

## **BACANORA LITHIUM PLC**

### **CORPORATE GOVERNANCE STATEMENT**

All members of the Board believe strongly in the value and importance of good corporate governance and in its accountability to all of the stakeholders in Bacanora Lithium plc (“Bacanora” or the “Company”) including our shareholders, advisers, regulators and other suppliers. Robust corporate governance improves performance and mitigates risk and therefore is an important factor in achieving the medium to long term success of the Company. In the statement which follows, we explain our approach to governance, and how the Board and its committees operate.

Changes to AIM rules on 30 March 2018 require AIM companies to disclose details of how they comply with their chosen corporate governance code from 28 September 2018. Bacanora has chosen to adhere to the Quoted Company Alliance’s (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

Like all aspects of the QCA Code, addressing the disclosure requirements should not be approached as a compliance exercise; rather it should be approached with the mind-set of explaining and demonstrating the Company’s good governance to external stakeholders.

Other than the adoption of the QCA code and the disbandment of the Disclosure Committee, which did not meet in the period, there have been no significant changes in governance arrangements during the last year.

The Company intends to include the annual report and accounts disclosures required by the QCA code in the Company’s annual report and accounts for the financial year ended 30 June 2018.

**Mark Hohnen**  
**Chairman**

**Last updated: September 2018**

The following paragraphs set out Bacanora’s compliance with the 10 principles of the QCA Code.

### **1 Establish a strategy and business model which promotes long-term value for shareholders**

#### **Business model**

Our business model is to create shareholder value by identifying and investing in undeveloped lithium assets, the Company is achieving this through its investments in two key projects, at Sonora in Mexico and Zinnwald in Germany.

To capitalise on the fast-growing lithium market, our main focus is to monetise the resources and reserves held in the Sonora Project. This will be initially achieved by developing phase 1 of the mine and processing plant. The Company aims to produce lithium carbonate for sale through offtake partners, with any additional production sold on the open market, in due course.

The Company also holds an investment in the Zinnwald project in Germany. The Company expects to complete its Feasibility Study (“FS”) in H1 2019, after which the strategy to deliver the business model for that entity will be defined.

## *Bacanora Lithium QCA Disclosure Statement - 2018*

The business model is supported by the core competencies of the team:

- Experienced and entrepreneurial leadership team.
- Access to strong technical skills either from our in-house team or network of advisers.
- Emphasis on building strong local organisations and skill sets.
- Commitment to excellence in Health, Safety, Environment and Community matters.
- Capital discipline and careful handling of Company resources.

### **Strategy**

Bacanora intends to become an international lithium production company with a portfolio of global projects. This will require a number of steps:

1. Find world class projects that can address the increasing demand for Lithium for Electric Vehicles and energy storage industries. The Sonora Project in Mexico has already identified 8.8mt of LCE resources suitable for open-out mining. Its 50% owned Zinnwald project in Germany is expected to identify sufficient resources to supply local chemical industry requirements.
2. Complete feasibility studies to evaluate and quantify the economic potential of its projects. In January 2018, Bacanora published a feasibility study on a small part of the Sonora Project that showed a pre-tax NPV of \$1.25bn, 26% IRR and an operating cost of \$3,910 per tonne. Its Zinnwald Project in Germany is planning to deliver its FS in H1 2019.
3. Validate the quality of its end product by securing high quality off-take partners. Bacanora has used its pilot plant, which has been in operation for a number of years to provide regular samples of its Lithium carbonate to prospective users. This led to firstly Hanwa, one of Japan's largest metals trading houses, signing a 10 year offtake agreement for Phase 1 of production and investing in the Company directly. Secondly, Bacanora has recently secured the Sovereign Wealth Fund of Oman ("SGRF") as its offtake partner for Phase 2 and also a direct investor in the Company conditional on the full funding being raised for Phase 1 of the Sonora Project.
4. Complete the funding required to construct its projects. Bacanora has secured \$150m of debt funding from Red Kite Mine Finance and has commitments for an additional \$90m of equity finance from Hanwa and SGRF, conditional on the full funding being raised for Phase 1 of the Sonora Project. The Company is currently finalizing its plans to re-engage with the equity markets to secure the balance of its funding requirements.
5. Construction and commissioning of an initial 17,500 tpa Lithium Carbonate plant at Sonora. Bacanora is finalizing its Front End Engineering Design ("FEED") work with expected completion in H2 2018. The Company has chosen ICA Fluor to complete this work stream, who have extensive experience in delivering engineering projects of this size and scale.
6. Hiring of a team with the expertise to deliver the project into production. The Company continues to build both its Board, its Senior Management Team and its in-country operational teams. The Company now has over 40 employees and contractors in Mexico alone, many of whom are being trained in the pilot plant.

### **Key challenges**

In the financial year, Bacanora Lithium has delivered a bankable feasibility study, has been successful at raising US\$150 million debt and has US\$90 million equity and offtake agreements in place with SGRF and Hanwa subject to conditions and full project financing. However, the project is dependent upon significant additional funding being available to fund capital expenditure and working capital requirements. There is no assurance that any such funds will be available. Bacanora Lithium has plans to re-engage with the equity markets in order to raise the sufficient capital.

The production of lithium carbonate from the Sonora project is from open pit mining operations feeding processing plants using the conventional sulphate route for the production of battery grade lithium carbonate. The Company has operated a lithium carbonate pilot plant in Sonora for the past 3 years to demonstrate the viability of the project. The project's processing plant will require the supply of both gas and high voltage electricity infrastructure to the site. The current plan is for a third-party service provider to provide energy supply via a cogeneration plant using natural gas as the fuel from a pipeline that they will construct. We are currently in discussion with a number of suppliers for this. Due to the long lead time for construction of a gas pipeline and potential delays in construction and permitting, an early stage alternative approach includes trucking liquefied natural gas to site.

Due to the attractive demand side fundamentals of the lithium market, some commentators are forecasting significant volumes of new production to come online over the next five years. This could have a downward pressure on the price for battery grade lithium carbonate. Research published in June 2018 by BMO market capital suggests a floor for lithium carbonate price of US\$ 11,000 per tonne (<http://www.mining.com/lithium-demand-battery-makers-almost-double-2027>) which is the long term price used in Bacanora's feasibility study. Any delays in this additional supply coming to market should provide an upside on price for those companies who are able to deliver production.

## **2 Seek to understand and meet shareholder needs and expectations**

### **Engagement with all shareholders**

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. General communication with shareholders is co-ordinated by the Chairman, Chief Executive Officer and Chief Financial Officer. In addition the Lead Independent Director provides a further avenue for engagement with investors.

The Company publishes on its website the following information, which the Board believes play an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- Updated investor presentations;
- The Company's most up to date technical reports on each of its projects;
- All Annual, Half-Yearly and Quarterly Financial Statements going back to the Company's original inception as Bacanora Minerals Ltd in 2008;
- All Company press releases issued under the RNS service;
- Details on the results of all resolutions put to a vote at the most recent AGM;
- Contact details including a dedicated email address [info@bacanoralithium.com](mailto:info@bacanoralithium.com) through which investors can contact the Company.

One of the reasons for the Company's re-domicile to the UK in 2018 was to reflect the fact that the majority of its shareholders, especially private ones, are UK based. As a consequence, the Company's Annual General Meeting ("AGM") will now be held in London towards the end of 2018 following the publication of its first annual results as a UK public limited company and all shareholders are invited to attend.

### **Institutional Investors**

In general, the Board maintains a regular dialogue with its major institutional investors, providing them with such information on the Company's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of relevant legislation. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and financial results.

In 2018, the Company has had increased contact with both current and prospective institutional shareholders as part of the fund-raise process for the Sonora Project.

### **Private Investors**

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

As the Company is too small to have a dedicated investor relations department, the CEO is responsible for reviewing all communications received from shareholders and determining the most appropriate response. The CEO works in conjunction with the Company's PR Advisers, St Brides Partners, to facilitate engagement with its shareholders.

Following its move to the UK, the Company has now instituted a quarterly shareholder conference call by the CEO, whereby shareholders are encouraged to submit questions in advance to the Company's PR Advisers. The Company also regularly participates at investor shows offering smaller and private investors similar insight into the Company and access to management.

**Board review**

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the CEO, Chairman and the Company's Broker. Any significant investment reports from analysts are also circulated to the Board.

**3 Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its shareholders as a whole. The Board also recognises that its operations will be heavily focussed over the coming years in building a mine in Mexico and therefore has wider obligations to the local community and other stakeholders in that area. Our Environmental and Social responsibility framework and approach is designed to meet these expectations and thus avoid the issues that can often hinder mining projects.

Our most important stakeholder groups are our shareholders, staff and employees, contractors, offtakers, debt holders, Government tax authorities, those communities that reside in proximity to our mining projects, our regulators and our advisers.

**Managing Responsibility at a Corporate Level**

Ultimate responsibility for the Company's Corporate Responsibility activities lies with the Board which sets out the Company's strategic approach and development of key internal and external corporate policies. These are then delivered by the Senior Management Team ("SMT"), which is comprised of the Chief Executive Officer, Chief Financial Officer and Project Director. The SMT support the Audit Committee in ensuring compliance with the Code of Conduct, as well as financial compliance and risk management.

The external corporate policies include the following and are all found on the Company's website:

- Anti-Corruption and Bribery Policy
- Anti-Facilitation of Tax Evasion Policy
- Code of Conduct
- Corporate Complaints Policy
- Employment and Human Rights Policy
- Grievance Policy
- Occupational Health and Safety Policy
- Social Performance Policy
- Whistleblower Policy

**Managing Responsibility at a Project Level**

The Company is developing its project-level Environmental and Social structures to ensure that the policies already in place at corporate level extend down to local communities during the construction phase and onwards into production. The Company has already completed an independent GAP Analysis of its Sonora Project, which is now being developed into an Environmental Social Management System. This system will be a framework to allow the efficient monitoring and reporting of Social and Environmental requirements. It will allow our approved policies to be practicably applied by the people on the ground as well as ensuring we meet applicable standards, either locally or internationally.

At the start of Project Development, the Company will have in place a dedicated Social and Environment Committee, under the remit of the CEO, reporting directly to a Board of Trustees comprising an Independent Chairman and local community representatives. This Trust will in turn report to the Board and to the Company's shareholders in the Annual report.

**Environmental Responsibility**

The Board also understands that it has a responsibility to take into account the environmental and economic impact of its operations. We maintain a clear internal policy to support environmentally-conscientious activities.

Indeed, our end-product itself is a key constituent part of the “green energy” revolution. Our mineral recovery process contains a number of environmentally responsible steps, namely:

- Recycling of reagents in the process
- Replanting of indigenous flora from the project site before works commence
- Rehabilitation of the mining area post mineral removal
- Environmentally non-hazardous waste tailings streams
- Solar drying
- Natural Gas to generate power

#### **4 Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control. The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities around risk management to the Audit Committee, which has its own formal terms of reference. The Committee meets quarterly to coincide with the annual audit and the interim financial statements and to assess the effectiveness of the Group’s system of internal controls. The Audit Committee is chaired by Eileen Carr, a qualified accountant, and comprises only independent non-executive Directors.

#### **Financial controls**

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Senior Management Team, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- The Board is responsible for reviewing and approving overall Company strategy, approving budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditure and balance sheets.

#### **Internal Controls**

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders’ interests and the Group’s assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk as even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

- Regular Board meetings to consider the schedule of matters reserved for Directors’ consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations – obtained for material variances;
- An Audit Committee of the Board considers significant financial control matters as appropriate;
- Documented whistle-blowing policies and procedures.

### **Corporate Risk register**

The Group's internal risk identification and management process is undertaken by the Senior Management Team who prepares and reviews the risk register for the Group. The risk register details specific risks to the Group and mitigating actions required to manage these risks. The risk register is then reported to the Audit Committee at least biannually and any specific risk items may also be discussed at Board level as appropriate.

### **Principal Risks and Uncertainties**

The principal risks and uncertainties facing the Group, as well as mitigating actions, are set out in the Company's 2018 Appendix to the AIM Schedule 1 announcement which is available on the Company's website at <http://www.bacanoralithium.com/cms/wp-content/uploads/2018/05/Appendix-to-AIM-Schedule-Proposed-Admission-to-AIM-February-2018.pdf>.

## **5 Maintain the Board as a well-functioning, balanced team led by the chair**

### **Board Composition**

As at 30 June 2018, the Board comprised one Executive Director, an Executive Chairman and six other Non-executive Directors. Details of the current Directors are set out on the Company's website at <http://www.bacanoralithium.com/about-us/board-senior-management/>.

The Board will continue to review its structure in order to provide what it considers to be an appropriate balance of executive and non-executive experience and skills.

The Board considers the following Non-Executive Directors to be independent – Jamie Strauss, Eileen Carr, Andres Antonius and Ray Hodgkinson. None of these directors have been employees, have a significant business relationship or close family ties with related parties or represent significant shareholders, although they all hold options to acquire ordinary shares in the Company. In reviewing the independence criteria for non-executive directors, the Board believes it important to note that prior to the re-domicile in March of this year, Bacanora was a Canadian registered company listed on the TSX Exchange under whose rules options granted to non-executive directors are not considered to impinge on their independence. Under the QCA Code, non-executive directors should not have a significant interest in a company share option scheme as it is considered that this may compromise their independence. The Board is aware that this issue should be resolved according to UK best practice. Consequently, it has been agreed that over the next twelve months the Board will work with its advisers to review the remuneration schemes for non-executive directors in order to adopt a revised structure which is both fair and equitable for the non-executive directors and which complies with the QCA Code.

### **Board Terms of Reference and Powers**

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company.

Whilst the Board has delegated the normal operational management of the Company to the Executive Directors and other senior management, there are detailed specific matters subject to decision by the Board of Directors. These include acquisitions and disposals, joint ventures and investments and projects of a capital nature.

The Non-Executive Directors have a particular responsibility to challenge constructively the strategy proposed by the Chairman and Executive Director; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The Lead Independent Director holds informal meetings with the Non-Executive Directors without the Executives present. The senior executives enjoy open access to the Non-Executive Directors with or without the Chairman being present.

### **Director Commitments**

The two executive Directors, Mark Hohnen and Peter Secker, are employed on full time contracts.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, then

## Bacanora Lithium QCA Disclosure Statement - 2018

preparation and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by phone), the AGM, one annual Board strategy meeting a year, committee meetings, at least one site visit a year, meetings with the non-executive directors, meetings with shareholders, any meetings forming part of the Board evaluation process and updating and training meetings.

### Board Meetings

The Board look to meet in a formal manner on a bi-monthly basis, with additional meetings held as required to review the corporate and operational performance of the Group. Each Board Committee has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

The Chairman, aided by the Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to Directors well in advance of all meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

A summary of Board meetings attended in the 12 months to 30 June 2018 is set out below:

Director	Bacanora Minerals Ltd						Bacanora Lithium plc		
	31 Aug'17	18 Oct'17	13 Dec'17	31 Jan'18	16 Feb'18	21 Mar'18	16 Feb'18	18 Apr'18	14 Jun'18
Mark Hohnen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jamie Strauss	✓	✓	✓	✓	✓	✓	✓	✓	✓
Derek Batorowski	✓	✓	✓	✓	✓	✓	✓	✓	✓
Andres Antonius	✓	✓	✓	✓	✓	✓	✓	✓	✓
Junichi Tomono	✓	X	✓	✓	✓	X	✓	✓	✓
Ray Hodgkinson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Eileen Carr	n/a	n/a	n/a	n/a	✓	✓	✓	✓	X
Peter Secker	Invite	Invite	Invite	Invite	Invite	Invite	Invite	✓	✓
Martin Vidal	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a

### Board Committees

The Board has delegated specific responsibilities to the Audit, Remuneration and Corporate Governance Committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best-practice.

There is currently no internal audit function, given the size of the Group, although the Audit Committee keeps this under annual review.

The Board considers that, at this stage in its development, it is not necessary to establish a formal nominations committee and that this process shall be carried out by the Board. This decision will be kept under review by the Directors on an on-going basis.

### Audit Committee

The Audit Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Audit Committee, inter alia, meets with the Company's external auditor and its senior financial management to review the annual and interim financial statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors. It also advises the Board on the appointment of the Auditor, reviews their fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit Committee is chaired by Eileen Carr and its other members during the year were Jamie Strauss and Ray Hodgkinson, who are considered independent. The Committee has unrestricted access to the Group's Auditor. The CFO attends the Committee meeting by invitation.

### **Remuneration Committee**

The Remuneration Committee assumes general responsibility for assisting the Board in respect of remuneration policies for the Company and to review and recommend remuneration strategies for the Company and proposals relating to compensation for the Company's officers, directors and consultants. The Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. It has the responsibility for, inter alia, administering share and cash incentive plans and programmes for Directors and employees and for approving (or making recommendations to the Board on) share and cash awards for Directors and employees.

The Remuneration Committee is chaired by Jamie Strauss and its other members during the year were Andres Antonius and Ray Hodgkinson who are considered independent.

### **Corporate Governance Committee**

The responsibility of the Corporate Governance Committee is to provide for the Board's effectiveness and continuing development. The Corporate Governance Committee will generally assist the Board in developing the Company's approach to its own governance by:

- Overseeing the Company's corporate governance policies, including compliance with the 10 core principles of good Corporate Governance identified in the QCA Guidelines 2018. This includes making policy recommendations aimed at enhancing Board effectiveness and interaction with shareholders;
- Managing and overseeing the terms of reference for the Board, its Committees and key management and ensuring effective communication between all parties, whilst maintaining their independence from each other. This includes ongoing evaluation of directors and the Board as a whole, identifying and recommending potential new directors; and overseeing succession planning for key individuals; and
- Ensuring the Company maintains a robust two-way interaction with its shareholders and adopts disclosures in the Company's Annual Report to shareholders and on the corporate website in line with the requirements set out in the QCA Guidelines.

The Corporate Governance Committee is comprised of three members of whom one is an executive Director, Mark Hohnen, and two are non-executive Directors, Eileen Carr and James Strauss, the latter being Committee Chairman. The Committee has met twice since 30 June 2017 and all members attended each meeting.

### **Disclosure Committee**

The Disclosure Committee has not been required to meet since 30 June 2017, as the Board has met in full to review any potentially relevant information. Now that the Company is solely listed on AIM, the Board has decided to disband this committee and continue to meet as a whole Board to review any relevant matters.

## **6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

### **Board as a whole**

The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board believes it has the requisite blend of experience in financial and operational matters, as well as improving gender balance, at a Board and Senior Management level to deliver on its strategy.

The Board does not believe that any of the Directors have too many directorship roles at other listed companies and hence at risk of "over-boarding" as defined by ISS voting guidelines, but will continue to monitor this on an ongoing basis. The Board is satisfied that the Chairman and each of the non-executive Directors are able to devote sufficient time to the Group's business.

Two new Directors joined the Board during the year to 30 June 2018. Peter Secker has been the CEO of the Company since May 2015 and joined the Board in April 2018. Eileen Carr joined in February 2018 and has joined

the Audit Committee as chair and a member of the Corporate Governance committee. All new Directors receive a formal induction to the Company including a briefing memo on the Company from the Company Secretary.

## **List of Directors**

### **Mark Hohnen, Executive Chairman and Director**

Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies, including Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN).

### **Peter Secker, Chief Executive Officer and Director**

Mr. Secker is a mining engineer with over 30 years' experience in the resources industry. During his career he has built and operated a number of mines and metallurgical processing facilities in Africa, Australia, China and Canada. His operating and project experience spans a number of commodities, including titanium, copper, iron ore, gold and lithium. For the past ten years Peter has been Chief Executive of a number of publicly listed companies, most recently as CEO of Canada Lithium Corporation whilst successfully developing the Quebec lithium project.

### **James Strauss, Non-Executive Director**

Mr. Strauss has 30 years' experience within the stockbroking and mining finance sector. He is Founder and Director of Digbee Ltd, an Expert Network and Alternative Research Platform for the mining industry. He is also Director of mining finance boutique, Strauss Partners Ltd, based in London, UK. He was Managing Director at BMO Capital Markets from 2007 to 2009. He has raised in excess of \$1bn for projects spanning the globe in both energy and mineral world on behalf of leading institutions in UK, Europe, North America and Australia. He is particularly well known for his long term specialisation of the diamond mining sector as well as supporting development assets through to production. Mr. Strauss is an Independent Director of Altius Minerals and Gold Standard Ventures.

### **Eileen Carr, Non-Executive Director**

Ms Carr has been a key member of teams behind the development of a number of successful mining operations across the world, including the Freda Rebecca gold mine in Zimbabwe, the Ayanfuri gold mine in Ghana, the Kalsaka gold mine in Burkina Faso and the Angovia gold mine in Ivory Coast. She has served as Finance Director/ CFO for both private and public companies starting with Cluff Resources in 1993. She has since gone on to hold several executive directorships in the resource sector, including CFO at both AIM traded Monterrico Metals plc and Alexander Mining plc, and Director at European Goldfields Inc. Ms Carr has also held a number of Non-Executive Directorships and currently sits on the Board and the Audit Committee of Sylvania Platinum Limited. Her first non-executive role was for Banro Corp in 1998 and more recently she was a Non-Executive Director for Talvivaara Mining Co, the Finnish nickel company, and Goldstar Resources NL, an ASX listed gold company. Ms Carr is a Fellow of the Chartered Association of Certified Accountants, holds an MSc in Management from London University and is a SLOAN fellow of London Business School.

### **Dr Andres Antonius, Non-Executive Director**

Dr. Antonius is a Mexican national who has held positions in the Government of Mexico as well as in the private sector and academia. Dr. Antonius previously served as Undersecretary for Energy Policy and prior to that was a staff member at the Agriculture Secretariat. Dr. Antonius also held the role of coordinator for strategy of then President Elect Peña Nieto's transition team in 2012. Dr. Antonius is currently CEO of Plan B, a provider of strategic advice to a range of clients. Prior to founding Plan B, he was the President of the Consulting Services Group at Kroll, a world leader in risk management, business intelligence, and investigations. Dr. Antonius has also held the position of Director of Strategic Planning at the Instituto Tecnológico Autónomo de México ('ITAM') and has taught economic theory, game theory, and crisis management at both the ITAM and the Universidad Iberoamericana. He received a B.A., Masters and PhD degree in Economics from Harvard University.

**Mr. Junichi Tomono, Non-Executive Director**

Mr Tomono has over 22 years' experience with Hanwa, during which time he has worked in the metals, chemicals, alloys, scrap metals and mining divisions. Mr. Tomono has a special focus on the battery chemicals sector including lithium. As head of the Speciality Metals and Alloys department and as a Director of three of Hanwa's subsidiaries, Mr. Tomono has played a key role in Hanwa adopting a more global focus in response to the rapid growth in the lithium battery sector.

**Derek Batorowski, Non-Executive Director**

Mr. Batorowski has over twenty years of experience in the oil and gas and mineral exploration industries. He is experienced in accounting, finance, corporate planning, treasury, and taxation with both public and private large and small oil and gas producers and small cap national and international mineral exploration companies. He currently acts as Chief Financial Officer for Blacksteel Energy Inc. Prior thereto, he was Chief Financial Officer of Westcore Energy Ltd. from March 2009 to June 2014 and Chief Financial Officer of Regal Energy Ltd. from July 2008 to March 2009. Since 1993, he has been an independent consultant to the oil and gas industry, having held various financial positions with junior private and public companies. Mr. Batorowski received his Business Administration Diploma from Mount Royal University in 1989. He has been a member of the Chartered Professional Accountants (CGA) of Alberta since 21 June 2000.

**Raymond Hodgkinson, Non-Executive Director**

Mr. Hodgkinson was appointed as one of the original directors of Bacanora Minerals Ltd on its incorporation in 2008 and remained so until 2013. On 24 November 2016 he was re-appointed. He has previously worked as an engineering consultant to Striker Exploration Corp. and Exoro Energy Inc. He has been an Independent Director of Westcore Energy Ltd. since March 2007 and a director of Troy Energy Corp. since September 2009. He served as Chief Operating Officer of Aztek Energy Ltd. from June 1, 2006 to January 2010. He served as a director of Tembo Gold Corp (formerly Lakota Resources Inc.) from October 2009 to July 15, 2011. He has 30 years of experience in the natural resources sector and is a member of the Association of Professional Engineers and Geoscientists of Alberta. Mr. Hodgkinson received a Bachelor of Science Degree in Engineering from University of Calgary in June 1977.

**Board Advice during the year**

During the year, the Board commissioned two external advisers to provide assistance on the development of the Company's CSR policies. Shinglespit completed a GAP analysis for the Board on the status of the local relationships in Bacaduachi. Momo Global completed some initial work assisting the Company in developing its corporate CSR policies.

**Internal Advisory roles****Lead Independent Director**

Whilst Bacanora currently has an Executive Chairman, the Company has decided to have a Lead Independent Director ("LID") (Jamie Strauss). His primary role is to chair the (annual) meeting of the NEDs, as well as act as a sounding board and intermediary for the chair or other Board members, as necessary. The LID also acts as an alternative route of access for shareholders and other directors who have a concern that cannot be raised through the normal channels of the chair or the executive directors. The LID attends sufficient meetings with major shareholders and analysts to obtain a balanced understanding of the issues and concerns of shareholders.

**Company Secretary**

The Company secretary (Cherif Rifaat) acts as a trusted adviser to the chair and the Board. He has been heavily involved with the Company since its listing on AIM in 2014 and drove the corporate restructuring that led to the re-domicile in 2018. He has a significant role in relation to the Company's legal and regulatory compliance, including being the MAR designee and plays a proactive and central role in ensuring good governance. The Company secretary assists the chair in preparing for and running effective Board meetings, including the timely dissemination of appropriate information. The Company secretary also acts as a conduit for all the directors, particularly the NEDs, into the workings of the Company, providing not only an induction programme but information, advice and guidance. The Company secretary often acts as one of the links between the Company and shareholders on matters of governance and investor relations. The Company secretary reports directly to the chair on governance matters.

## **7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

### **Annual Board appraisal**

In accordance with current best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and its Committees. This evaluation is conducted by way of a questionnaire from the Chairman, co-ordinated by the Company Secretary and concluded by Chairman interviews where necessary. In addition the Non-Executive Directors met, informally, without the Chairman present and evaluated his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

The Chairman has stated that he values this annual evaluation opportunity and considers that key to his role in creating an effective Board, is the effective assimilation of feedback received, and the development and effective application of germane recommendations. The Chairman reports back to the Board on a summary of the results of this annual evaluation and any pertinent disclosable results are included in the Annual report.

### **Ongoing Board Development**

Executive Directors are subject to the Company's annual review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered.

Non-executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company's advisers where appropriate.

### **Succession Planning**

The Board has a minuted emergency succession plan for the Senior Management Team. On an ongoing basis, Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

## **8 Promote a corporate culture that is based on ethical values and behaviours**

At Bacanora, we view sustainability as a guiding principle of our development strategy and are dedicated to delivering on the commitments to our shareholders, clients, employees, partners and other stakeholders with this in mind.

We believe that transparency and ethical behaviour are central to any successful company and undertake all development with respect to the environment and neighbouring communities. We seek to do this by:

- Minimising our environmental impacts,
- Fulfilling legal requirements and other requirements applicable to the Group,
- Identifying new ways to foster positive relationships in the local community,
- Safeguarding our people's health and wellbeing, as well as positive relationships in the work environment,
- Providing sustainability to the business for our shareholders and our partners, and
- We continuously review and improve our sustainability policy and productivity systems to ensure we meet these objectives.

The Board believes that the promotion of a corporate culture based on sustainability, sound ethical values and behaviours is essential to maximise shareholder value.

The Company maintains a Code of Conduct that includes clear guidance on what is expected of every employee and officer of the Company. Adherence of these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews. The Code of Conduct is included on the Company's website and has been translated into Spanish for use in our operations in Mexico.

## **9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as the responsibility of the Board. The Board consists of two executive directors and six non-executive directors, of whom James Strauss, Raymond Hodgkinson, Dr Andres Antonius and Eileen Carr are considered by the Board to be independent, with James Strauss being the Lead Independent Director. The Board considers that there is an appropriate balance between the Executives and Non-executives (both independent and non-independent) and that no individual or small group dominates the Board's decision making.

### **Chairman**

The Chairman is responsible for the leadership of the Board and for the efficient conduct of the Board's function. The Chairman is expected to encourage the effective contribution of all directors and promote constructive and respectful relations between directors and senior management. The Board has also decided that the role of Chairman currently requires a specific skillset and additional time to be dedicated by the Chairman to assist the CEO with certain Executive functions, such as fund-raising, sourcing strategic investors and active liaison with offtake partners. Accordingly, Mark Hohnen has been appointed Executive Chairman and in the event of any conflicts of interest in relation to the functions of a Chairman, the Lead Independent Director shall represent the Board.

### **Chief Executive Officer**

The Chief Executive Officer leads the development of the Company's short and long-term strategies; the Company's feasibility studies and EPC contracts; fund-raising; general liaising with shareholders, customers, suppliers and government entities, and the public; management and evaluation of the SMT; monitoring of the market landscape, expansion opportunities, industry development; and ensuring that the Company maintains high social responsibility.

### **Board matters**

Overall role of the Board including Internal Controls – please refer to Principle 5 for further information.

The Board has delegated certain authorities to committees, each with formal terms of reference:

- Nomination Committee – the whole Board acts as a Nomination Committee
- Audit Committee – please refer to Principle 5 for further information
- Remuneration Committee – please refer to Principle 5 for further information
- Corporate Governance Committee – please refer to Principle 5 for further information

### **Reserved Matters**

The Board has reserved the following matters for sole approval by the Board:

- Review and approval of the Company's strategic plan
- Review and approval of the Annual operating plan and financial budget, including any changes during the year
- Establishment of expenditure limits and approval of exceptions
- Hiring, review and compensation of CEO and CFO
- Director recruitment
- Appointment of Chairman
- Appointment of Committee Chairmen and Committee members

**Governance Framework**

The Company has a policy on share dealing and confidentiality of inside information for persons discharging managerial responsibilities and persons closely associated with them, which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules and MAR) and the Company takes all reasonable steps to ensure compliance by the persons governed by such policy.

The Board continues to monitor its governance framework on an ongoing basis.

**10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders****Work of the Board Committees**

The Corporate Governance committee meet to undertake its customary annual review and focussed on the Company's compliance with the revised QCA Guidelines.

The Disclosure Committee did not have cause to meet this year, as all relevant matters were discussed and reviewed by the Board as a whole and as noted has been disbanded by the Board going forward.

The Audit Committee and Remuneration Committee reports are detailed below.

**Audit Committee Report**

The Audit Committee's report will be included in the next annual report to 30 June 2018, to be published in October 2018. Please refer to principle 5 for the scope of the Audit Committee.

**Remuneration Committee report**

The Remuneration Committee's report will be included in the next annual report to 30 June 2018, to be published in October 2018. Please refer to principle 5 for the scope of the Remuneration Committee.

**Dialogue with Shareholders**

Please refer to Principle 2 for further details.

**Website Disclosures**

Bacanora places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Company's activities are clear, fair and accurate. The Company publishes on its website the following information, which the Board believes play an important part in presenting all shareholders with an assessment of the Group's position and prospects:

- The Company's latest Investor Presentation
- The Company's most up to date technical reports on each of its projects;
- All Annual, Half-Yearly and Quarterly Financial Statements going back to the Company's original inception as Bacanora Minerals Ltd in 2008;
- All Company press releases issued under the RNS service;
- Details on the results of all resolutions put to a vote at the most recent AGM;
- Contact details including a dedicated email address [info@bacanoralithium.com](mailto:info@bacanoralithium.com) through which investors can contact the Company;
- The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.