Bacanora Lithium Limited

Annual Report and Financial Statements

31 December 2023

Company Directory

Board of Directors	Peter Secker Junichi Tomono Wang Xiaoshen
Company Secretary	Cherif Rifaat
Registered Office	4 More London Riverside London SE1 2AU
Registered Number	11189628

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Strategic Report

1 Business model

Bacanora Lithium Limited (the "Company" or "Bacanora") is a 100% subsidiary of Ganfeng International Trade (Shanghai) Co., Ltd. ("Ganfeng"). On 3 January 2023, the Company officially re-registered its name from Bacanora Lithium Plc. The Company's business model is to create value through the investment in the Sonora Lithium Project ("Sonora Project") in Mexico via its 50% joint venture holding in Sonora Lithium Ltd ("SLL") and by extension SLL's subsidiaries, collectively, "Sonora Group" or "Joint Venture". The Company is the holding company for the Bacanora Lithium group entities (the "Group") which manage the development of the Sonora Project. Ganfeng holds the other 50% of SLL.

To capitalise on the fast-growing lithium market, the main focus is to monetise the resources and reserves held in the Sonora Project, which benefits from a large, scalable and high-grade lithium resource with a global resource (measured, indicated and inferred) of almost 9 million tonnes of lithium carbonate equivalent ("LCE"). This will be achieved, initially, by developing the mine and processing plant in several phases. The Company aims to produce a battery-grade lithium product for sale to downstream cathode and battery manufacturers through existing offtake partners, Ganfeng and Hanwa Co., Ltd ("Hanwa").

The Sonora Project comprises ten mining concession areas covering approximately 100,000 hectares in the northeast of Sonora State in Mexico. Seven of these mining concessions were included in the feasibility study published in January 2018. The feasibility study indicated a US$1.253 billion pre-tax Net Present Value for the Sonora Project using an 8% discount rate and US$11,000 per tonne of LCE price, 26.1% of internal rate of return and US$4,000 per tonne of LCE life of mine operating costs based on the prevailing price of lithium at the time, placing Sonora among the world's lowest cost producers.

The approach to delivering this core business model is predicated upon the following:

1. A world class lithium resource containing approximately 9 million tonnes of LCE.
2. An experienced Board and operational leadership team.
3. Access to strong technical skills from the Sonora Lithium team, the Company's sole shareholder and joint venture partner Ganfeng and global network of advisers.
4. Pilot plant operations in Mexico which has proven a pioneering lithium extraction process.
5. Emphasis on building strong local organisations and skill sets.
6. Commitment to excellence in Environment and Social matters.
7. Securing funding for the Sonora Project.
8. Long-term lithium offtake agreements with Ganfeng and Hanwa.
9. Disciplined capital management and careful handling of Company resources.

In 2021, the Company and Ganfeng entered into an agreement regarding the terms of a possible cash offer for the entire issued and to be issued share capital of the Company that Ganfeng did not already own and the offer had been unconditional. On 23 December 2021, Ganfeng had received acceptances in excess of 75 percent for the Company's issued ordinary share capital and made an application to the London Stock Exchange for the cancellation of the admission of Bacanora shares to trading on AIM. The Company delisted from AIM on the London Stock Exchange on 26 January 2022. On 8 August 2022, Ganfeng had completed the offer to the Company and holds 100% equity interest of the Company as at 31 December 2022. During the year ended 31 December 2023, there is no change of shareholding after the acquisition.

2 Strategy

Bacanora's vision is to become a Mexico-focussed lithium production company, producing high quality battery-grade products.

The Board's strategy to achieve this goal involves several stages:

1. Identify a world class project that can address the rapidly increasing demand for lithium for electric vehicles and energy storage industries. Complete.
2. Complete the feasibility study to evaluate and quantify the economic potential of its Sonora Project. Complete.

3. Validate the quality of its product by securing high quality offtake partners. Complete.
4. Finalise a detailed design of the mine and processing plant for stage 1 of the Sonora Project. Ongoing.
5. Secure all necessary permissions to construct and run the mine and processing plant. Ongoing.
6. Complete the funding required to construct the Sonora Project. Yet to commence.
7. Construction and commissioning of the Sonora Project's plant. Yet to commence.
8. Hiring of a team with the expertise to deliver the Sonora Project into production. Ongoing.

3 Key Challenges

The Company is a wholly owned subsidiary of Ganfeng, a world-class shareholder and joint venture partner for the Sonora Project. Ganfeng has a wealth of experience in creating and operating lithium producing plants. The Company will face many challenges during the construction phase of the Sonora Project, principally, ensuring the safe operation of the construction site. It is a key challenge to ensure that the construction can proceed unabated and deliver the Sonora Project with expedience and within budget. The production of battery-grade lithium products from the Sonora Project is dependent upon successfully recovering lithium from clay; mined via open pit excavation operations feeding a three-part chemical processing plant comprising beneficiation, pyrometallurgical and hydrometallurgical sections. The processing plant will require the supply of both gas and high voltage electricity infrastructure to be established at the site. The long-term plan is for a third-party service provider to provide an energy supply via a cogeneration plant using natural gas as the fuel from a pipeline that they will construct.

On 20 April 2022, the Mexican Government approved an amendment to its Mining law[1] (the "2022 Amendment"). The 2022 Amendment declared lithium a strategic mineral and property of the nation. It also noted that the economic value chain of lithium would be administered and controlled by a public organ[2]. The 2022 Amendment also provided that no concessions, licenses, contracts, permits, or authorizations would be granted for lithium related activities. The 2022 Amendment was silent on its effects, if any, on pre-existing concessions, including those held by the three Mexican entities that hold the nine concession titles on which the Sonora Project is based: Minera Sonora Borax S.A. de C.V. ("MSB"), Mexilit S.A. de C.V. ("Mex") and Minera Megalit S.A. de C.V. ("Meg") (together, the "Mining Entities"). The Company's position is that the concessions held by the Mining Entities cannot be impacted by the 2022 Amendment because the concessions were granted prior to its enactment. However, the Mining Entities are challenging the constitutionality of the 2022 Amendment under Mexican law via an *amparo* action before a Mexican federal court.

In October 2022, the Directorate General of Mines ("DGM") started proceedings against the Mexican Entities based on the identification of alleged tax payments omissions. The DGM has not taken any further action after the Mining Entities submitted the proof of tax payments.

Following the enactment of the 2022 Amendment, the President of Mexico announced that the Government of Mexico needed to "review" existing lithium concessions, including those related to the Sonora Project. Shortly thereafter, in February 2023, the Secretary of Economy, through the DGM, initiated an administrative procedure for the cancellation of nine of the concessions held by the Mining Entities. According to the DGM, the basis for these cancellation proceedings was that the Mining Entities had purportedly not complied with minimum investment obligations for the development of such concessions in 2017-2021. In those proceedings, the Mining Entities submitted extensive evidence of their compliance with such obligations in a timely manner. On 4 August 2023, however, the DGM notified the Mining Entities of resolutions cancelling these nine concessions (the "Cancellation Resolutions").

On 25 August 2023, the Mining Entities filed administrative review recourses before the Secretary of Economy challenging the legality of the Cancellation Resolutions under Mexican law for each of the nine concessions. Shortly thereafter, on 24 November 2023, the Secretary of Economy issued decisions maintaining the Cancellation Resolutions issued by the DGM.

The Mining Entities are challenging the legality of the Cancellation Resolutions under Mexican law through annulment claims before the Federal Tribunal of Administrative Justice in Mexico.

The Company has considered the impact of the 2022 Amendment and the actions taken by Secretary of Economy and is analysing the legal options it may have under Mexican and international law. It has concluded that despite Mexico's

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[1] https://www.dof.gob.mx/nota_detalle.php?codigo=5649533&fecha=20/04/2022#gsc.tab=0
[2] Mexico subsequently established a government entity named Litio para México ("LitioMex") for this purpose https://sidof.segob.gob.mx/notas/5662345

actions, it has strong arguments and evidence that protect the ownership of the concessions. Specifically, the Company's position is that Mexico has violated both Mexican and international law as its actions are arbitrary, unsubstantiated in both fact and law, and infringe upon the Company's and the Mexican Entities' fundamental due process rights. Please refer to note 19 to the financial statements for further information.

A key challenge is to negotiate a path and workable solution with the Mexican Government and reach a mutually beneficial commercial agreement that allows the Sonora Project to move forward.

The production of battery-grade lithium products from the Sonora Project is dependent upon successfully recovering lithium from clay; mined via open pit excavation operations feeding a three-part chemical processing plant comprising beneficiation, pyrometallurgical and hydrometallurgical sections. The processing plant will require the supply of both gas and high voltage electricity infrastructure to be established at the site. The long-term plan is for a third-party service provider to provide an energy supply via a cogeneration plant using natural gas as the fuel from a pipeline that they will construct. The Company is currently in discussion with a number of contract suppliers.

The planet is facing climate change related risks which may become increasingly challenging until such time that influencing factors such as greenhouse gas emissions are significantly reduced and better controlled. The Company is not immune to these risks, particularly extreme weather events which could impact the construction of the Sonora Project or its operations in future. The Company is committed to minimising adverse environmental impacts of its operations. By virtue of the Sonora Project's prospective product, battery-grade lithium compounds, the Company will be at the forefront of renewable energy and mobility transitions by contributing one of the key raw materials required. Lithium batteries will enable grid and domestic scale energy storage and are a key component of zero emission electric vehicles. In this way, the transitions will contribute to the reduction in greenhouse gas emissions.

4 Principal risks and uncertainties

The Board is responsible for putting in place a system to manage current, emerging and future risk types and implementing internal controls thereof. Risks can manifest themselves as threats or can present as opportunities to be exploited, both can affect business performance.

The Board recognises the need for an effective and well-defined risk management process and, whilst it oversees and regularly reviews the current risk management and internal control mechanisms. The Board has considered mechanisms by which the business and the financial risks facing the Company are managed and reported to the Board. The Board acknowledges it has responsibility for reviewing the effectiveness of the systems that are in place to manage risk. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Any system can only provide reasonable and not absolute assurance against loss.

All employees are responsible for identifying, evaluating and managing risks. Executive management support the understanding and management of risks at all levels of the business. Executive management provide a framework for managing and reporting material risks to the Management Risk Committee comprising senior corporate and operational managers. The Management Risk Committee's role is to consolidate, challenge and report risk management information to Executive management, who may escalate in turn to the Board of Directors. Bacanora has developed procedures for identifying, evaluating and managing significant risks faced by the Group and the Joint Venture.

a) Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the senior management team and the Board and involves an ongoing assessment of significant risks facing the Company and the Group.

- The Board is responsible for reviewing and approving overall Company and the Sonora Project strategy, approving budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.
- There are procedures for budgeting and planning, procurement to pay, financial close and reporting and treasury. These are used for monitoring and reporting to the Board against those budgets and plans, and for forecasting expected performance throughout the financial period. These cover income statements, cashflows, capital expenditures and balance sheets.

b) **Internal controls**

The Board is responsible for ensuring that a “fit for purpose” system of internal control exists to safeguard the shareholder’s interests and the Company’s assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage and where possible eliminate risk altogether. However, even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed.

c) **Principal Risks**

The Company’s internal risk identification and management process is undertaken by the Executive management team and Management Risk Committee who own, prepare and regularly review the risk register for the Company. The risk register details specific known risks to the Company and its investments and with some mitigating actions to manage these risks. A “traffic-light” management system is used for ongoing review and as a medium for categorising the severity and likelihood for each risk.

The principal risks and uncertainties outlined in this section reflect the risks that could materially affect Bacanora, or its ability to achieve its strategic objectives, either directly or by the triggering of events that become material to the Company or Joint Venture companies. The principal risks and trends outlined in this report should be viewed through the prism of forward-looking statements and are made with a varying degree of uncertainty.

The following risks are those that the Company considers could have the most serious adverse effect on its performance and reputation.

Risk 1: Successful development of the Sonora Project

Development of mineral properties involves a high degree of risk. Large capital investments require multi-year execution plans and are by nature highly complex. The commercial viability of a mineral deposit is dependent upon a number of factors, including but not limited to the following:

- geopolitical environment in host country (see Risk 2 below);
- increasing capital costs due to supply chain delays, changes to process flow sheet, product suite optimisations, price inflation and key equipment availability;
- obtaining sufficient financing for the development of the Sonora Project (see Risk 3 below);
- market price of lithium;
- availability of infrastructure capacity (see Risk 4 below);
- ability to attract sufficient numbers of suitably qualified personnel;
- environmental and regulatory compliance requirements;
- delays in permitting;
- delays in completion of front-end engineering design (“FEED”);
- increased operating costs due to changes in input costs, including plant, material, energy and labour costs;
- lack of availability of mining and processing equipment;
- breakdown or failure of equipment or processes;
- construction, procurement and/or performance of the processing plant and ancillary operations falling below expected levels of output or efficiency;
- non-performance by third party contractors, contractor or operator errors;
- taxes and imposed royalties;
- disruption caused by external groups e.g., non governmental organisations and illegal demonstrators;
- unfavourable weather conditions; and
- catastrophic events such as fires, earthquakes, storms or explosions and effects of global pandemics.

The Company is not immune to these risks, which are beyond its control, and its ability to deliver the Sonora Project to plan, principally in terms of safety, cost and schedule depend on successfully managing each of the factors outlined above. There are numerous activities that need to be completed in order to successfully commence production at the Sonora Project including, most importantly, the successful resolution of ongoing litigations involving the Secretary of Economy’s cancellation of the Mexican Entities’ concessions and changes to Mexico’s Mining Law, among other remedies that the Group can pursue under Mexican or international law.

There is no certainty that the Company or the Joint Venture will be able to obtain favourable judgments or awards on any or all of its legal proceedings and successfully complete the multiple other activities required to start or to continue to operate the Sonora Project. There is no guarantee that certain funds will be available to finance construction given that the Sonora Project is not fully financed by the Company. Most of these activities require significant lead times, and the Company will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, and having a material adverse effect on the Company's business, prospects, financial position, production volume and cash flows.

Mitigation:

The Sonora Feasibility Study was completed in January 2018. Since that date, the Company has worked to de-risk the Sonora Project's development by securing Ganfeng, the world's largest lithium metals producer, as a JV partner in the Sonora Project, and owner of the Company. Furthermore, the Company obtained material additional capital injections from the equity placings and a retail offering, acquired additional land, secured water permits, made key internal hires, concluded offtake contracts with Ganfeng and Hanwa, and is continuing its FEED work.

Trend:

There is a diverse set of sub-risks which could affect the development of the Sonora Project. Consequently, while the Company worked diligently to continue to de-risk the Sonora Project following the completion of the Sonora Feasibility Study in January 2018, some risks have increased over the past twelve months e.g. geopolitical risks, delays in permitting and the availability of sufficiently skilled staff at a reasonable cost. These heightened risks and delays mean that commencement of production is delayed relative to the original target date.

Risk 2: Geopolitical uncertainty

Geopolitical risks are challenging for companies as they are hard to predict, interconnected with other business risks and can significantly impact business operations. Populism and protectionism, with collective backlashes against globalization coupled with the threat of resource or asset expropriation are becoming increasingly prevalent globally.

Beyond contributing to financial uncertainty and volatility, Mexico's recent change in political priorities and resource nationalism with respect to lithium, as reflected by the Secretary of Economy's recent decision to cancel the Mexican Entities' concessions (the legality of which the Group is disputing) may mean that Bacanora is prevented from being able to develop and operate its Sonora Project, or if allowed could operate in a market that may be unreceptive to the globalization which underpins supply chains, financing and capital. Bacanora and the wider mining industry, which is heavily dependent on free trade and growth, will need to be resilient in this new phase of geopolitics.

Geopolitical events, such as the Russian invasion of Ukraine and the Gaza-Israel Conflict, can be unpredictable and have a severe impact on the wider economy. Impacts of the war, which are relevant to Bacanora include significantly increasing energy and raw material costs and the broader effect on inflation.

Mitigation:

Geopolitical events can manifest themselves in many ways and are not always predictable. Each event carries its own risk and consequence, and therefore needs to be mitigated on a case by case basis. Large scale geopolitical climate is difficult to impact directly, Bacanora focuses on the mitigations it can control such as having an intimate knowledge of the diverse, complex and developing geopolitical dynamic. As such the Company monitors developments in the jurisdictions in which it operates and performs due diligence ahead of entering a business partnership including looking at geopolitical implications. The Company behaves as a responsible corporate citizen and adds value to the communities in which it operates to maintain the Company's social licence to minimise geopolitical risk. With respect to the 2022 Amendment and the cancellation of the Mining Entities' concessions, the Company, through the Mining Entities, has taken available steps and legal procedures to challenge such actions under Mexican law.

Trend:

The increasing occurrences of asset and resource nationalism globally, including in Mexico, mean that geopolitical risks remain key.

On 20 April 2022, the Mexican Government approved the 2022 Amendment, which declared lithium a strategic mineral and property of the nation. It also noted that the economic value chain of lithium would be administered and controlled by a public organ. The 2022 Amendment also provided that no concessions, licenses, contracts, permits, or authorizations would be granted for lithium related activities. The 2022 Amendment was silent on its effects, if any, on pre-existing concessions, including those held by the three Mining Entities. The Company's position is that the concessions held by the Mining Entities cannot be impacted by the 2022 Amendment because the concessions were granted prior to its enactment. However, the Mining Entities are challenging the constitutionality of the 2022 Amendment under Mexican law via an *amparo* action before a Mexican federal court.

On 23 August 2022, the President of Mexico issued a decree titled "Decree that creates the decentralized public organ of the Federal Public Administration called Litio para México". This decree established a State-owned entity named Litio para México or LitioMX to explore, exploit, benefit, and use lithium in Mexico and to be in charge of the administration and control of the economic value chains of said mineral.

In October 2022, the DGM started proceedings against the Mexican Entities based on the identification of alleged tax payments omissions. The DGM has not taken any further action after the Mining Entities submitted the proof of tax payments.

Subsequently, on 18 February 2023, the President of Mexico issued a Presidential Decree titled "Decree that declares a mining reservation zone of lithium called 'Li-MX 1' for public utility reasons." Through this Presidential Decree, Mexico established a "mining reservation zone" (which is a zone where only the State is authorized to conduct mining operations directly or indirectly) named "Li-MX 1" in an area encompassing 234,855 hectares in the state of Sonora. The Mining Entities are challenging this Decree, as well as the one issued on 23 August 2022 via an *amparo* action before a Mexican federal court.

Another Presidential Decree also dated 18 February 2023 instructed the Secretary of Energy to take any necessary actions to oversee the execution of the aforementioned Presidential Decree and to comply with the 2022 Amendment regarding lithium, as well as the Decree creating Litio-MX.

In February 2023, the Secretary of Economy, through the DGM also initiated administrative procedures for the cancellation of nine of the concessions held by the Mining Entities. According to the DGM, the basis for these cancellation proceedings was that the Mining Entities had purportedly not complied with minimum investment obligations for the development of such concessions in 2017-2021. In those proceedings, the Mining Entities submitted extensive evidence of their compliance with such obligations in a timely manner. On 4 August 2023, however, the DGM notified the Mining Entities of the Cancellation Resolutions.

On 25 August 2023, the Mining Entities filed administrative review recourses before the Secretary of Economy challenging the legality of the Cancellation Resolutions under Mexican law for each of the nine concessions. Shortly thereafter, on 24 November 2023, the Secretary of Economy issued decisions maintaining the Cancellation Resolutions issued by the DGM. The Mining Entities are challenging the legality of the Cancellation Resolutions under Mexican law through annulment claims before the Federal Tribunal of Administrative Justice in Mexico.

The Company has considered the impact of the 2022 Amendment and the actions taken by Secretary of Economy and is analysing the legal options it may have under Mexican and international law. It has concluded that, despite Mexico's actions, it has strong arguments and evidence that protect the ownership of the concessions. Specifically, the Company's position is that Mexico has violated both Mexican and international law as its actions are arbitrary, unsubstantiated in both fact and law, and infringe upon the Company's and the Mexican Entities' fundamental due process rights.

As indicated, the Sonora Project's geopolitical risk remains high.

Risk 3: Financing risk

Financing risk in the context of Bacanora's principal risks is defined as having insufficient capital available to achieve the Company's strategic development targets. Other types of financing risk exist, such as foreign exchange risk, however these are not considered to be principal risks for reporting purposes.

As the Sonora Project develops, there will be a requirement for significant additional finance at various intervals or stages of development. It is anticipated that the Sonora Project will be financed by the Company's excess cash and supported by funding to be provided by its parent company Ganfeng. Ganfeng has also provided the Company with a wider reach to the lending community and its reputation in the lithium industry provides a stronger platform of finance negotiation.

Mitigation:

As at 31 December 2023, the Group had US$9.9 million cash on hand and excess cash of US$60.8 million had been lent to related party and is repayable on demand. Sonora Group had US$3.9 million cash on hand and US$15.1 million related party receivable which is repayable on demand. The Group and Sonora Group do not have any third party debt. In addition to the existing cash reserves in the Group and Sonora Group, Ganfeng, being the sole shareholder of Bacanora, would assist in providing funding for the continued development of the Sonora Project.

Trend:

The ongoing legal disputes with the Mexican government may adversely impact the ability for Bacanora, Ganfeng or a project company to raise further debt or equity financing as required to finance the Project.

Risk 4: Infrastructure

The Sonora Project depends to a significant degree on adequate infrastructure. In the course of developing its operations, the Company will be required to construct and support the construction of infrastructure, which includes permanent gas pipelines, water supplies, power, transport and logistics services which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, governmental permissions or other interference in the maintenance or provision of such infrastructure or any failure or unavailability in such infrastructure could adversely affect the Sonora Group's operations, financial condition and results of operations in a material fashion.

Mitigation:

The technical report on the feasibility study for the Sonora Project has laid the groundwork for the infrastructure requirements and the Company is undertaking discussions with several third parties for the construction of required infrastructure including the energy cogeneration facility and pipeline.

Trend:

No material change in the risk in comparison to previous periods.

Risk 5: Health and Safety

Protecting the safety and health of employees, contractors and local community and other stakeholders is a fundamental issue facing the Group and the wider mining industry. Mining is inherently hazardous, with the potential to cause harm.

Mitigation:

The Company complies with the applicable laws and regulations of the countries in which it operates. Where these prove insufficient, standards are adopted based on best international industry practice. Safety is a paramount consideration, and Bacanora is proud to provide a place of work that is safe for everyone. Policies and procedures have been constituted with the aim of identifying the hazards associated with mining activities and that they are effectively managed. All occupational health and safety incidents are recorded, categorized and investigated and where required corrective and preventive actions are implemented.

Trend:

There is no intrinsic change in operations that would increase the risk inherent in the operating model since last reporting period. However, looking forward to the start of construction of the Sonora Project, the potential for health and safety incidences to occur may increase.

Key Performance Indicators

Key performance indicators ("KPIs") help the Board and executive management assess performance against strategic priorities and business plans. However, as a pre-operational business, the use of KPIs is limited, current KPIs relate to cash management and safety. Currently, the Board receives update reports on a monthly basis for operational and corporate elements of the business. The reports include measures of operational expenditure and capex spend against the budget and the Group's cash position. The reports also contain operational information, which includes, the development on the legal cases, updates on permissions, safety performance using number of lost time injuries and lost time injury frequency rate.

As the Company's investments progresses toward construction and production, the KPIs will be reassessed accordingly to drive and monitor business performance and will be aligned to the business strategy. It is likely that this will include financial, operational and Environmental, Social and Governance ("ESG") KPIs for the key investment, the Sonora Group joint venture.

Key Performance indicator	Description	Analysis
Lost time injury frequency rate (LTIFR)	A key safety metric, the number of lost time injuries per 1 million hours worked on a rolling 12-month basis	In 2023, there were no Lost time injuries ("LTIs") resulting in a LTIFR of nil. This follows on from Nil LTIs in 2022, 2021 and 2020 in Bacanora Group and Sonora Group combined.
Cash balance and related party loan repayable on demand	Cash balance available to continue with the activity of the Group, including exploration, development and maintenance on going concern.	At 31 December 2023, the Bacanora's cash balance was US$9.9 million, plus a related party loan receivable of US$60.8 million plus SLL[3] Group's cash balance of US$3.9 million, plus a related party loan receivable of US$15.1 million, totals US$89.7 million on an aggregated basis (31 December 2022: US$74.0 million for the group and US$21.3 million for Sonora Group). There is sufficient cash to continue working on its development activities.

5 Directors' section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the Company.

[3] SLL group is a 50:50 Joint Venture with Ganfeng

The analysis is split into two distinct sections, the first to address stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board. It focuses on how decision making was influenced with regard for stakeholder interests.

Section 1. Stakeholder mapping and engagement activities within the reporting period.

The Company continuously interacts with a variety of stakeholders important to its success, particularly the Company's equity investor and joint venture partner, Ganfeng. Other important stakeholders include but are not limited to; potential debt providers, the workforce, government bodies, local community, vendor partners and offtake partners. The Company has seven corporate employees including its Directors at the reporting date. Both the CEO and CFO are UK based. The Company strives to strike the right balance between engagement and communication.

Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Equity investor and customer - Ganfeng

The board promotes the success of the company for the benefit of its shareholders. The Company's strategy is to source the provision of finance for the Sonora Project. Consequently, access to capital is of vital importance to the long-term success of the Company and the Sonora Group. As such, engagement with the shareholder and JV and off-take partners is of paramount importance. The Company is in close communication with members of Ganfeng's senior leadership, charged with their international businesses, Mr. Wang Xiaoshen sits on the Company board, whilst he and Mr. Zhang Tong sit on the SLL board as well. Monthly financial and operational updates are provided to the Board and other members of the management team. One-on-one investor meetings and calls with the CEO and CFO are commonplace.

Employees

On the reporting date the Company had seven corporate employees including its Directors. Both the CEO and CFO are UK based. The Sonora Project's workforce is based in Mexico. The Company and the Sonora Project works to attract, develop and retain the highest quality talent, equipped with the right skills for the future of Bacanora and the Sonora Project. The Company maintains an open line of communication between its employees, Senior Executive Management and Board of Directors. The CEO and CFO report regularly to the Board, including the provision of board information.

External Stakeholders - Government, community and suppliers

The Company and the Sonora Project have an effect on the community and governmental organisations in the UK and Mexico respectively, conversely these stakeholders provide the Company with the social and operating licences to execute its strategy. As such the Sonora Project is required to engage with the local communities and governmental organisations to build trust. Having the community's trust will mean it is more likely that any fears the community and government have can be assuaged and the Company's plans and strategies are more likely to gain acceptance. Community and governmental engagement will inform better decision making. The local community in Bacadéhuachi and wider Sonora area will provide employees and suppliers to the mine. A good relationship with community and government organisations is not taken for granted and is highly coveted in the business, the value of which is intangible but critically important.

After the enactment of the 2022 Amendment, Ganfeng, Bacanora, and SLL have been proactively seeking to engage with the Mexican Government, including the Secretary of Economy, to discuss the terms of a potential collaboration with respect to the Sonora Project, which takes into account the Company's rights. The Company continues to be open to discussing a mutually beneficial resolution with the Government. As of now, no agreement has been reached between the Company and the Mexican Government concerning a potential collaboration.

During the construction phase, the Sonora Project will use key suppliers under commercial engineering contracts to deliver the mine and plant, all of whom will be reputable international vendors. Fostering relationships with these vendors will be crucial for delivering the Company's strategies. At a local level, the Company also partners with a variety of smaller companies, some of whom are independent or family run businesses. There will be a need to balance the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for investors and excellent quality and service. Suppliers are engaged via procurement process and have a number of preferred suppliers including engineering and banking partners with whom there are regular communications and Sonora Project updates.

As the Sonora Project moves into a construction and production phase, it will in due course, have a larger social, environmental and economic impact on the local community and surrounding area. It is an aim that companies associated with the Sonora Project will be committed to ensuring sustainable growth and minimising adverse impacts of the Sonora Project.

High standards of business conduct

The board recognises the importance of maintaining high standards of business conduct to protect the Company's reputation, which in turn benefits the Company in its relationships with its varied stakeholders. As such, the board has implemented policies and processes to support the Company's operating strategy and beneficial culture.

Section 2, Principal decisions by the Board during the reporting period.

Principal decisions are defined as both those that have long-term strategic impact and are material to the Company, but also those that are significant to the Company's key stakeholder groups.

Legal actions taken against the Mexican Government

During the year ended 31 December 2023, the Mexican Entities commenced domestic legal proceedings to challenge the legality of the Cancellation Resolutions under Mexican law. The Mexican Entities also continued with their amparo filings to challenge the amendments to the Mining law, as well as the Decrees establishing LitioMX and creating the Li-MX 1 mining reservation zone in areas comprising the Mining Entities' concessions.

The Mexican Entities have filed annulment claims to challenge the legality of the Secretary of Economy's cancellation of the concessions under Mexican law. The Company, moreover, is analysing the legal options it may have under international law to challenge Mexico's actions.

The board considered that Mexico's actions and the Mining Entities' legal proceedings may impact the ability of the Company to continue its operations in Mexico but concluded that the proceedings are necessary to protect the interests of the Company in the Sonora Project.

Provision of US$60m principal loan to Ganfeng

On 20 September 2022, the board resolved to provide GFL International Co. Limited ("GFL"), a 100% subsidiary of Ganfeng, with a short term US$60 million related party loan, repayable on demand. The principal and outstanding interest (2% per annum) were repaid by GFL on 15 September 2023 according to the terms of the loan. On 25 September 2023, a new short term US$60 million related party loan bearing interest at 4.75% per annum, repayable on demand had been lent to GFL.

The board considered the loan would support the shareholder's corporate activities whilst earning interest for the Company on funds that could be more efficiently utilized by the Ganfeng treasury division. On balance, the loan was aligned with corporate strategy, to utilize resources productively.

No other long-term strategic decisions have taken place that are material for the Company or its stakeholders.

6 Business Review

During the year ended 31 December 2023, the Company continued to be the holding company for the Sonora Project via its Joint Venture, Sonora Lithium Ltd, and continued to provide financing for the Sonora Project, amounting to US$2.6 million. The loss for the year was US$1.9 million comprised general and administrative expenses of US$3.3 million and share of loss in investment in joint venture of US$2.4 million but net-off by finance income of US$3.7 million.

On 3 January 2023, the Company officially re-registered as a Limited UK company and changed its name to Bacanora Lithium Limited.

A short term related party loan of US$61.1m had been fully settled by GFL International Co. Limited on 15 September 2023. On 25 September 2023, the Company lent a new short term loan of US$60 million to the same related party, GFL International Co. Limited, a 100% subsidiary of Ganfeng. The loan is repayable on demand, carries a 4.75% fixed interest rate and expires on 24 September 2024. The loan was fully drawn at 31 December 2023.

On behalf of the Board of Directors

Peter Secker

7 April 2024

Directors Report

The Directors present their Annual Report and Financial Statements of the Company for the year ended 31 December 2023.

1 Results and dividends

The results for the year are set out in the Financial Statements. No ordinary dividends were paid and the Directors do not recommend payment of a dividend.

2 Directors

The Directors who served during the year and as of the date of this report were:

- Peter Secker
- Junichi Tomono
- Wang Xiaoshen - Chairman

No Directors have direct interests in the Company.

3 Shareholding

The Company has one shareholder:

Shareholder	Shareholding on 31 December 2023	Shareholding on 31 December 2022
Ganfeng International Trading (Shanghai) Ltd (1)	100%	100%

(1)Ganfeng International Trading (Shanghai) Ltd is a 100% subsidiary of Ganfeng Lithium Group Co., Ltd.

4 Directors' and Officers' insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers, which were made during the period and remain in force at the reporting date.

5 Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the Confederation of British Industry's Prompt Payers Code (copies are available from the CBI, Cannon Place, 78 Cannon Street, London EC4N 6HN).

6 Branches

The Company does not have any branches outside of the United Kingdom as defined in s1046(3) of the Companies Act 2006.

7 Political donations

The Company has not made any political donations during the financial year.

8 Financial risks

See the Principal risks and uncertainties section of the Strategic Report and note 11 to the financial statements for the financial risks present to the Company.

9 Going Concern

See the Going Concern section in note 2c to the Financial Statements.

10 Bacanora Group accounts

Under Companies Act 2006, Section 401, the Company is exempt from the requirement to prepare group accounts. The ultimate parent, Ganfeng Lithium Group Co., Ltd., produces financial statements in which the Company and its subsidiaries are consolidated. These Financial Statements are available for public use and comply with IFRS. Ganfeng is listed in Shenzhen Stock Exchange and Hong Kong Stock Exchange.

11 Post balance sheet events

See note 19 of the Financial Statements for a detailed discussion on events that occurred subsequent to 31 December 2023.

12 Future developments

The Company will continue to be a holding company and provide a financing role for the Sonora Project.

13 Auditor

Ernst and Young LLP were appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be re-appointed for 2024 will be put at a General Meeting.

14 Statement of disclosure to auditor

So far, as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

15 Streamlined Energy and Carbon Reporting

Energy and carbon emissions are not disclosed as the Company is classed as a Low Energy User as defined in the regulations.

16 Matters covered in the Strategic Report

Disclosures of the Company's business review and principal risks and uncertainties are provided in the Strategic Report.

On behalf of the Board of Directors

Peter Secker

7 April 2024

Directors Statement of Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare fairly the financial position and financial performance of the Company;
- present information including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of IFRS is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that to the best of its knowledge:

(a) the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and income statement of Bacanora Lithium Limited.

(b) the management report includes a fair review of the development and performance of the business and the position of Bacanora Lithium Limited, together with a description of the principal risks and uncertainties that the Company faces.

(c) the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Peter Secker

7 April 2024

Independent Auditor's Report to the members of Bacanora Lithium Limited

Opinion

We have audited the financial statements of Bacanora Lithium Limited for the year ended 31 December 2023 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter – Recoverability of investment in joint venture and non-current receivables from related parties

We draw attention to note 4a of the financial statements, which describes the effects of the Mexican Government decrees to amend the Mining law and the cancellation of the concessions held by the Mining Entities (Minera Sonora Borax S.A. de C.V., Mexilit S.A. de C.V. and Minera Megalit S.A. de C.V.) on the investment in the Sonora Lithium Ltd joint venture and the non-current receivables from related parties. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 April 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards and the Companies Act 2006) and the and the relevant tax compliance regulations in the jurisdiction in which the Company operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being laws and regulations relating to health and safety, mining concessions, employee matters, environmental protection, data protection, anti-bribery, anti-money laundering and corruption.

- We understood how Bacanora Lithium Limited is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our enquiries through our review of Board minutes, the Company's code of conduct, any relevant correspondence with local regulatory bodies and the Company's whistle-blower policy and noted that there was no contradictory evidence. We also enquired directly with the Company's internal and external lawyers.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included using data analytics for testing of journal entries that met our defined risk criteria based on our understanding of the business and challenging the assumptions and judgements made by management in areas where judgement is required, including those referred to in the Emphasis of Matter section above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved understanding management's internal controls over compliance with laws and regulations; enquiry to senior management; and reviewing whistleblowing logs.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jessy Maguhn
Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 April 2024

Statement of Financial Position

As at 31 December 2023

In US$	Note	31 December 2023	31 December 2022
Assets			
Current assets			
Receivables from related parties	7	**60,775,834**	60,271,667
Other receivables and prepayments	8	**271,940**	264,448
Cash and cash equivalents		**9,943,874**	13,969,133
Total current assets		**70,991,648**	74,505,248
Non-current assets			
Investment in joint venture	6	**45,900,412**	48,295,448
Investment in subsidiaries	5	**3**	3
Receivables from related parties	7	**12,245,311**	7,974,456
Other receivables and prepayments	8	**497,993**	666,099
Total non-current assets		**58,643,719**	56,936,006
Total assets		**129,635,367**	131,441,254
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	**307,169**	124,375
Total current liabilities		**307,169**	124,375
Non-current liabilities			
Payable to related party		**1**	1
Total non-current liabilities		**1**	1
Total liabilities		**307,170**	124,376
Shareholders' equity			
Share capital	12	**53,014,057**	53,014,057
Share premium	12	**813,170**	813,170
Merger reserve	12	**40,708,662**	40,708,662
Retained earnings		**34,792,308**	36,780,989
Total shareholders' equity		**129,328,197**	131,316,878
Total liabilities and shareholders' equity		**129,635,367**	131,441,254

The accompanying notes on pages 22 - 38 are an integral part of these Financial Statements.

The Financial Statements of Bacanora Lithium Limited, registered number 11189628, were approved and authorised for issue by the Board of Directors on 7 April 2024 and were signed on its behalf by:

Peter Secker

7 April 2024

Statement of Comprehensive Income

For the year ended 31 December 2023

In US$	Note	Year ended 31 December 2023	Year ended 31 December 2022
Expenses			
General and administrative	13	**(3,267,085)**	(3,019,388)
Operating loss		**(3,267,085)**	(3,019,388)
Finance income	14	**3,673,440**	1,870,754
Finance costs	14	**-**	(52,429)
Share of loss in investment in joint venture	6(a)	**(2,395,036)**	(1,849,148)
Other income		**-**	87,018
Loss before taxation		**(1,988,681)**	(2,963,193)
Tax charge	15	**-**	-
Loss after taxation and total comprehensive loss		**(1,988,681)**	(2,963,193)

No other comprehensive income for the year ended 31 December 2023, so no Statement of Other Comprehensive Income was prepared.

The accompanying notes on pages 22 - 38 are an integral part of these Financial Statements.

BACANORA lithium

Statement of Changes in Equity
For the year ended 31 December 2023

In US$	Note	Share capital		Share premium	Merger reserve	Retained earnings	Total equity
		Number of shares	Value				
31 December 2021		387,136,502	53,014,057	813,170	40,708,662	39,744,182	134,280,071
Comprehensive loss for the year:							
Loss for the year		-	-	-	-	(2,963,193)	(2,963,193)
Other comprehensive loss		-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	(2,963,193)	(2,963,193)
31 December 2022	12	387,136,502	53,014,057	813,170	40,708,662	36,780,989	131,316,878
Comprehensive loss for the year:							
Loss for the year		**-**	**-**	**-**	**-**	**(1,988,681)**	**(1,988,681)**
Other comprehensive loss		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss		**-**	**-**	**-**	**-**	**(1,988,681)**	**(1,988,681)**
31 December 2023	**12**	**387,136,502**	**53,014,057**	**813,170**	**40,708,662**	**34,792,308**	**129,328,197**

The accompanying notes on pages 22 - 38 are an integral part of these Financial Statements.

Statement of Cash Flows
For the year ended 31 December 2023

In US$	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Loss for the year before tax		**(1,988,681)**	(2,963,193)
Adjustments for:			
Foreign exchange (gain)/losses		**(7,586)**	392,010
Finance and other income	14	**(3,673,440)**	(1,870,754)
Finance costs	14	**-**	52,429
Share of loss on investment in joint venture	6(a)	**2,395,036**	1,849,148
Changes in working capital items:			
Other receivables and prepayments		**159,636**	(134,034)
Accounts payable and accrued liabilities		**182,795**	(3,725,309)
Net cash flows used in operating activities		**(2,932,240)**	(6,399,703)
Cash flows from investing activities:			
Interest received		**386,299**	794,452
Advances to related parties		**(62,649,001)**	(63,637,666)
Repayment from related parties		**61,161,118**	1,077,003
Net cash flows used in investing activities		**(1,101,584)**	(61,766,211)
Cash flows from financing activities			
Proceeds from share options receivables		**-**	2,726,934
Settlement of warrant liability		**-**	(1,750,000)
Net cash flows from financing activities		**-**	976,934
Change in cash during the year		**(4,033,824)**	(67,188,980)
Foreign exchange rate effects		**8,565**	(398,495)
Cash, beginning of year		**13,969,133**	81,556,608
Cash, end of year		**9,943,874**	13,969,133

The accompanying notes on pages 22 - 38 are an integral part of these Financial Statements.

BACANORA lithium

Notes to the Financial Statements

1 Corporate information

These Financial Statements represent the financial statements of the Company, Bacanora Lithium Limited.

The Company was incorporated under the Companies Act 2006 of England and Wales on 6 February 2018. The Company was previously listed on the AIM of the London Stock Exchange, with its common shares trading under the symbol, "BCN". On 26 January 2022, the Company delisted from the AIM of the London Stock Exchange. The Company now is a private company limited by shares. The registered address of the Company is 4 More London Riverside, London, SE1 2AU. The ultimate parent of the Company is Ganfeng Lithium Group Co., Ltd which is officially listed on Shenzhen Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited. Its registered office is located at Longteng Road, Xinyu Economic Development Zone, Jiangxi Province. Its principal place of business is People's Republic of China. Ganfeng's financial statements are available on their website. The smallest and largest group where the Company's financial statements had been consolidated are Ganfeng International Trading (Shanghai) Co., Ltd. and consolidation of Ganfeng Lithium Group Co., Ltd respectively.

The Company is a mining investment and development company, primarily engaged in the identification, acquisition, exploration and development of mineral properties located in Mexico, through its joint venture holding in the Sonora Project.

2 Basis of preparation

a) Statement of compliance

These Financial Statements have been prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

The Company Financial Statements were authorised for issue by the Board of Directors on 7 April 2024. The Board of Directors has the power and authority to amend these Financial Statements after they have been issued.

Under Companies Act 2006, Section 401, the Company is exempt from the requirement to prepare group accounts. The ultimate parent, Ganfeng Lithium Group Co., Ltd., produces financial statements in which the Company and its subsidiaries are consolidated. Those financial statements are available for public use and comply with IFRS. Ganfeng is listed in Shenzhen Stock Exchange and Hong Kong Stock Exchange.

b) Basis of measurement

These Financial Statements have been prepared on a historical cost basis.

The functional and presentational currency of these Financial Statements is United States dollars ("US$").

c) Going concern

The Financial Statements have been prepared on a going concern basis.

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has prepared a cash flow forecast for the going concern period (from the approval of the financial statements to 30 April 2025). This forecast is a detailed analysis of the capital and operational expenditure for the Company encompassing the going concern period. As at 31 December 2023, the Company has US$9.9 million (2022: US$14.0 million) of cash and cash equivalents and a receivable due on demand from a related company of US$60.8 million (2022: US$60.3 million) giving total liquidity of US$70.7 million (2022: US$74.3 million). As at 31 December 2023, the Company has no external debt (2022: US$ Nil) and has not entered into any significant commitments. The Company does not have any plans to consider raising external debt or equity in the going concern period. The Company remains a going concern, taking into account all known quantifiable information surrounding the change to the Mining Law and the cancellation of concessions.

The Board of Directors has considered the impact of climate change, the war in Ukraine and the Gaza-Israel conflict and concluded that currently there is no direct impact on the Company.

On 20 April 2022, the Mexican Government approved an amendment to its Mining law ("2022 Amendment"), which declared lithium a strategic mineral and property of the nation. It also noted that the economic value chain of lithium would be administered and controlled by a public organ. The Company has considered the impact of the Mexican Government's 2022 Amendment and has concluded from the body of evidence and the mining rights in general under the Constitution, that this does not impact the going concern assessment because the ownership of the Sonora Project's assets is protected by Mexican and international law.

In February 2023, the Secretary of Economy, through the Directorate General of Mines ("DGM"), initiated administrative procedures for the cancellation of nine of the concessions held by Minera Sonora Borax S.A. de C.V. ("MSB"), Mexilit S.A. de C.V. ("Mex") and Minera Megalit S.A. de C.V. ("Meg") (together, the "Mining Entities"). According to the DGM, the basis for these cancellation proceedings was that the Mining Entities had purportedly not complied with minimum investment obligations for the development of such concessions in 2017-2021. In those proceedings, the Mining Entities submitted extensive evidence of their compliance with such obligations in a timely manner. On 4 August 2023, however, the DGM notified the Mining Entities of resolutions cancelling these nine concessions i.e., the Cancellation Resolutions.

On 25 August 2023, the Mining Entities filed administrative review recourses before the Secretary of Economy challenging the legality of the Cancellation Resolutions under Mexican law for each of the nine concessions. Shortly thereafter, on 24 November 2023, the Secretary of Economy issued decisions maintaining the Cancellation Resolutions issued by the DGM.

The Mining Entities are challenging the legality of the Cancellation Resolutions under Mexican law through annulment claims before the Federal Tribunal of Administrative Justice in Mexico. The Company is also exploring all possible legal recourses available to it.

The Company has considered the impact of the actions taken by DGM and the legal advice from lawyers and has concluded that the Mining Companies have strong arguments and evidence that protect the ownership of the concession titles under Mexican and international law and that this does not impact the going concern assessment.

Having considered the modelling and other factors as described above, the Company has concluded that the going concern basis of accounting is appropriate to assume when preparing the Company Financial Statements for the year ended 31 December 2023.

3 Accounting policies

The preparation of Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Below are the material accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

a) Standards, amendments and interpretations adopted

During the year, the following standards and amendments have been implemented.

Standard	Detail	Effective date
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Amendment – regarding the disclosure of accounting policies	1 January 2023
IAS 8	Amendment – regarding the definition of accounting estimate	1 January 2023
IAS 12	Amendment - regarding deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12	Amendment – International tax reform – Pillar Two Model Rules	23 May 2023

The adopted amendments have not resulted in any changes to the Financial Statements.

b) Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Financial Statements, the following amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Standard	Detail	Effective date
IFRS 16	Amendment – regarding the leases on sale and leaseback	1 January 2024
IAS 1	Amendment – regarding the non-current liabilities with covenants	1 January 2024
IAS 7 and IFRS 7	Amendment – regarding the supplier finance	1 January 2024
IAS 21	Amendment – regarding the lack of exchangeability	1 January 2025

Management anticipates that all the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. No material impact to the Company's financial statements is expected.

c) Foreign currency transactions and balances

In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated at the end of each reporting period.

Exchange differences on monetary items are recognised in the Statement of Comprehensive Income in the period in which they arise.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

e) Other receivables

All other receivables are held at amortised cost less any provision for impairment. A loss allowance for expected credit losses is made to reflect changes in credit risk since the initial recognition.

The method of measuring the expected credit losses can be referred to note 3(k)(i) below.

f) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provision for impairment. The Company assess at the end of reporting period whether there is any indication that unlisted investments may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the unlisted investments.

g) Investments in joint venture

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

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements, the Company uses equity accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, dividends received and other comprehensive income thereafter. The transactions between the Company and the joint venture are assessed for recognition in accordance with IFRS and are disclosed in note 16 to the Financial Statements.

h) Provisions

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

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

i) Interest income

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

j) Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Financial assets and financial liabilities are subsequently measured as described below.

i Financial assets

Financial assets are subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If neither of the above classification are met the asset is classified at fair value through profit and loss or unless management elect to do so provided to do so eliminates or significantly reduces a measurement or recognition inconsistency.

ii Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the Statement of Comprehensive Income.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating and recognising interest expense in the profit and loss account, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the amortised cost of the financial liability.

k) Impairment of assets

i Financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company has applied below ECLs model for its other receivables, receivables from related parties as permitted by IFRS 9 Financial Instruments.

Other receivables and receivables from related parties that are not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The ECLs are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

ii Investments in joint venture

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use.

The Company carried out an assessment of the carrying amount of the investment at the balance sheet date and no impairment was required. Management considered the increase in current lithium commodity prices in the market compared to those applied in the feasibility study performed in previous years.

l) Income taxes

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

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

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

The Company has not recognized a deferred tax asset associated with its carried forward losses on the basis that its investment is not likely to distribute dividends in the foreseeable future. Until such time as this can be predicted with a level of certainty to the extent its losses will be offset against earned profits, it is prudent that the Company does not recognise a deferred tax asset on its Statement of Financial Position.

m) Share premium

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

4 Critical accounting estimates and judgements

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

a) Recoverability of investment in joint venture and non-current receivables from related parties

The investment in joint venture is assessed at each reporting period date for impairment in accordance with IAS 28. An impairment is recognised if there is objective evidence that events after the recognition of the investment have had an impact on the estimated future cash flows which can be reliably estimated. During the impairment review an indicator of impairment was identified and following the assessment an impairment charge is not required to be recognised as at 31 December 2023. The Directors also consider that the non-current receivables from related parties are fully recoverable at 31 December 2023.

On 20 April 2022, the Mexican Government approved the 2022 Amendment, which declared lithium a strategic mineral and property of the nation. It also noted that the economic value chain of lithium would be administered and controlled by a public organ. The 2022 Amendment also provided that no concessions, licenses, contracts, permits, or authorizations would be granted for lithium related activities. The 2022 Amendment was silent on its effects, if any, on pre-existing concessions, including those held by the three Mining Entities. The Company's position is that the concessions held by the Mining Entities cannot be impacted by the 2022 Amendment because the concessions were granted prior to its enactment. However, the Mining Entities are challenging the constitutionality of the 2022 Amendment under Mexican law via an *amparo* action before a Mexican federal court.

On 23 August 2022, the President of Mexico issued a decree titled "Decree that creates the decentralized public organ of the Federal Public Administration called Litio para México". This decree established a State-owned entity named Litio para México or LitioMX to explore, exploit, benefit, and use lithium in Mexico and to be in charge of the administration and control of the economic value chain of said mineral.

In October 2022, the DGM started proceedings against the Mexican Entities based on the identification of alleged tax payments omissions. The DGM has not taken any further action after the Mining Entities submitted proof of tax payments.

Subsequently, on 18 February 2023, the President of Mexico issued a Presidential Decree titled "Decree that declares a mining reservation zone of lithium called 'Li-MX 1' for public utility reasons." Through this Presidential Decree, Mexico established a "mining reservation zone" (which is a zone where only the State is authorized to conduct mining operations directly or indirectly) named "Li-MX 1" in an area encompassing 234,855 hectares in the state of Sonora.

Another Presidential Decree also dated 18 February 2023 instructed the Secretary of Energy to take any necessary actions to oversee the execution of the aforementioned Presidential Decree and conduct all necessary actions to comply with the 2022 Amendment regarding lithium, as well as the Decree creating Litio-MX.

In February 2023, the Secretary of Economy, through the DGM also initiated an administrative procedure for the cancellation of nine of the concessions held by the Mining Entities. According to the DGM, the basis for these cancellation proceedings was that the Mining Entities had purportedly not complied with minimum investment obligations for the development of such concessions in 2017-2021. In those proceedings, the Mining Entities submitted extensive evidence of their compliance with such obligations in a timely manner. On 4 August 2023, however, the DGM notified the Mining Entities of the resolutions cancelling these nine concessions ("Cancellation Resolutions").

On 25 August 2023, the Mining Entities filed administrative review recourses before the Secretary of Economy challenging the legality of the Cancellation Resolutions under Mexican law for each of the nine concessions. Shortly thereafter, on 24 November 2023, the Secretary of Economy issued decisions maintaining the Cancellation Resolutions issued by the DGM.

The Mining Entities are challenging the legality of the Cancellation Resolutions under Mexican law through annulment claims before the Federal Tribunal of Administrative Justice in Mexico. Please refer to note 19 to the Financial Statements for further information. The Company is also analysing other legal actions available to it under international law.

As at 31 December 2023 and as at the date of the approval of these Financial Statements, the Company's position is that the Cancellation Resolutions violate both Mexican law and international law as they are arbitrary, unsubstantiated in both fact and law, and infringe upon the Company's and the Mining Entities' fundamental due process rights. The Company has taken legal advice and has considered the impact of the Mexican Government's 2022 Amendment and the Cancellation Resolutions, at the balance sheet date, and concluded that no impairment charge is required to be recorded against the investment in joint venture in the year. The Directors consider it appropriate to continue to record the investment in the Sonora Project at historic cost.

The Company and its legal counsel continue to closely monitor developments associated with the changes of Mining Law and the Cancellation Resolutions and the lawsuits that affect lithium concessions, and stands ready to evaluate the impact on its investments should that become necessary in the future.

b) Functional currency

The Company transacts in multiple currencies. The assessment of the functional currency of the Company involves the use of judgement in determining the primary economic environment each entity operates in. The Company first considers the currency that mainly influences sales prices for goods and services which is USD, and the currency that mainly influences labour, material and other costs of providing goods or services, which are either in or heavily influenced by USD denominations. In determining functional currency, the Company also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained, these either are in USD or will be in USD. The Company also finances the Sonora Project in USD denominations, where capital expenditure will mainly be USD denominated also. As a result, the functional currency of the Company is USD.

5 Investments in subsidiaries

In US$	Investment in Bacanora Finco Ltd	Investment in Bacanora Treasury Ltd	Total
Balance as at 31.12.2022 and 31.12.2023	1	2	3

The Company has the following subsidiaries, held at cost, at 31 December 2023:

Name of subsidiary	Country of incorporation	Shareholding on 31 December 2023	Shareholding on 31 December 2022	Nature of business
Bacanora Finco Ltd	UK	100%	100%	Dormant Financing company
Bacanora Treasury Ltd	UK	100%	100%	Dormant Financing Company

For the above UK subsidiaries, the registered address for each subsidiary is 4 More London Riverside, London, SE1 2AU.

6 Investment in joint venture

The Company's investment in the Sonora Group has been accounted for using the equity method for the years ended 31 December 2023 and 31 December 2022. There is no change on shareholding in Sonora Group. The Sonora Group is mainly engaged in development of the Lithium concessions in Mexico.

Name	Country of incorporation	Principal place of business	Shareholding 31 December 2023	Shareholding 31 December 2022
Sonora Lithium Ltd	UK	UK	50.0%	50.0%

a) Investment reconciliations

The reconciliation of the carrying amount of the investment in joint venture is as follows:

In US$	**31 December 2023**	31 December 2022
Opening carrying value	**48,295,448**	50,144,596
Share of loss on investment in joint venture	**(2,395,036)**	(1,849,148)
Closing carrying value	**45,900,412**	48,295,448

The summarised financial information of the Sonora Group and reconciliation to the investment carrying value is set out below. The functional currency of Sonora Group was USD which is the same of the Company and no impact on foreign currency translation was noted. The summarised information represents amounts shown in SLL's consolidated financial information.

In US$	31 December 2023	31 December 2022
Current assets	**21,928,894**	23,574,345
Non-current assets	**45,292,837**	44,565,672
Current liabilities	**(3,775,519)**	(4,125,458)
Non-current liabilities	**(12,245,297)**	(7,974,441)
Net assets (100%)	**51,200,915**	56,040,118
Net assets attributable to non-controlling interests	**198,994**	149,863
Share of net assets attributable to the equity shareholders of SLL	**51,399,909**	56,189,981
The Company share of net assets (50%)	**25,699,954**	28,094,990

Current assets include cash and cash equivalents of US$3,873,934 (2022: US$21,306,747).

Summarised financial information relating to the consolidated loss of the Sonora Group for the year ended 31 December 2023 is presented below:

In US$	31 December 2023	31 December 2022
Other income	**884**	-
General and administrative expenses	**(3,164,352)**	(2,364,543)
Depreciation	**(189,364)**	(170,566)
Foreign exchange gain	**324,634**	61,011
Interest income	**619,251**	236,626
Related party interest income	**138,938**	-
Related party interest expense	**(1,634,641)**	(804,635)
Loss on dissolution of subsidiary	**-**	(623,670)
Impairment on Exploration and Evaluation Assets	**(817,055)**	-
Loss on write off of property, plant and equipment	**(495)**	-
Gain / (loss) on disposal of property, plant and equipment	**79,581**	(799)
Tax charge	**(196,584)**	(66,025)
Total loss after tax and total comprehensive loss	**(4,839,203)**	(3,732,601)
Company share of total loss after tax and total comprehensive loss	**(2,395,036)**	(1,849,148)
NCI share of total loss after tax and total comprehensive loss	**(24,566)**	(17,153)

b) Commitments

At the reporting date, the Sonora Group had capital commitment of construction contracts signed but not provided for US$0.9 million (2022: US$0.8 million).

c) Legal cases

Sonora lithium related legal cases

The Sonora Group has ongoing legal cases, which are relevant to the Company.

The Mexican Entities have submitted constitutional challenges ("amparos") regarding Mexico's 2022 Amendment, establishment of LitioMX, declaration of a lithium reservation zone in areas encompassing the Sonora Project, as well as additional changes to the Mining Law approved in 2023. These amparo actions are ongoing.

In February 2023, the Secretary of Economy, through the DGM, also initiated administrative procedures for the cancellation of nine of the concessions held by the Mining Entities. According to the DGM, the basis for these cancellation proceedings was that the Mining Entities had purportedly not complied with minimum investment obligations for the development of such concessions in 2017-2021. In those proceedings, the Mining Entities submitted extensive evidence of their compliance with such obligations in a timely manner. On 4 August 2023, however, the DGM notified the Mining Entities of the Cancellation Resolutions.

On 25 August 2023, the Mining Entities filed administrative review recourses before the Secretary of Economy challenging the legality of the Cancellation Resolutions under Mexican law for each of the nine concessions. Shortly thereafter, on 24 November 2023, the Secretary of Economy issued decisions maintaining the Cancellation Resolutions issued by the DGM. Please refer to note 19 to the Financial Statements for further information.

The Mining Entities are challenging the legality of the Cancellation Resolutions under Mexican law through annulment claims before the Federal Tribunal of Administrative Justice in Mexico. The Company is also analysing other legal options it may have under international law.

Orr-Ewing royalty dispute

In 2017, Bacanora Minerals Ltd, a subsidiary of SLL, commenced litigation with the Estate of Colin Orr-Ewing (the "Estate") in regard to its purported royalty over the Sonora Lithium Project, which in turn resulted in the Estate making a counterclaim. Bacanora Minerals Ltd maintains that the royalty is invalid and unenforceable on the grounds of misrepresentation and a lack of consideration. The initial litigation was undertaken to have the royalty pre-emptively declared invalid by the Alberta Courts. In 2021, the Alberta Court heard a Summary Trial application solely around the matter of "time limitations" to initiate a pre-emptive declaration of invalidity. The Summary Trial which was heard was not around the merits of the royalty. The judgment from the Court of King's Bench was that this specific action by Bacanora Minerals Ltd was time-barred. Bacanora Minerals Ltd appealed this judgment and on 26 April 2023, the Alberta Court of Appeal found in favour of Bacanora Minerals Ltd and overturned the original judgment and awarded costs against the Estate. As at the date of this report, the Estate has not paid these costs and Bacanora Minerals Ltd is considering its next steps in enforcing this costs judgment.

The Alberta Courts have not ruled in any way on the validity of the royalty. Bacanora Minerals Ltd maintains that the royalty is invalid and unenforceable. The validity of the royalty remains to be determined by the Alberta Courts.

The Company and Sonora Group have at all times taken a conservative approach to the treatment of the purported royalty and included it fully in the financial model for the Sonora Feasibility Study published in 2018, as well as all financial projections to investors and debt funding partners. No provisions have been made relating to the validity of the royalty case and no contingent liability is disclosed by the Company, as management has assessed an adverse result of the case as being remote.

7 Receivables from related parties

In US$	31 December 2023	31 December 2022
GFL International Co. Limited (note i)	**60,775,834**	60,271,667
Bacanora Treasury Limited (note ii, iv)	**15**	15
Sonora Lithium Ltd (note ii, iv)	**64**	12,851
Bacanora Chemco S.A. de C.V. (note iii, iv)	**12,171,378**	7,887,737
Bacanora Minerals Ltd (note ii, iv)	**73,853**	73,853
Total	**73,021,145**	68,246,123
Non-current portion	**12,245,311**	7,974,456
Current portion	**60,775,834**	60,271,667
Total	**73,021,145**	68,246,123

i) During the year ended 31 December 2022, a short term related party loan of US$60.0m was advanced to GFL International Co. Limited, was fully drawn at 31 December 2022 and was fully settled in September 2023.
A renewed short term loan was provided to GFL International Co. Limited for a period of one year (2022: one year), the loan is interest bearing at 4.75% (2022: 2%) per annum and is repayable on demand. The loan, with accrued interest, must be repaid no later than 24 September 2024 (2022: 20 September 2023). The loan was fully drawn at 31 December 2023. The receivable had been classified as a short term asset according to the repayment term of the loan.
ii) The amounts due from related parties are unsecured, non-interest bearing and no fixed terms of repayment. The amount due was from the intercompany recharge of expenses.
iii) The amount due from related party is unsecured, interest bearing at 21.5% per annum (2022: 21.5%) and is repayable on demand. The loan, with accrued interest, must be repaid no later than 2 July 2038 (2022: 2 July 2038).
iv) The recoverability of the Company's non-current receivables from related parties are affected by the critical accounting estimates and judgements described in note 4(a).

8 Other receivables and prepayments

Other receivables and prepayments comprise short term receivables from VAT and other indirect taxes, prepaid expenses and deposits paid. All receivables are due within one year. They are assessed by the three stage approach to evaluate any expected credit losses. The expected credit losses are updated if there is objective evidence that the receivable is irrecoverable.

In US$	31 December 2023	31 December 2022
Other receivables	**53,783**	41,875
Prepayments and deposits	**716,150**	888,672
Total	**769,933**	930,547
Non-current portion:		
Prepayments and deposits	**(497,993)**	(666,099)
Current portion	**271,940**	264,448

As at 31 December 2023 and 2022, the Company recognised prepaid insurance which covered period to year 2026.

9 Accounts payable and accrued liabilities

Accrued liabilities mainly comprise accrued legal and professional fees related to the legal proceedings in Mexico. The Company's accounts payable and accrued liabilities as at 31 December 2023 are as follows:

In US$	31 December 2023	31 December 2022
Trade payables	**5,525**	8,580
Accrued liabilities	**262,120**	78,395
Other payables	**39,524**	37,400
Total	**307,169**	124,375

10 Financial instruments

The Company's principal financial assets and liabilities are classified as follows:

As at 31 December 2023 (In US$)	At amortised cost
Financial assets	
Receivables from related parties	**73,021,145**
Other receivables	**40,441**
Cash and cash equivalents	**9,943,874**
Total financial assets	**83,005,460**
Financial liabilities	
Accounts payable and accrued liabilities	**307,169**
Payable to related party	**1**
Total financial liabilities	**307,170**
Net financial assets	**82,698,290**

As at 31 December 2022 (In US$)	At amortised cost
Financial assets	
Receivables from related parties	68,246,123
Other receivables	133
Cash and cash equivalents	13,969,133
Total financial assets	82,215,389
Financial liabilities	
Accounts payable and accrued liabilities	124,375
Payable to related party	1
Total financial liabilities	124,376
Net financial assets	82,091,013

11 Financial risk management

The Company is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Company, from which financial risk arises, are set out in note 10. The types of risk exposure the Company is subjected to in the financial year are as follows:

a) Credit risk

Credit risk arises from the risk that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, other receivables and receivables from related parties. The Company considers a financial asset in default when contractual payments are over the credit term. The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The Company's cash is held in major UK banks, and as such that the Company is exposed to the risks of those financial institutions. Under Standard & Poor's short term credit ratings, the Company's total cash balance is held in institutions with a A-1 rating (2022: A-1 rating).

The Company's current receivables from related parties mainly relate to receivables from a fellow subsidiary in the Ganfeng Group, the Company believes this to be a minimal credit risk. Where management estimate a lower receivable amount is recoverable, that difference in recoverability will be recognised in the profit and loss account in the period of determination.

An IFRS 9 expected credit losses impairment assessment on the related party receivable was performed by management at 31 December 2023. This involved analysing the expected credit loss on the receivables from related parties to the Company as well as an assessment of the forward projections of cashflows and cash availability by the counterparty of the loans to the Company's joint venture companies. This resulted in no credit loss expected at 31 December 2023 taking into consideration the availability of cash to repay the loan from the counterparty and expected future profit from the counterparty's ongoing projects.

The total carrying amount of cash and cash equivalents, other receivables and receivables from related parties represent the Company's maximum credit exposure.

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

b) Liquidity risk

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

The following table illustrates the contractual maturity analysis of the Company's gross financial liabilities based on exchange rates on the reporting date. Contractual gross financial liabilities, shown below, are undiscounted estimated cash outflows which where applicable include estimated future interest payments.

As at 31 December 2023 (In US$)	**Within 30 days**	**30 days to 6 months**	**6 to 12 months**	**Over 12 months**
Accounts payable and accrued liabilities	**307,169**	**-**	**-**	**-**

As at 31 December 2022 (In US$)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	124,375	-	-	-

BACANORA lithium

c) Market risk

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

A portion of the Company's expenditures, other receivables, accounts payables and accrued liabilities are predominately denominated in US dollars and Great British pound and are therefore subject to fluctuation in exchange rates.

As at 31 December 2023, a 5% change in the exchange rate between the United States dollar and Great British pound, which is a reasonable estimation of volatility in exchange rates, would result in US$0.1 million (2022: US$0.1 million) change to the Company's total comprehensive loss.

The carrying amounts of short-term financial assets and receivables (e.g. receivables from related parties, other receivables and cash and cash equivalents) and short-term payables (e.g. accounts payable and accrued liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

d) Capital management

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern and to support the development of Sonora Project and thereby maximise shareholder's value. The Company defines capital as the equity attributable to equity shareholders of the Company.

At 31 December 2023, the Company held US$129,402,494 (31 December 2022: US$131,316,878) of capital. The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages its capital structure and adjusts it in light of changes in economic conditions.

12 Equity

a) Authorised and issued share capital

The authorised and issued share capital of the Company consists of 387,136,502 voting common shares of par value £0.10 (2022: £0.10).

On 26 January 2022, the shares of the Company had been cancelled for trading on AIM and the Company delisted from the AIM stock exchange. On 2 August 2022, Ganfeng completed its purchase of the entire issued shares of the Company. There is no change on the shareholding as at 31 December 2023. The Company has the following shares in issue:

	Shares	Share Capital (US$)	Share Premium (US$)
31 December 2022	387,136,502	53,014,057	813,170
31 December 2023	**387,136,502**	**53,014,057**	**813,170**

b) Merger reserve

On 23 March 2018, the Plan of Arrangement to re-domicile the Bacanora Group from Canada to the UK became effective resulting in Bacanora Lithium Limited becoming the new holding company for Bacanora Minerals Ltd. Under the Company's Act 06 Section 612, a merger reserve was created to account for the difference between the share capital and net asset investment in Bacanora Minerals Ltd.

c) Share-based payment expense

There is no share-based compensation granted during the year ended 31 December 2023 and 2022.

13 General and administrative expenses

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

In US$	Year ended 31 December 2023	Year ended 31 December 2022
Legal and accounting fees	**1,043,199**	181,993
Employee and contractor costs	**1,556,627**	1,635,979
Foreign exchange (gains) / losses	**(7,586)**	393,164
Investor relations	**-**	75,143
Travel	**83,842**	95,511
Office and other expenses	**517,748**	494,577
Intercompany recharges	**-**	75,632
Audit fee	**73,255**	67,389
	3,267,085	3,019,388

The audit fee represented provision of annual audit services payable to Ernst & Young LLP only. No non-audit services were provided.

14 Finance income and costs

The Company's finance income and costs are as follows:

In US$	Year ended 31 December 2023	Year ended 31 December 2022
Interest income	3,673,440	1,870,754
Finance income	**3,673,440**	1,870,754
Intercompany interest expenses	-	(52,429)
Finance costs	**-**	(52,429)
Net finance costs	**3,673,440**	1,818,325

15 Taxation

a) Current taxation

No provision for taxation has been recognised in the year ended 31 December 2023 (2022: Nil), hence the effective tax rate is nil (2022: Nil). The Company applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

b) Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023. The pro rata tax rate had been calculated of 23.52%. The reasons for the difference between the actual tax charge for the year and the standard rate of corporation in the United Kingdom applied to the loss for the year is as follows:

In US$	**Year ended 31 December 2023**	Year ended 31 December 2022
Loss before tax	**(1,988,681)**	(2,963,193)
Tax credit on losses at the statutory tax rate of 23.52% (2022: 19%)	**(467,736)**	(563,007)
Expenses not deductible	**563,312**	352,160
Income not taxable	**-**	(12)
Group relief	**(23,908)**	14,816
Tax losses not recognised	**(71,668)**	(390,415)
Unrecognised tax losses and timing difference	**-**	586,458
Tax charge	**-**	-

c) Deferred tax

The Company has no recognized deferred tax balance on losses for the year ended 31 December 2023 (2022: Nil). Economic benefits embodied in deferred tax assets will flow to the entity only if it earns sufficient taxable profits against which tax deductions can be offset. An entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Management has assessed that taxable profits are not probable at this stage of the Company's development. As at 31 December 2023, the Company has, for tax purpose, non-capital losses available to carry forward to future years of US$30,732,241 (2022: US$30,949,852). There is no expiry date on the losses.

16 Related party disclosures

a) Related party transactions

The Company's related parties include:

- Its subsidiaries;
- joint venture: Sonora Lithium Ltd and its subsidiaries, together the "Sonora Group";
- shareholder: Ganfeng International Trading (Shanghai) Ltd and its parent, Ganfeng Lithium Group Co., Ltd. and fellow subsidiaries, together the "Ganfeng Group"; and
- the Company's key management personnel i.e. directors of the Company and CFO.

The following transactions took place between the Company and related parties (other than with key management personnel which have been disclosed separately below) for the year ended 31 December 2023:

Name of related party	Type of transaction	Transaction value	Profit/(loss) impact	Balance owed by / (owed to) related parties
GFL International Co. Limited	Short term loan and interest[1]	122,800,833	1,652,500	60,775,834
Sonora Lithium Ltd	Short term loans and repayment	480,000	-	-
Sonora Lithium Ltd	Settlement of intercompany balances	12,787	-	64
Bacanora Chemco S.A. de C.V.	Project funding and interest	4,384,237	1,634,641	12,171,378
Bacanora Minerals Ltd	Recharge of expenses	-	-	73,853
Bacanora Treasury Limited	Recharge of expenses	-	-	15
Bacanora Finco Limited	Recharge of expenses	-	-	(1)

[1] A short term loan was made to GFL International Co. Limited for a period of one year, the loan is interest bearing at 4.75% per annum (2022: 2%) and is repayable on demand. The loan must be repaid not later than 24 September 2024 (2022: 20 September 2023). The loan was fully drawn at 31 December 2023.

A summary of transactions and outstanding balances for the year ended 31 December 2022 are set out below:

Name of related party	Type of transaction	Transaction value	Profit/(loss) impact	Balance owed by / (owed to) related parties
Ganfeng International Trading (Shanghai) Ltd	Share option receivable[1]	2,726,934	-	-
GFL International Co. Limited	Short term loan and interest[2]	60,271,667	271,667	60,271,667
Sonora Lithium Ltd	Short term loans and repayment	12,283,091	-	-
Sonora Lithium Ltd	Recharge of expenses	12,851	12,851	12,851
Bacanora Chemco S.A. de C.V.	Project funding and interest	5,094,784	804,635	7,887,737
Bacanora Minerals Ltd	Working capital and repayment	1,222,270	-	-
Bacanora Minerals Ltd	Recharge of expenses	73,853	73,853	73,853
Bacanora Treasury Limited	Non-interest bearing	-	-	15
Bacanora Finco Limited	Recharge of expenses	319,907	(128,061)	(1)

[1] On 17 December 2021, 2,991,601 new ordinary shares in relation to the Company's options were exercised. 1,258,009 were issued at an issue price of 24.4p, 1,300,863 were issued at an issue price of 33.25p and 432,729 were issued at an issue price of 39.25p. The option holders agreed to sell the new shares to Ganfeng International Trading (Shanghai) Ltd as part of the Ganfeng offer at 67.5p. It was agreed by the Company, Ganfeng and the option holders that Ganfeng would pay the Company the sale funds and the Company would retain the exercise price per share and pass on the profit to the option holders. This was settled in financial year 2022.

[2] A short term loan was made to GFL International Co. Limited for a period of one year, the loan is interest bearing at 2% per annum and is repayable on demand. The loan must be repaid not later than 20 September 2023. The loan was fully drawn at 31 December 2022.

b) Key management personnel compensation

During the year ended 31 December 2023, key management personnel remuneration totalled US$858,061 (2022: US$772,046). Of the total amount incurred, US$nil remains in accounts payables and accrued liabilities at 31 December 2023 (2022: US$nil).

17 Directors and employees of the Company

The below information relates to all Directors and employees:

In US$	**Year ended 31 December 2023**	Year ended 31 December 2022
Short-term employee benefits	**908,866**	780,158
Post-employment benefits	**30,815**	25,066
Total cost	**939,681**	805,224
Average number of employees and Directors	**8**	8

Directors' remuneration totalled the following:

In US$	Year ended 31 December 2023	Year ended 31 December 2022
Short-term employee benefits	**500,323**	471,875
Share-based payments	**-**	-
Total remuneration	**500,323**	471,875
Number of Directors	**3**	3

Only one of the directors received remuneration. The highest paid Director received remuneration in the year ended 31 December 2023 of US$500,323 (2022: US$471,875). The highest paid Director did not exercise any share options or RSUs in the year ended 31 December 2023 (2022: Nil).

18 Commitments and contingencies

Bacanora Lithium Limited had a commitment on its UK office of US$14,845 (2022: US$27,720) for 4 months' rent (2022: 6 months' rent) at 31 December 2023.

19 Subsequent events

On 19 January 2024 and 22 January 2024, the Mining Entities submitted annulment claims to challenge the legality of the Cancellation Resolutions under Mexican law. If necessary, the Mining Entities and/or the Company will resort to additional remedies under Mexican or international law. The final outcome of the Group's exercise of these remedies is subject to uncertainties. The Board will pay active attention to the progress of the matter in a timely manner.

As noted above, both the 2022 Amendment concerning lithium, as well as further general amendments to the Mining Law that were approved in May 2023 ("2023 Amendment"), have been challenged in amparo actions by both the Mexican Entities and other companies that are impacted by those amendments. At this stage, no decision has been issued in connection with the 2022 Amendment. Regarding the 2023 Amendment, some federal courts have issued decisions that continue to be subject to appeal. These decisions, however, do not concern either the 2022 Amendment or the Cancellation Resolutions that are specific to lithium and the Sonora Project, respectively. Thus, the decisions concerning the 2023 Amendment do not change the risk outlook described above concerning Mexico's actions and the ongoing legal proceedings.

For background information of legal cases, please refer to Section 3 – Key Challenges of Strategic Report and note 4 to the Financial Statements.