38.71	44.81	6.10	1,278	Upper Clay
ES-16	52.65	62.18	9.53	1,199	Upper Clay
including	60.05	62.18	2.13	2,106	Upper Clay
ES-16	69.34	98.45	29.11	3,176	Lower Clay
ES-17	141.63	181.36	39.73	1,683	Upper Clay
including	150.88	179.53	28.65	2,005	Upper Clay
including	166.88	179.53	12.65	3,585	Upper Clay
ES-17	190.04	222.50	32.46	4,596	Lower Clay
ES-18	13.41	38.71	25.30	1,063	Upper Clay
including	31.70	38.71	7.01	2,175	Upper Clay
ES-18	43.03	74.68	31.65	1,664	Lower Clay
including	57.61	73.15	15.54	2,052	Lower Clay
including	65.23	69.80	4.57	3,040	Lower Clay

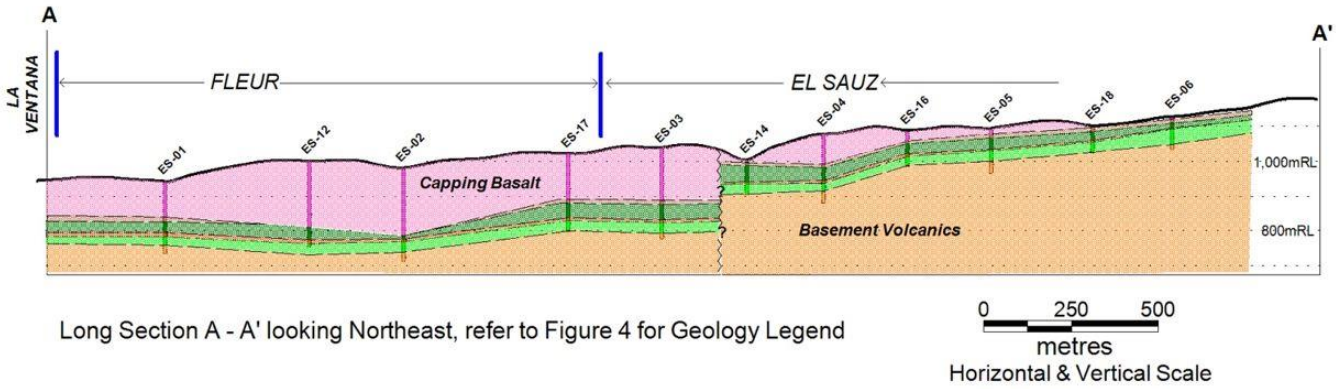

Figure 14. Long Section through drill holes ES-01 to ES-06.

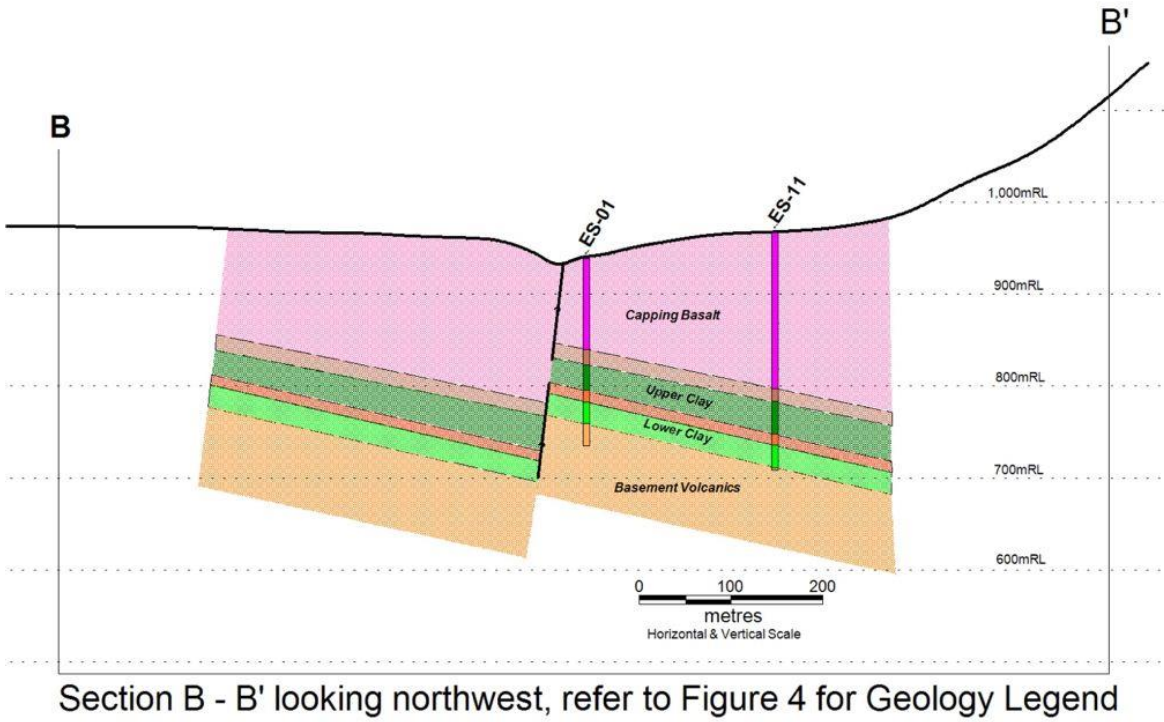

Figure 15. Cross Section through Drill Holes ES-01 & ES-11.

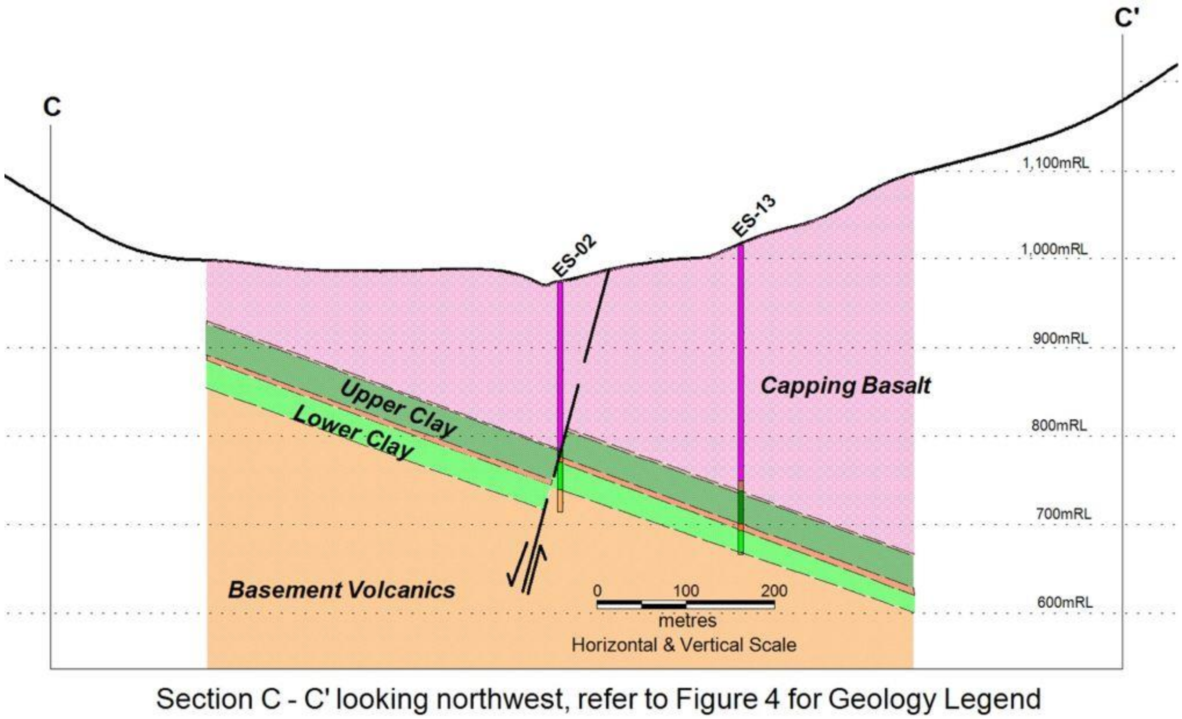

Figure 16. Cross Section through Drill Holes ES-02 & ES-13.

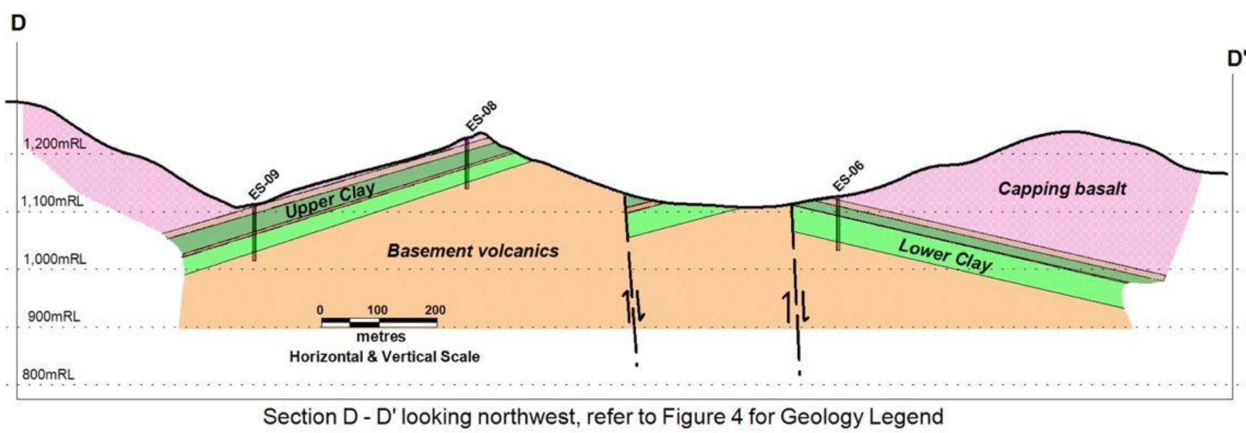

Figure 17. Cross Section through Drill Holes ES-06, ES-08 & ES-09.

Figure 18. Hole ES-02 Lower Clay unit intercept from 722 to 752 feet.

Table 11. Li values, Hole ES-02, 724 to 746 feet.

Sample No	From (ft)	To (ft)	Li ppm	K%	Rb ppm	Cs ppm	Mg%	Sr ppm
BM-60316	724	729	2580	0.74	152	370	3.64	842
BM-60317	729	736	2800	0.80	158	310	4.30	895
BM-60318	736	741	4390	2.16	362	747	3.48	724
BM-60319	741	746	2960	1.33	213	472	2.48	939

11.0 Sample Preparation, Analyses and Security

A total of 1,938 samples were obtained from drill core from all stages of drilling on the Sonora Lithium Project. The samples were collected by splitting the core in half with a manual core splitter. One half was sent for assay and the remaining half was retained for future reference and analysis. The samples have a standard length of 1.52 metres (5 feet), except on the geologic contacts where the length is adjusted to the contact. The average length of core sample was 1.51 metres per sample and was obtained from a total of 2,894 metres of core.

The samples were bagged and labeled with a sequential, unique sample identification number. Mr. Martin Vidal supervised drilling of the first 12 holes on La Ventana; Daniel Calles, geologist under contract to Bacanora, supervised the core sampling during the later campaigns.

Factors that could materially impact the reliability and accuracy of results are: core recovery, sample size, and nature of the mineralization. Core recovery for the sampled intervals was estimated to be 100%, based on core measurements. Therefore core recovery is not believed to be a significant factor affecting the reliability of the results. Sample size (split NQ drill-core) is a factor if the mineralization is subject to nugget effects. The lithium-bearing clays are believed to be uniformly distributed throughout the sampled intervals and laterally from hole-to-hole. Consequently, sample size is not considered a factor that would affect the reliability of the results.

The relatively undeformed and layered nature of the sedimentary rock succession that hosts the lithium mineralization, and the distinct clay-rich units that vary between 4 and 80 metres within the sediments, were the determining factors in establishing sample intervals.

Split drill-core samples were shipped to an ALS Chemex Laboratories sample preparation facility in Hermosillo, Mexico, for preparation. Prepared sample pulps were then shipped to ALS Chemex Laboratory in North Vancouver, Canada, for assay and analysis. ALS Chemex is an ISO 14001-2004 certified laboratory in Canada and its preparation facility in Mexico has received ISO 17025 certification.

Sample preparation was conducted according to the regular ALS Chemex commonly used rock, drill-core and chip-sampling procedures (PREP-31). This consisted of crushing the sample to minus 5.0 millimetre sized material, splitting off 250 grams of that and pulverizing the split sample so that better than 85% passed through a 75 micron aperture screen.

All core samples were analysed by inductively coupled plasma – mass spectrographic (ICP-MS: ME-MS41) method to provide data for a suite of 51 elements (Ag, Al, As, Au, B, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, Hg, In, K, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb, Sc, Se, Sn, Sr, Ta, Te, Th, Ti, Tl, U, V, W, Y, Zn, Zr).

As part of an internal Quality Assurance/Quality Control protocol, two in-house prepared standards was inserted on average every 20th sample for samples from all of the holes. Internal standard TT was used during the first 10 drill holes and MYTT for holes ES-11 to ES-30.

Results of repeat analyses of samples of the internal standard inserted into the sample runs are in general within one standard deviation of the mean for all the results (Figure 19 and 20). A total of five samples are outside the 1.0 standard deviation from the mean, but are within 3.0 standard deviations.

In addition, duplicate analyses were performed by the laboratory for their own internal quality control.

From the QA/QC analysis it was determined that there were no issues with the analytical and assay data. It is therefore considered to be reliable.

The use of additional standards for low grade (1,000 to 2,000 ppm Li) and high grade (8,000 to 10,000 ppm Li) mineralization is strongly recommended for future drilling campaigns, and sample repeats in other laboratories must be included in order to maintain quality control.

In the QP's opinion, sample preparation, security and analytical procedures were adequate for this stage of exploration and comply with industry best practices.

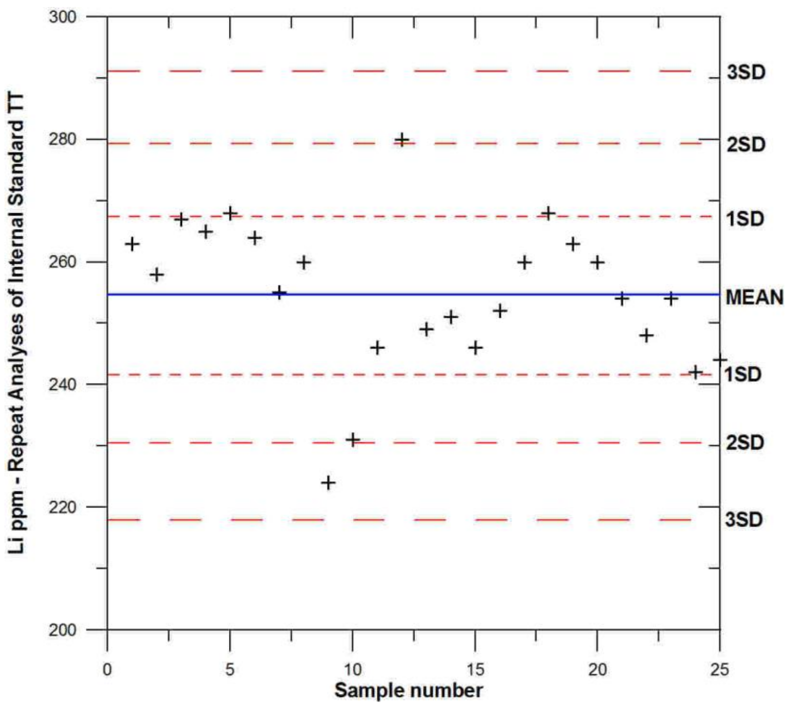

Figure 19. Repeat Lithium Analyses of Internal Standard TT.

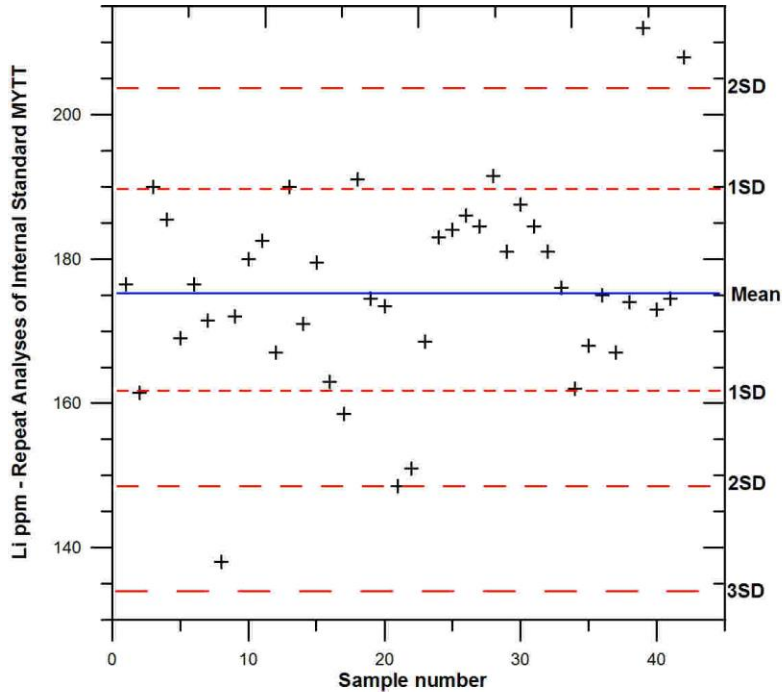

Figure 20. Repeat Lithium Analyses of Internal Standard MYTT.

12.0 Data Verification

12.3 Sonora Lithium Project

The QP reviewed, on April 25 and 26, 2014, the rock and drill-core sample data collected by Bacanora, checked the digital assay and analytical certificates of ALS Chemex, and checked, in the field, locations of the lithium-bearing clay sequences on the La Ventana, Fleur and El Sauz concessions. As well, drill-hole locations and the location of Principal Points (i.e. location monuments) of the concessions were checked and found to be in order. In addition, an examination of Bacanora's pilot plant in Hermosillo was undertaken and an explanation of the procedures and processes used to recover lithium from the clays and convert it into lithium carbonate was provided by Bacanora personnel.

During the course of Mr. Verley's on-site examination in 2012 several exposures of the clay units were sampled (Figure 21 and 22). Clay samples were found to range from 28 ppm to 7,236 ppm Li (0.41% to 3.85% LCE), and a 4.5 metre interval averaged 5,537 ppm Li (2.95% LCE, Table 12).

In 2013, Mr. Verley collected a further four rock samples from surface exposures of clay-bearing units at various locations on the concessions (Figure 21). The results yielded values ranging from 955 to 1,257 ppm Li for the samples, confirming the presence of lithium-rich clays on the concessions.

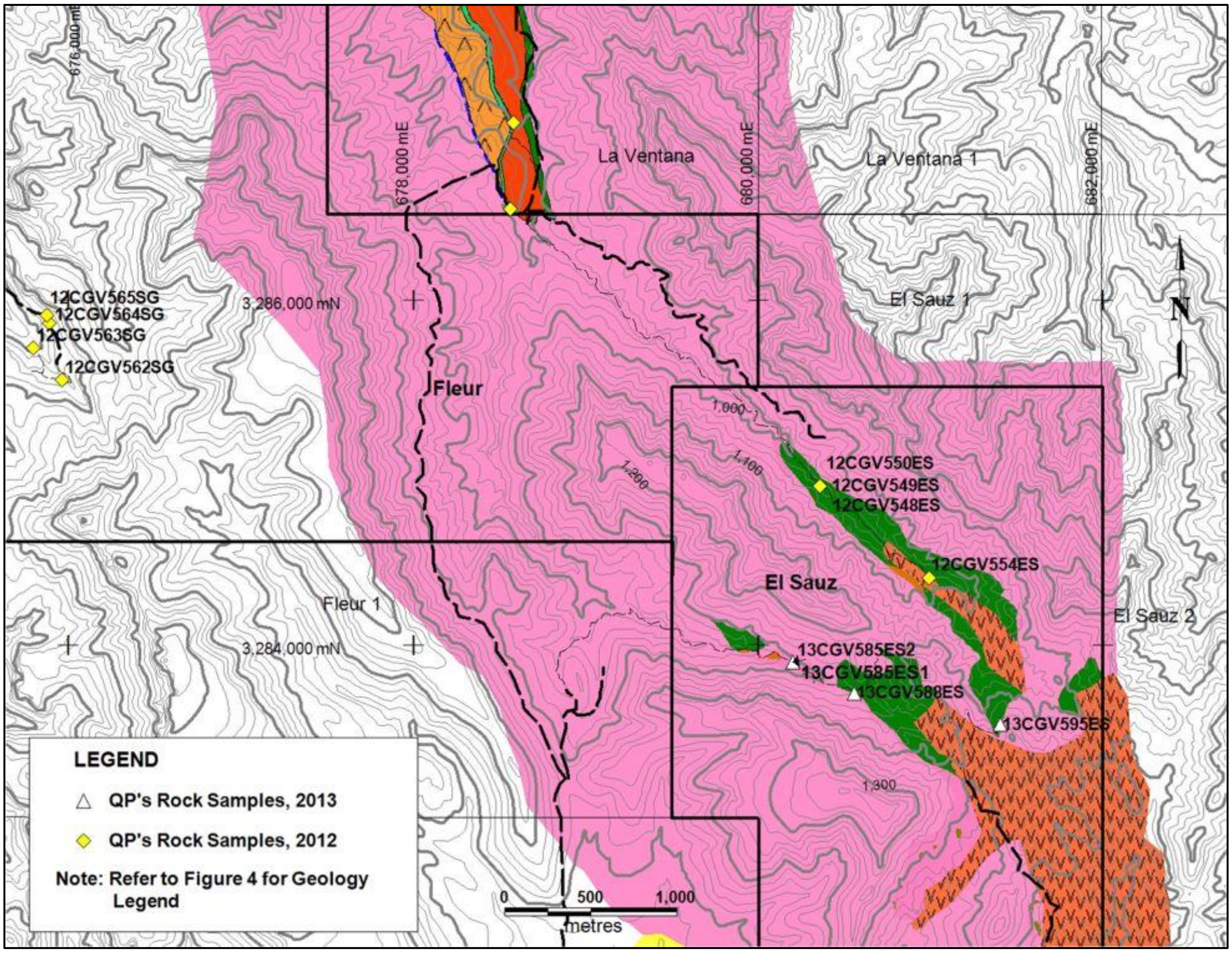

Figure 21. Location Map of QP's 2012 and 2013 Rock Samples.

Figure 22. El Sauz concession Li-bearing clay unit.

All sampled intervals shown in Figure 38 are 1.50 metres long

Table 12. QP's Samples from the Sonora Lithium Project.

Concession	Sample No	Length	Li	LCE%	K	Rb	Sr
		m	ppm		%	ppm	ppm
2012 Samples							
El Sauz	12CGV548ES	1.50	7,236	3.85	1.50	307.2	439
El Sauz	12CGV549ES	1.50	4,372	2.33	1.92	379.9	499
El Sauz	12CGV550ES	1.50	5,003	2.66	1.76	303.5	498
El Sauz	12CGV554ES	1.50	766	0.41	1.34	199.9	145
Fleur	12CGV562SG	1.00	86	0.05	0.55	34.8	1,685
Fleur	12CGV563SG	1.00	28	0.01	2.36	92.8	2,539
Fleur	12CGV564SG	1.50	269	0.14	0.65	44.9	1,178
Fleur	12CGV565SG	1.50	58	0.03	2.21	133.5	25

Table 12 continued. QP's samples from the Sonora Lithium Project.

Concession	Sample No	Length	Li	LCE	K	Rb	Sr
		m	ppm	%	%	ppm	ppm
2013 Samples							
El Sauz	13CGV585ES1	1.10	1,254	0.67	1.10	76.7	2,067
El Sauz	13CGV585ES2	1.40	1,257	0.67	1.36	224.7	1,284
El Sauz	13CGV588ES	1.00	955	0.51	2.15	327.8	422
El Sauz	13CGV595ES	1.00	1,119	0.60	0.31	23.3	1,909

In addition, Mr. Verley collected duplicate samples of drill core split from previous split core. A total of 64 samples were collected from Upper and Lower Clay units and from intervals in each hole, as well as from intervals with varying lithium contents, based on original analytical data.

The sample duplicates were shipped to Acme Analytical Laboratories certified preparation facility in Caborca, Sonora. From there the prepared sample pulps were shipped to Acme's certified laboratory in Vancouver, Canada for analysis by ICP-MS methods using Acme's 7TX procedure.

Figure 23 shows that there is close correlation and satisfactory agreement between analyses of the duplicates by an independent third party (Acme Analytical Laboratories Inc. – now a member of the Bureau Veritas Group) when compared to the original sample values determined by ALS Chemex. However, the ALS analytical method has an upper limit of 10,000 ppm Li which does not allow for an accurate determination of lithium in samples containing greater than 10,000 ppm Li. Future work by Bacanora must include analytical procedures that are capable of accurately reporting lithium values in samples with greater than 10,000 ppm Li.

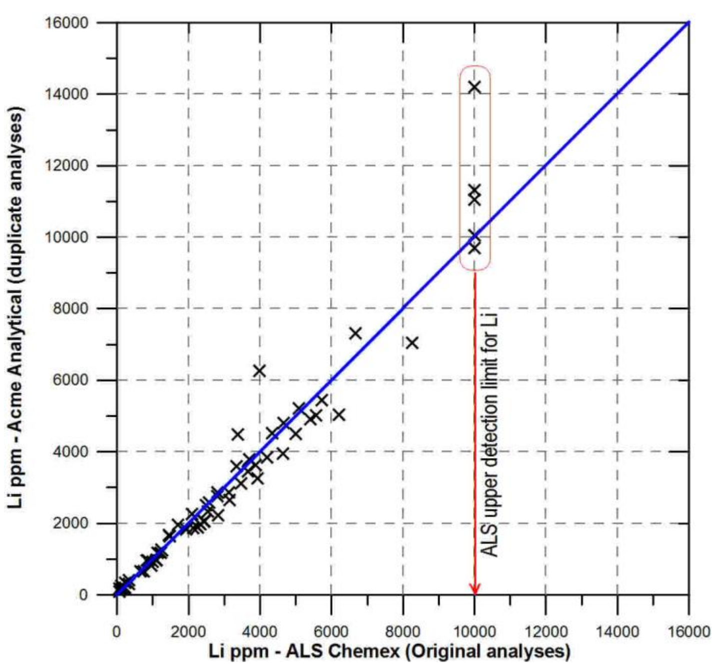

Figure 23. Duplicate core samples lithium values.

For the other alkali metals there is reasonable agreement between the duplicate analyses for Mg and Sr, but for K and Rb there is not good agreement. Duplicate analyses for drill core samples by Acme using a four acid digestion do not yield K values above 1.5% or Rb values above 300 ppm. The discrepancy in analyses for these two elements is most likely due to the digestion method. Acme's four acid digestion is thought to result in the formation of insoluble salts of K and Rb that reduce the amount of K and Rb in the solution available for ICP analysis, thus resulting in lower K and Rb values. The ALS aqua regia digestion appears not to have this problem; consequently, their K and Rb values are higher and more representative of the levels of those elements in the drill core samples. Clearly, further orientation work is required to determine the best analytical methods for accurate determinations of the levels of alkali's in the clay units should concentrations of these elements become an economic consideration.

In the QP's opinion, considering the nature of the samples, quarter core, the duplicate analyses are acceptable for Li, Mg and Sr when compared to the original values. However, further testing is required to provide assurance that the K and Rb data is reliable.

13.0 Mineral Processing and Metallurgical Testing

Preliminary bench-scale laboratory metallurgical test work was undertaken by Inspectorate Exploration & Mining Services Ltd. ("Inspectorate") under the supervision of John Fox, P.Eng. on drill core composite samples from holes drilled on La Ventana as well as El Sauz and Fleur (J. Fox, 2012, 2013a and 2013b). This work also is summarized in Verley and Vidal (2013).

Later bench scale tests by Inspectorate that focused on recovery of lithium in solution using a roast–leach process was undertaken in late 2013. These tests were successful in demonstrating that up to 89.3% of the lithium in the clays could be put into solution (Redfearn and Grcic, 2013). Further tests on the resulting solution by Inspectorate demonstrated that at battery grade (in excess of 99.5% Li_2CO_3) lithium carbonate could be precipitated from concentrated solutions (Redfearn and Grcic, 2014). These tests were also duplicated on material from La Ventana and El Sauz in the pilot plant of Bacanora in Hermosillo.

Further work is recommended to optimize the lithium roast-leach process as well as the process to recovery lithium carbonate from solution.

In addition to the test work undertaken for lithium recovery and lithium carbonate production, preliminary studies of the nature of the clays was conducted by Grinding Solutions Ltd. of Cornwall, England. Their work utilized standard plant-scale clay mineral processing techniques, including wet processing using blunging, screening, single decantation settlement and centrifuging. The tests indicate that a fine clay fraction was recoverable, but further testing was recommended to determine an optimum process to recover the greatest proportion of fine clay, including dry processing techniques (Grinding Solutions, 2014).

In conjunction with clay tests, analysis by the James Hutton Institute in Aberdeen, Scotland, indicated that the fine fraction of the clays consist of 2:1 dioctahedral clays classified as illites or smectites. Further work is recommended by Grinding Solutions to determine: (i) the exact mineralogy of the clays, (ii) what proportion consist of bentonites, and (iii) if these clays have swelling properties and cation exchange potentials that would make them suitable for drilling fluid applications.

14.0 Mineral Resource Estimates

Resources have been previously estimated for the lithium bearing clays on the Company's wholly owned La Ventana concession (Verley et al., 2012) and the adjoining Fleur and El Sauz concessions (Verley, 2013). Resource estimates reported herein are updates of those previous resource estimates based on additional drilling in 2013 and 2014. Furthermore the resources are reclassified from inferred to indicated.

14.1 La Ventana Lithium Resources

Resource estimation, using a polygonal method, was undertaken for the area drilled on La Ventana. Grade and thickness continuity were assumed in an area of influence around each drill such that: (i) in the north-south direction the influence area is half of the distance between holes, and (ii) in the east-west direction a distance from outcrop and extending down dip for 150 metres was used. Specific gravity measurements (data provided by Bacanora, May 2014), used to estimate tonnage, were taken from drill core for the various units encountered. For the Upper Clay unit an average specific gravity of 2.38 tonnes per cubic metre was determined from 212 measurements; for the Lower Clay unit the average specific gravity was 2.35 based on 75 measurements. Cut-offs of 1,000, 2,000 and 3,000 ppm Li, were also used, with the 2,000 ppm Li cut-off highlighted as the base case or preferred scenario. True thickness of drill intercept lengths was assumed to be 94%, based on average dip of 20^{o} of the units.

The lithium-bearing clays occur in two discreet units separated by an ignimbrite sheet. These units are called the Upper Clay unit, and the Lower Clay unit.

An updated resource for each of the lithium-bearing units is found in Table 13. It is reclassified as an indicated mineral resource, based on diamond drilling and trenching. The resource estimate was made in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves (2010). Readers are cautioned that the use of lithium carbonate equivalent (LCE) in reporting resources assumes that all lithium can be recovered from the clays and converted to lithium carbonate with no recovery or processing losses. The base case indicated resource, using a cut-off of 2,000 ppm lithium, for the Upper Clay unit is estimated to be 21,470,000 tonnes averaging 2,256 ppm Li (1.20% LCE), and for the Lower Clay unit the indicated resource is 53,850,000 tonnes averaging 3,540 ppm Li (1.88% LCE), giving total indicated resources of 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE) or 1,273,000 tonnes of LCE. Plans illustrating the areas of the polygons used in the estimate are found in Figure 24 and 25.

Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

Table 13. Indicated Resource Estimate - La Ventana Concession.

Cut-off (ppm Li)	Tonnes	Li ppm	LCE %	LCE tonnes
Upper Clay				
1,000	30,690,000	1,824	0.97	298,000
2,000	**21,470,000**	**2,256**	**1.20**	**258,000**
3,000	10,030,000	3,186	1.70	170,000
Lower Clay				
1,000	61,050,000	3,247	1.73	1,055,000
2,000	**53,850,000**	**3,540**	**1.88**	**1,015,000**
3,000	38,180,000	4,510	2.40	917,000
Total for Upper & Lower Clay				
1,000	91,740,000	2,771	1.48	1,353,000
2,000	**75,320,000**	**3,174**	**1.69**	**1,273,000**
3,000	48,210,000	4,235	2.25	1,087,000

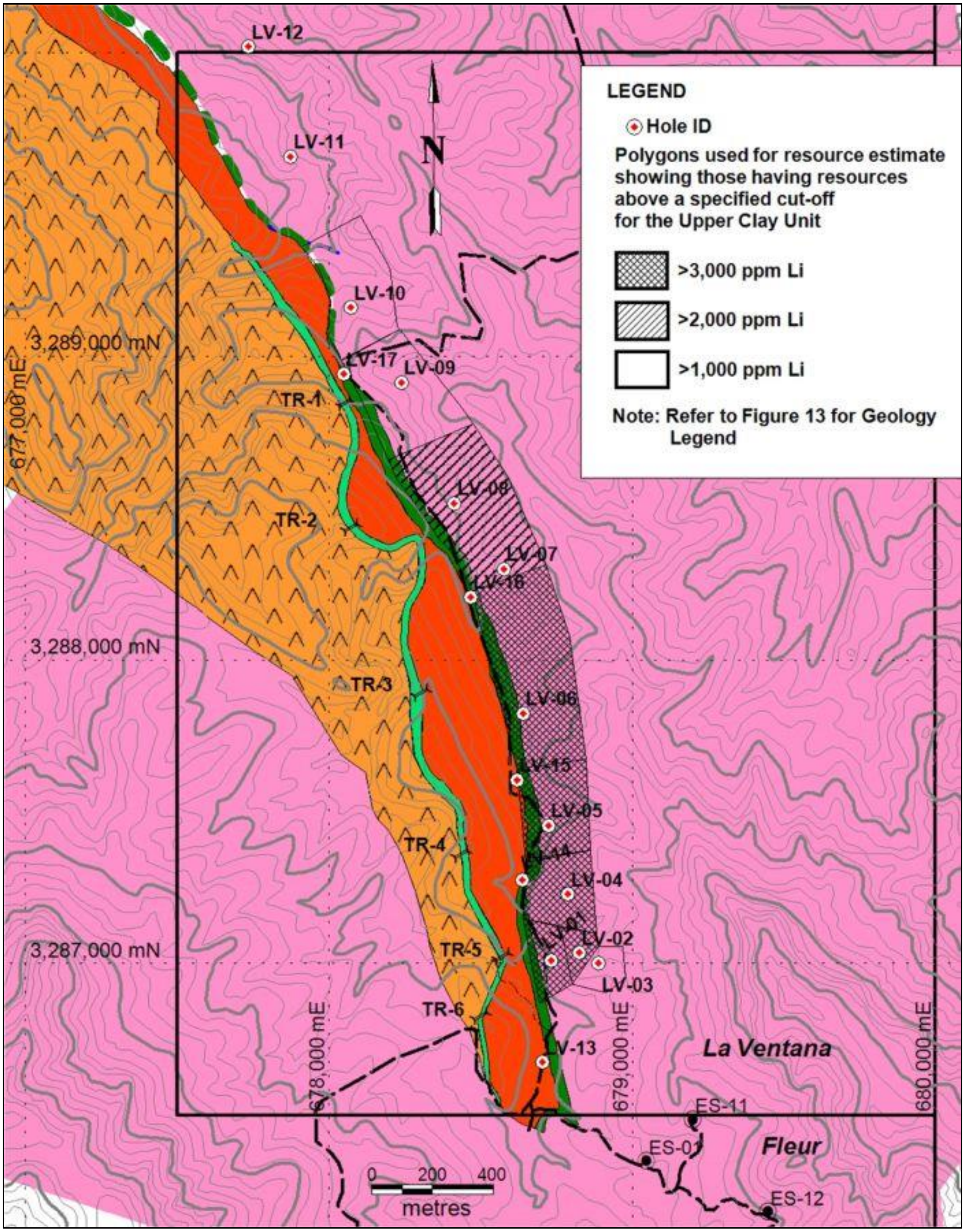

Figure 24. Map illustrating Polygons used in Indicated Resource Estimate for Upper Clay Unit, La Ventana.

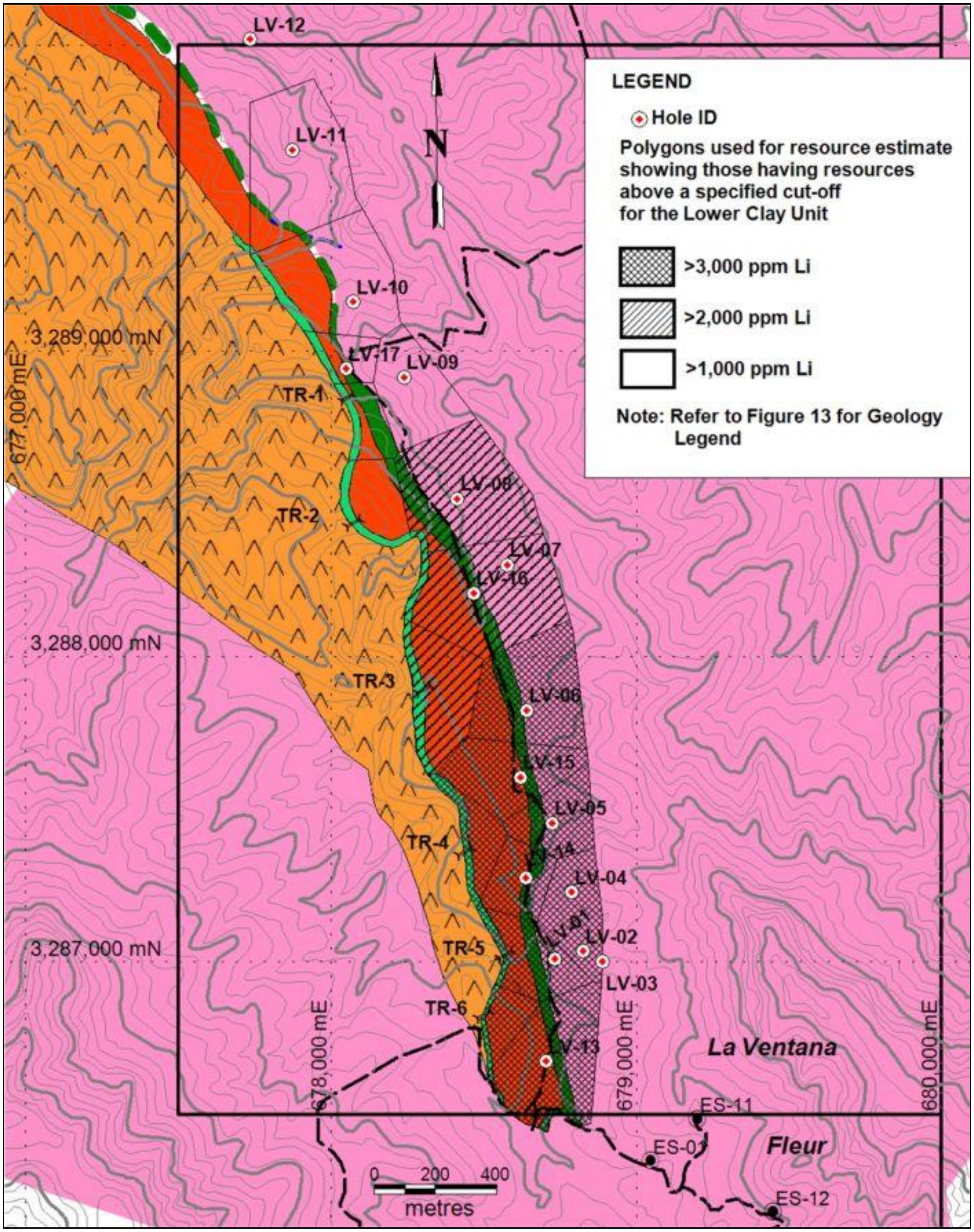

Figure 25. Map illustrating Polygons used in Indicated Resource Estimate for Lower Clay Unit, La Ventana.

14.2 Fleur and El Sauz Concessions Lithium Resources

A resource estimate, using a polygonal method, was undertaken for the area drilled on the El Sauz and Fleur concessions. Grade and thickness continuity were assumed in an area of influence around each drill such that: (i) in the north-south direction the influence area is half of the distance between holes, and (ii) in the east-west direction a distance from outcrop and extending down dip for 150 metres was used. Specific gravity of 2.38 and 2.35 tonnes per cubic metre was assumed for the estimate for the Upper and Lower Clay units respectively. Cut-offs of 1,000, 2,000 and 3,000 ppm Li, were used, with a cut-off of 2,000 ppm Li used as a base case scenario.

The lithium-bearing clays occur in two discreet units: an upper clay unit, and a lower clay unit. These units are separated by a thin ignimbrite sheet. These stratigraphic units represent a continuation of the same stratigraphic succession as found on the La Ventana concession.

A total indicated resource, based on CIM Definition Standards for Mineral Resources and Reserves (2010), was estimated for each of the lithium-bearing units and is found in Table 14. At a cut-off of 2,000 ppm Li, the base case indicated resource for the Upper Clay unit is estimated to be 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE), and for the Lower Clay unit the indicated resource is 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE), giving total inferred resources of 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE) or 2,010,000 tonnes LCE. Plan views illustrating the areas of the polygons used in the estimate for the Upper and Lower Clay units are found in Figures 26 and 27. A distinct zone of higher lithium grades occurs in the northern part of El Sauz and continues through Fleur onto the southern half of La Ventana.

Investors are cautioned that the resource estimate is preliminary in nature and does not mean or imply that an economic lithium deposit exists in the concession area. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Further testing will need to be undertaken to confirm economic feasibility.

Table 14. Inferred Resource Estimate – El Sauz and Fleur Concessions.

Cut-off (ppm)	Tonnes	Li ppm	LCE%	Tonnes LCE
Upper Clay Unit				
1000	97,080,000	1,657	0.88	856,000
2000	**47,360,000**	**2,222**	**1.18**	**560,000**
3000	18,390,000	3,773	2.01	369,000
Lower Clay Unit				
1000	98,250,000	3,028	1.61	1,584,000
2000	**73,630,000**	**3, 698**	**1.97**	**1,450,000**
3000	58,910,000	4,140	2.20	1,298,000
Upper & Lower Clay Units Combined				
1000	195,330,000	2,347	1.25	2,440,000
2000	**120,990,000**	**3,120**	**1.66**	**2,010,000**
3000	77,300,000	4,053	2.15	1,667,000

At the present time there are no known environmental, permitting, legal, title or socio-economic factors that would adversely impact future development of these resources. A proposed royalty on pre-tax earnings from mining operations of 7.5%, to be imposed by the Government of Mexico, could have an impact on the viability of these resources. At this time it is not known if such a royalty will be imposed or what the actual rate will be. Economic assessments of these resources will need to look at the possible effects of royalties on a commercial operation.

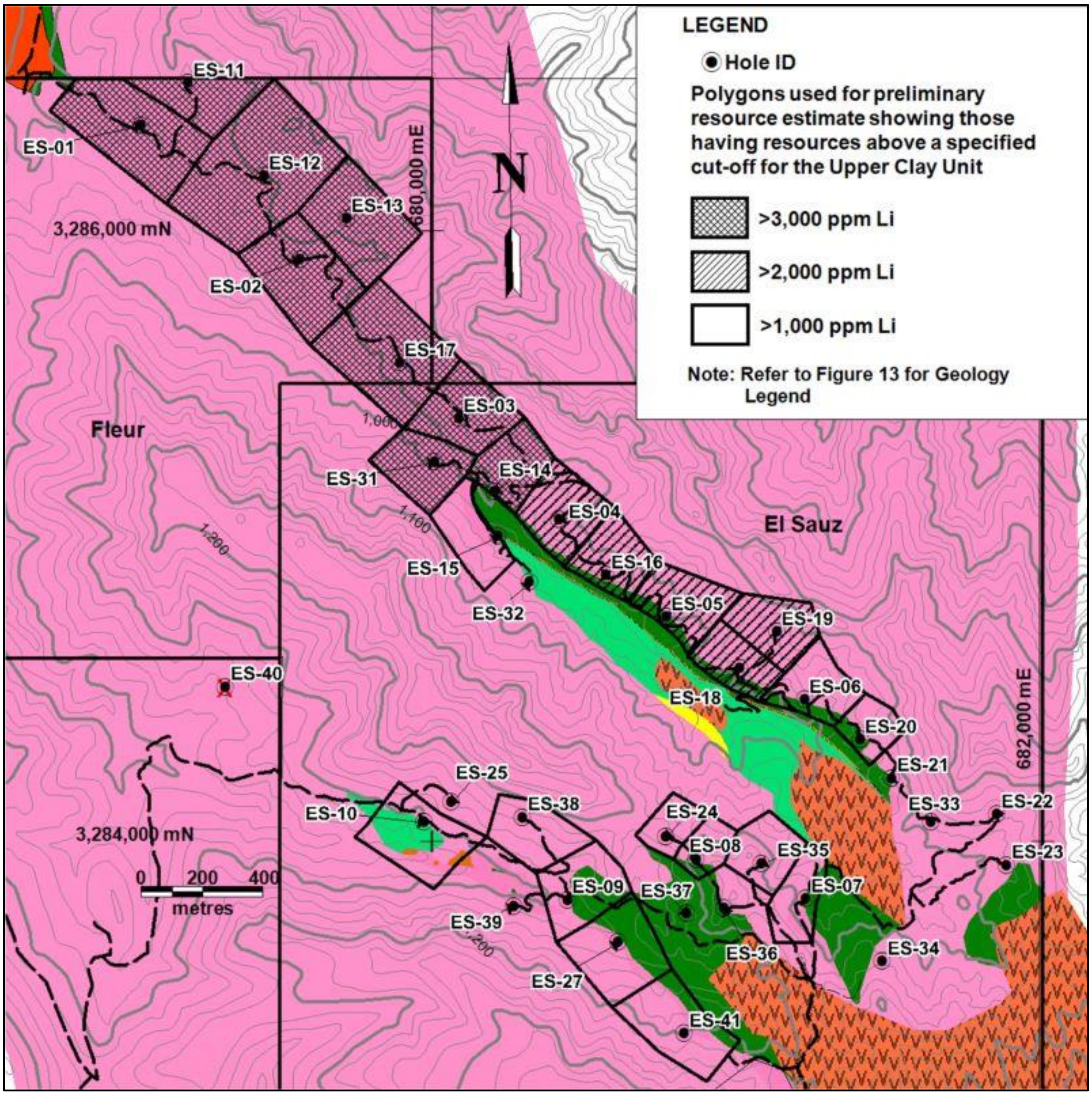

Figure 26. Plan of Polygons used in the Inferred Resource Estimate for the Upper Clay.

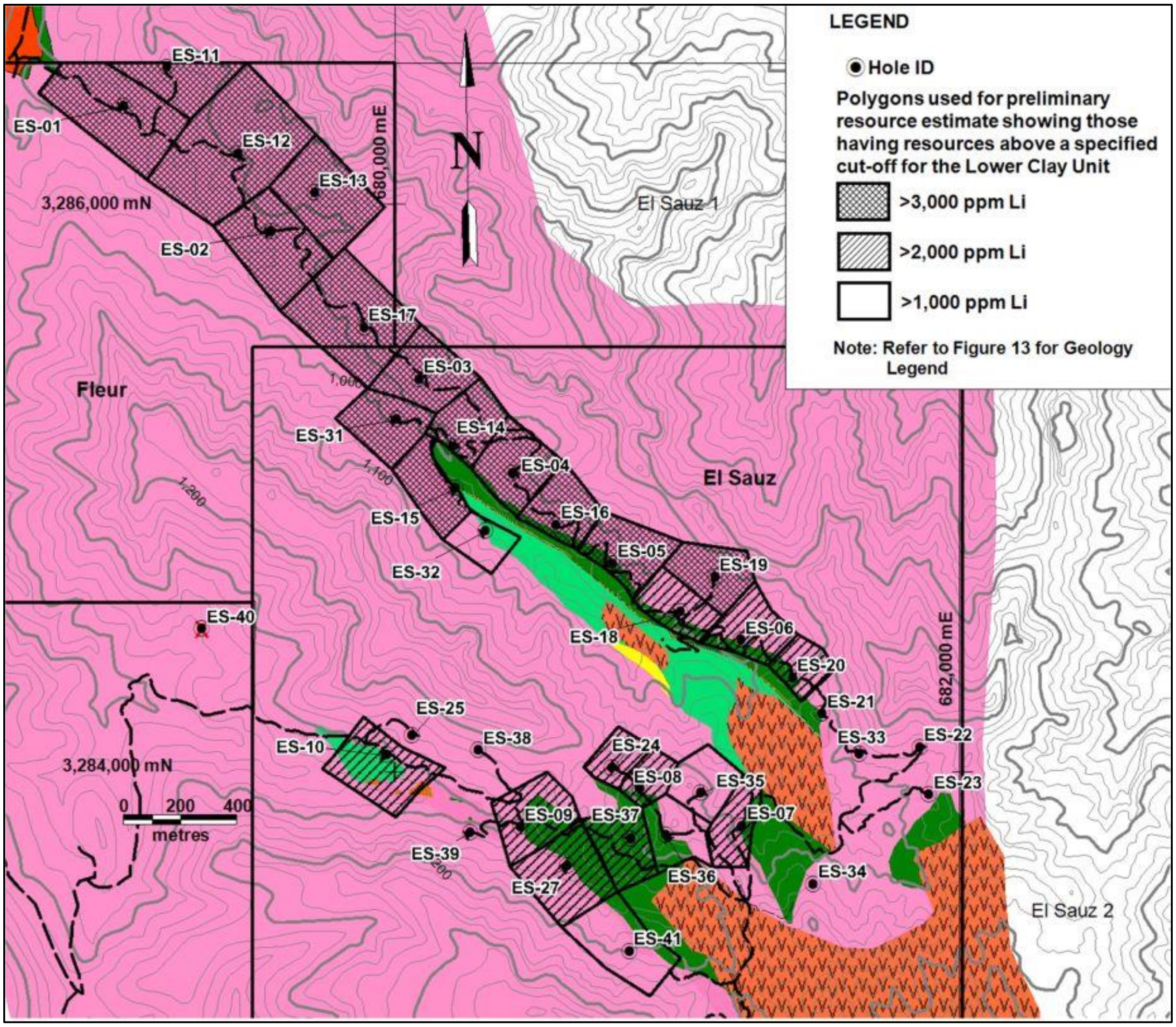

Figure 27. Plan of Polygons used in the Inferred Resource Estimate for the Lower Clay.

15.0 Mineral Reserve Estimates

There are no mineral reserve estimates for the Sonora Lithium Project.

16.0 Mining Methods

16.1 La Ventana Concession

The proposed mining method for the La Ventana lithium deposit is by open pit methods, for near surface gently dipping clay units. Down dip extensions of the clay units may be developed by underground bulk mining methods in the later years of a proposed mining scenario. Life of mine for open pit operations is estimated at 20 years at an average mining rate of 11.3 million tonnes per year for run-of-mine material (“ROM”) and waste. Mining all of the clay units will proceed to a maximum depth of approximately 120 metres in 3.0 metre high benches. The area covered by the entire project is about 2,300 by 400 metres (92 hectares). Mine dilution factor is 15% with the stripping ratio increasing by 0.3 per year for open pit operations. This preliminary economic assessment is based only on the open pit mining scenario.

Mining is envisaged to be conducted by contractors using conventional open pit mining methods utilizing standard mining equipment. Lithium bearing clay units will be mined in blocks exposed during mining along benches designed for that purpose. Mine blocks in the benches will be blasted with explosives to break up the lithium-bearing clay units such that the ROM can be easily excavated and loaded into trucks for transport to an on-site concentration facility consisting of a trommel and screening plant designed to remove lithic fragments from ROM. Resulting clay concentrate will then be trucked to a processing plant for extraction of lithium from the clays and recovery of marketable lithium compounds.

The mining operation is proposed to begin with the mining of the Lower Clay unit then proceed to the Upper Clay unit.

Equipment anticipated to be used in mining of the clays will consist of the items listed in Table 15. Mining equipment is standard operating gear for medium size mining operations and does not requiring special orders from manufacturers.

Table 15. Anticipated Mining Equipment

Quantity	Item
3	Caterpillar D9 bulldozers
2	Caterpillar 938 H loaders
6	60 tonne haul trucks (77G)
2	Caterpillar 450E Excavators
1	Track-mounted blast hole drill, Cat MD 50-50
1	Caterpillar 140M grader
2	Water tank trucks

17.0 Recovery Methods

17.1 La Ventana Lithium Deposit

Clay concentrate from the mine concentrator will be processed such that lithium will be put into solution. The lithium-bearing solution will then be treated to precipitate lithium carbonate or other lithium compounds.

The clay-to-lithium solution process will involve a roast-leach methodology. The roasting method has been well studied and documented by the US Bureau of Mines (Crocker et. al., 1988). Further work to optimize the process for treating material from the Sonora Lithium Project is required.

Test work so far has successfully demonstrated that lithium can be put into solution by the roast–leach method. Furthermore, additional tests have demonstrated that battery grade lithium carbonate (99.5% or better) can be recovered from these solutions.

From the preliminary test work it is estimated that processing costs for either the roasting or pugging will range from approximately $US1,000 to $2,000 per tonne of lithium carbonate produced. For the preliminary economic assessment an evaluation of the pugging method was used. However, test work has indicated that a roast–leach method is a more favorable process route to take for putting lithium into solution from the clays.

18.0 Project Infrastructure

18.1 La Ventana Lithium Deposit

The infrastructure in the region consists of the following:

1. a high tension power-line crosses within one kilometre of the northern portion of the Project,
2. a paved all season highway is located 10 kilometres north of the deposit, passing through the town of Bacadehauchi,
3. rail sidings are located at the town of Nacozari 100 kilometres to the northwest of the Project, and
4. a natural gas pipeline goes through the town of Nacozari and may provide a possible location for a processing plant,

Process water is available from the Bavispe River. Alternatively, wells could be drilled onsite for process water.

There is an adequate labour pool in the area that can support new mining projects.

The proposed mine plan envisages waste dumps to be located immediately to the west of the open pit. There is adequate level ground in this area to safely store mine waste. The concentrating plant will also be located immediately to the west of the open pit. There is adequate level ground in this area to safely impound process tailings.

Contracts for mining, plant construction, labour, material, power, transportation and water procurement have not been negotiated.

19.0 Market Studies and Contract

19.1 La Ventana Lithium Deposit

According to studies by Roskill Information Services (Roskill, 2009), the production of lithium-ion batteries has grown by 20% per year from 2000 to 2009, overtaking nickel cadmium type batteries in the market. Demand for lithium compounds, such as lithium carbonate or lithium hydroxide, from the lithium-ion battery industry is forecasted to grow at a rate of 30% per year between 2010 and 2020 driven by electric vehicles, electric bicycles and grid storage increasing to 42,000 tonnes in 2020 (Roskill, 2009). In addition, the market for lithium compounds from all applications is expected to grow to in excess of 100,000 tonnes by 2020 (Roskill, 2009). The price of battery grade lithium compounds in 2010 and 2011 ranged from US $5,500 - $8,000/tonne. During 2012, the price increased to US $8,500/tonne and Roskill has projected prices to increase to US $7,250/tonne by 2020. Currently prices have stabilized in the US $5,000 to $6,000/tonne range.

The QP has reviewed the available information that the Company has concerning potential markets and pricing and is of the opinion that these support the assumptions in this report and warrant further detailed studies to confirm the feasibility of the proposed project.

Bacanora has not entered into any material commercial agreements with suppliers or purchasers of lithium products.

20.0 Environmental Studies, Permitting and Social or Community Impact

20.1 La Ventana Lithium Deposit

Bacanora has not conducted any environmental studies or contracted such work to be undertaken on the Project area as of the effective date of this report. There are no known environmental liabilities or issues in the Project area that could materially impact Bacanora's ability to further develop the mineral resources identified to date. The Project area does not lie within any known protected area. All permissions and applications required in accordance with the exploration process are being performed in accordance with the applicable Mexican Official Standards (Normas Oficiales Mexicanas). No other permits are required at this stage of exploration.

If the Project advances to the development stage the Company will require several Federal and State permits including:

1. the Preventative Notice (Informe Preventivo);
2. the Environmental Impact Assessment (Manifestación de Impacto Ambiental);
3. the Risk Study (Estudio de Riesgo);
4. the Permit for Change of Land Use in Forested Area issued by the State Delegations of Secretary of the Environment, Natural Resources and Fisheries (SEMARNAT);
5. a PPA (Accident Prevention Program);
6. an Explosive use permit (Secretaría de la Defensa Nacional);
7. a water use permit (Comisión Nacional del Agua);
8. an archaeological land "liberation", based on authorization by the Instituto Nacional de, Antropología e Historia; and
9. a notice to the state and municipal authorities (i.e., local construction permits, land use change, etc.).

Detailed plans for waste and tailings disposal, site monitoring and water management during both operations and post mine closure have not been defined by Bacanora at the present time.

Bacanora proposes to maintain a constant monitoring of the areas in and around the Project site that might generate and/or develop any environmental risk. A mine closure plan (remediation and reclamation) is being developed for implementation during the last two years of the projected mine life. The estimated cost of mine closure is $US5 million. Mine closure will essentially consist of slope stabilization, re-contouring and seeding waste piles, stabilizing and monitoring tailings disposal sites, as well as removal of mine and plant buildings and infrastructure.

In order to maintain good community relationships, most of the labour contracted will be local. Health, safety, environmental and community training programs will be implemented before and during project development, as well as during exploitation and mine closure.

21.0 Capital and Operating Costs

21.1 La Ventana Lithium Deposit

Key assumptions used to estimate operating and capital costs are tabulated below (Table 16). These are designed around a mine and a processing plant with capabilities to deliver 35,000 tonnes of lithium carbonate per year. In this analysis the processing method used is acid pugging of the clays followed by a washing to recover lithium in solution from which lithium carbonate is then precipitated. It is now believed that this method is high cost process method in comparison to a roast-leach process. Investigations are ongoing into roast-leach methods and their costs. Plant efficiency for processing to recover Li from clays and convert it into Li_2CO_3 is estimated at 90%. Mining assumes a waste to ore strip ratio of 0.3 that increases by 0.3 each year. ROM will be concentrated in Bacadehuachi; the concentrate will then be trucked to a processing plant in Hermosillo for processing and conversion into lithium carbonate.

Table 16. Key Operating Cost Assumptions

ITEM	ASSUMPTION	$US Cost/tonne of Li_2CO_3
Electricity	1,000 kwh are need to produce 1 tonne of Li_2CO_3 at a base cost of $US0.12/kwh	148.58
Natural gas	250 m^3 are needed to produce 1 ton of Li_2CO_3	59.52
Water	35,000 tons of water to produce 35, 000 tons of Li_2CO_3	0.96
Fuel	1,000 tons of diesel to produce 35,000 tons of Li_2CO_3	22.86
Labor	85 employees (including management)	54.56
Mining @ $US2.50/tn	ROM at 2,735,000 tonnes/year	807.80
Shipping/storage	FOB Port of Guaymas	125.03
Sulphuric acid	For pugging	678.57
Other reagents	pH controllers	57.14
Surface rights	Access and holding taxes	2.86
Transportation	to Hermosillo	125.03
Total		**$US1,957.88**

Capital requirements to build the mine and processing plant as well as supplying sustaining capital and funding for mine closure are estimated at US$114 million (Table 17). Of this amount US$46 million is required to build and support the mine, US$57 million to build and support the processing plant, US$ 1 million for feasibility studies, US$5 million for working capital, and US$5 million for closing.

Table 17. Development Capital Requirements

Capital Costs - La Ventana Li Deposit	
Mine	US$
Equipment/Contracted	35,000,000
Infrastructure	10,000,000
Support	1,000,000
Processing plant	
Washing/Roasting Plant	50,000,000
Infrastructure	5,000,000
Support	2,000,000
Feasibility study	1,000,000
Working capital	5,000,000
Closing	5,000,000
Total	**$US114,000,000**

Mining cost is estimated at US$2.50 per tonne of material (lithium-bearing clays and waste) with an average of 14.7 million tonnes of material mined per year. Processing costs are estimated at US$1,139 per tonne of product. Table 18 summarizes the operating costs for mining and processing.

Table 18. Estimated Average Annual Mining and Processing Costs

Operating Costs/year		
Plant	US$/tonne Li_2CO_3	US$/year
Water	0.96	33,600
Electricity	148.58	5,200,440
Natural gas	59.52	2,083,200
Storage/Shipping	125.03	4,376,000
Other reagents	57.14	2,000,000
Sulphuric acid	678.57	23,750,000
Fuel	22.86	800,000
Labour		1,145,664
Subtotal	**1,139**	**39,388,904**
Mine		
ROM@ US$2.50/tonne		6,837,500
Waste@ US$2.50/tonne		21,435,562
Labour		572,832
Subtotal	**824**	**28,845,894**
Administration		
Salary & wages		190,944
Surface rights	2.86	100,000
Subtotal	**8**	**290,944**
TOTAL	**$US1,958**	**$US68,525,742**

22.0 Economic Analysis

22.1 La Ventana Lithium Deposit

Based on the previously disclosed inferred resources and the initial metallurgical test work a preliminary economic assessment has been undertaken for the Project (Verley and Vidal, 2013). The preliminary assessment is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. In order to make the preliminary economic assessment the Qualified Person has used forward looking information including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm economic feasibility of the La Ventana Lithium Deposit. There have been no prior pre-feasibility or feasibility studies undertaken for the Project.

Preliminary economic analysis of the project is based on an annual production rate of 35,000 tonnes of lithium carbonate, with a mine life of 20 years and run-of-mine feed to the processing plant averaging 0.3% Li. The project is subjected to an annual royalty of 3% of net profits and a government taxation rate of 34%.

Potential project cash flows, net present values at various discount rates and internal rate of return are listed in Table 19 for the life of the project and are based on lithium carbonate prices of $US5,000, $US6,000 and $US7,000 per tonne. The net cash flow ranges from $US1,309 million to $US2,190 million; net present values ranges from $US631 million to $US1,064 million at an 8% discount rate; internal rate of return for the project ranges from 106% to 170%. Project pay-back time is estimated at 1.9 to 3.6 years depending on product prices.

Table 19. Cash Flow and Net Present Value Analysis Projected Over Life of Mine

Lithium Carbonate Price Senario		$US5,000/tn	$US6,000/tn	$US7,000/tn
Cashflow Summary		US$ million	US$ million	US$ million
Revenue		3,500	4,200	4,900
Operating Costs		1,370	1,371	1,371
Royalty		105	126	147
Capital Costs		114	114	114
Taxation		601	839	1,077
Net Cash flow		1,309	1,750	2,190
Net Present Value	Discount rate	NPV US$ Million	NPV US$ Million	NPV US$ Million
	10%	542	730	917
	9%	584	785	987
	8%	**631**	**848**	**1,064**
	7%	684	917	1,150
Internal Rate of Return		106%	138%	170%

23.0 Adjacent Properties

23.1 Sonora Lithium Project

There are no known lithium deposits adjacent or close to the Company's holdings.

24.0 Other Relevant Data and Information

There is no other relevant data or information concerning the Sonora Lithium Project.

25.0 Interpretations and Conclusions

The La Ventana Lithium Deposit and the El Sauz – Fleur concessions contain significant lithium resources. These two areas of lithium-bearing clays are part of one continuous, bedded deposit.

25.1 La Ventana Lithium Deposit

Drill results from La Ventana were used to estimate indicated resources, at a cut-off of 2,000 ppm Li, for the Upper Clay unit of 21,470,000 tonnes averaging 2,256 ppm Li (1.20% LCE or 258,000 tonnes LCE), and 53,850,000 tonnes averaging 3,540 ppm Li (1.88 % LCE or 1,015,000 tonnes LCE) for the Lower Clay unit, for a total of 75,320,000 tonnes averaging 3,174 ppm Li (1.69% LCE or 1,273,000 tonnes LCE) for the combined Upper Clay and Lower Clay units. Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

Based on the disclosed indicated resources and the initial metallurgical test work it is concluded that the preliminary economic assessment for the project is positive. The preliminary assessment is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary assessment will be realized. In order to make the preliminary economic assessment forward looking information was used including, but not limited to, assumptions concerning lithium commodity prices, cash flow forecasts, project capital and operating costs, commodity recoveries, mine life and production rates. Readers are cautioned that actual results, should they be realized, may vary from those presented. Further testing will be needed to be undertaken to confirm preliminary feasibility of lithium carbonate production from the clays found on the Sonora Lithium Project. There have been no prior pre-feasibility or feasibility studies undertaken for the project.

The preliminary economic analysis indicates that La Ventana Lithium Deposit could have a favorable internal rate of return in the order of 106% to 170% based on a producing operation with an output of 35,000 tonnes battery grade lithium carbonate per annum over a 20 year open pit mine life.

Results of the exploration and preliminary economic analysis are sufficiently encouraging to warrant advancing the project through pre-feasibility/feasibility work.

On the La Ventana concession, the clays are situated in two units that dip gently to the east and crop out over a strike length of 3.5 kilometres.

A total of 17 diamond drill holes and 6 trenches tested La Ventana in 2010, 2011 and 2013. Significant drill-intercept results from these holes ranged from 1,744 ppm Li across 42.31 metres in the Upper Clay unit (hole LV-05), to 5,442 ppm Li across 21.34 metres in the Lower Clay unit (hole LV-13).

The estimated resources for the Upper and Lower Clay units on La Ventana are classified as Indicated, based on the spacing of the available data and the level of confidence in the geological continuity of the mineralization, the confidence on the sampling techniques and assaying procedures.

25.2 El Sauz and Fleur Concessions

Drill results from 41 holes that tested the continuation of the lithium-bearing clay units from La Ventana to the south, across the Fleur concession and onto the El Sauz concession were used to estimate an indicated lithium resource for the clay units underlying those concessions. At a cut-off of 2,000 ppm Li, indicated resource for the Upper Clay unit is estimated to be 47,360,000 tonnes averaging 2,222 ppm Li (1.18% LCE or 560,000 tonnes LCE). The Lower Clay unit is estimated to have 73,630,000 tonnes averaging 3,698 ppm Li (1.97% LCE or 1,450,000 tonnes LCE). The combined total is 120,990,000 tonnes averaging 3,120 ppm Li (1.66% LCE or 2,010,000 tonnes LCE) for both clay units. Readers are cautioned that mineral resources are not mineral reserves as they do not have demonstrated economic viability.

The data density for both La Ventana and El Sauz - Fleur, while widely spaced, is adequate for this stage of exploration. Based on the QP's examination of the data, it is his opinion that it is reliable and meets industry standards for such data.

In the QP's opinion, the work conducted by Bacanora on the Sonora Lithium Project meets the original objective of estimating an indicated lithium resource for both the La Ventana and El Sauz - Fleur concessions and providing data and information sufficient for a preliminary economic assessment on the La Ventana lithium deposit.

26.0 Recommendations

26.1 La Ventana Lithium Deposit

Further work on the Project should consist of:

1. acquiring high quality topographic control, preferably through LIDAR survey of the concession areas,
2. detailed geological mapping to define the extents of the favorable lithium-bearing clay units on all of the concessions,
3. acquisition of large surface samples of both the Upper Clay and Lower Clay units from La Ventana for comprehensive mineral processing and metallurgical test work, and
4. additional drill testing of La Ventana in order to expand and upgrade the Li resources.
5. Scoping study to provide preliminary cost and economic data for building and operating a plant capable of producing between 35,000 to 50,000 tonnes per year of lithium carbonate.

26.2 El Sauz and Fleur

Further work should consist of:

1. continued detailed geological mapping to define the extents of the favorable lithium-bearing clay units on the concessions as well as on the new concessions (Buenavista, San Gabriel and Megalit),
2. continuous channel samples across select exposures of the Upper and Lower Clay units,
3. acquiring high quality topographic control, preferably through airborne LIDAR survey of the concession areas, in order to assist with the resource estimation and provide more accurate surface details to aid in development planning, and
4. acquire additional specific gravity measurements for all lithologies and subunits.

The estimated cost of the recommended programs for the Sonora Lithium Project is in the order of $US750,000.

Contingent upon the success of the recommended programs, additional work will be required to further evaluate the lithium-bearing clays. At this juncture, it would be premature to propose a second phase program or budget prior to an assessment of the results of the above recommended programs.

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APPENDIX A – Abreviations used in this report

ASL	Above Sea Level
BCN	Bacanora Minerals Ltd.
ºC	Degrees Celsius
CIM	Canadian Institute of Mining & Metallurgy
Cum.	Cumulative
Fm	Geological formation
FOB	Free on board
gm	gram
ICP-OES	Inductively coupled plasma – optical emission spectrometry – an analytical technique
INEGI	Mexico's agency that collects cencus information and keeps geographic information
ISO	International Standards Organization
JV	Joint venture
LCE	Lithium Carbonate Equivalent, assumes all lithium can be converted to lithium carbonate without processing or recovery losses
Li	Chemical symbol for the element lithium
LTM	Labratorio Technico Metallurgica
Ma	Millions of years before present
mm	Millimetre/millimetres
M	Mega or million
MSB	Minera Sonora Borax S.A. de C.V.
MYTT	Bacanora internal high boron sample standard
NAD	North American map Datum
NQ	A size of drill core 47.6 mm in diameter
OB	Overburden
ppm	Parts per million
QA/QC	Quality assurance/quality control
QP	Qualified Person as defined by NI 43-101
REM	Rare Earth Minerals PLC
ROM	Run of Mine material
SMO	Sierra Madre Occidental
S.A. de C.V.	Mexican legal term: Sociedad Anónima de Capital Variable or variable capital corporation, the common form for a corporate entity in Mexico
TT	Bacanora internal low boron sample standard
UTM NAD 27	Universal topographic metric grid location method using North American datum of 1927