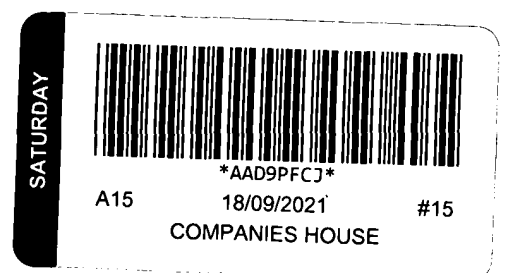


Sonora Lithium Ltd
Annual Report and Financial Statements
31 December 2020



Company Directory

Board of Directors

Peter Secker
Janet Blas
Cherif Rifaat (Resigned on 26 February 2021)
Wang Xiaoshen
Zhang Tong (Appointed on 26 February 2021)

Company Secretary

Cherif Rifaat

Registered Office

4 More London
Riverside
London
SE1 2AU

Registered Number

11349694

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Strategic Report

1 Strategy

Sonora Lithium Ltd (the “Company”) is a subsidiary of Bacanora Lithium Plc (the “Parent Company”), the ultimate Parent Company of the Bacanora Group (the “Group”). The Company is the holding company for the Group’s Sonora Lithium Project (the “Project”) and provides financing to the Project.

The Sonora Lithium Project consists of ten mining concession areas covering approximately 100,000 hectares in the northeast of Sonora State in Mexico. Seven of these ten 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 Project at an 8% discount rate and US\$11,000 per tonne LCE price, 26.1% IRR and US\$4,000 per tonne LCE life of mine operating costs, placing Sonora among the lowest cost producers. There are no updates on the feasibility study since January 2018.

During the year ended 31 December 2020, the Parent Company owned 77.5% of the Company and Ganfeng Lithium Co., Ltd (“Ganfeng”) owned 22.5%. In November 2020, Ganfeng gave notice to the Parent Company of its intention to exercise its existing option to increase its shareholding in the Company to 50% (the “Ganfeng Option Exercise”).

In February 2021, the Ganfeng Option Exercise completed and Ganfeng entered into a new 50:50 joint venture agreement (“JVA”) with the Parent Company relating to the Company. Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a total value of £21.9 million (US\$30.4 million) resulting in Ganfeng owning 50% of the enlarged issued share capital of the Company.

2 Key Challenges

The Company’s key challenge is the acquisition and maintenance of funding for the Project.

3 Principal risks and uncertainties

The Company and its Parent Company are responsible for putting in place a system to manage risk and implement internal control. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of its Parent Company and are not managed separately.

Implementation of internal controls is a responsibility of the Company and its Parent Company. 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 it has responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

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 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.
- 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 cashflows, capital expenditures and balance sheets.

b) 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.

c) Principal Risk

i Financing

Additional funding will be required in order to complete the development plans on the Sonora Lithium Project. There is no assurance that any such funds will be available. Failure to obtain additional financing, on a timely basis, could cause the Company to reduce or delay its proposed operations. While the Group has been successful in the past in obtaining equity financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. A delay in raising additional financing, may delay the Project development.

Mitigation:

The Group had US\$39.2 million cash on hand at 31 December 2020. Since the end of the reporting period, in February 2021, Ganfeng completed its option to increase its stake in the Company from 22.5% to 50%. Consequently, Ganfeng have subscribed for 73,955,680 new ordinary shares in the Company at 29.59 pence at a total value of £21.9 million (US\$30.4 million). On completion of the transaction, a revised JVA came into force, whereby each shareholder is responsible for their portion of Project capex.

Also in February 2021, the Parent Company raised £48.1 million (US\$66.3 million) equity and in May 2021 Ganfeng completed its pre-emptive right to subscribe for a total of 53,333,333 new ordinary shares in the Parent Company at the placing price of £0.45 per share, representing gross proceeds of £24.0 million (US\$33.9 million).

At the reporting date, the Group had a US\$150.0 million conditional debt facility with RK Mine Finance ("RK"), of which US\$125.0 million was undrawn. Due to the passage of time from the initial US\$150 million debt facility agreement in July 2018. The Group and RK were in discussions for a number of months with a view to agreeing updated legally binding terms and documentation. However, due to extension fee considerations and the limited availability period for an extension post the expiry date of 18 June 2021, the Group and RK have agreed that the remaining undrawn facility, amounting to US\$125 million, will no longer be available for draw down. The Group will continue to engage with RK as well as seek alternative terms with other debt providers in light of the current favourable debt market conditions. The first tranche of the RK debt facility, US\$25 million, was drawn down in July 2018 and the Group will maintain this first tranche in accordance with the existing terms of the debt facility.

4 Key Performance Indicators

No key performance indicators have been identified for the Company.

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.

We have split our analysis 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 and focuses on how the regard for stakeholders influenced decision-making.

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

The Company continuously interacts with its stakeholders, its equity investors. The Company strives to strike the right balance between engagement and communication.

Equity investors

The Company's strategy is to provide financing to the Project. Subsequently, access to capital is of vital importance to the long-term success of the Company and the Group.

During the year ended 31 December 2020, the Parent Company owned 77.5% of the Company and Ganfeng Lithium Co., Ltd ("Ganfeng") owned 22.5%. Post period end, Ganfeng completed the exercise of its option to increase its stake in the Company to 50%. The Company issued new ordinary shares to Ganfeng for a total value of £21.9 million (US\$30.4 million). The funds received through the issue of share capital will be utilised by the Company to fund development of the Sonora Lithium Project.

Post period end, the Company's equity shareholders signed a new JVA relating to the Company. Subsequently, each of the Company's equity investors own 50% of the shareholding of the Company and are responsible for providing Project financing corresponding to their shareholdings.

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

We define principal decisions as both those that have long-term strategic impact and are material to the Company, but also those that are significant to our key stakeholder groups. In the period, no long-term strategic decisions have taken place that are material for the Company or its stakeholders. Please refer to above issuance of new ordinary shares to Ganfeng post period end.

6 Operational Review

During the year ended 31 December 2020, the Company continued to be the holding company for the Sonora Lithium Project and continued to procure further financing for the Project. Shortly after the year end, in February 2021, Ganfeng entered into a new 50:50 joint venture agreement with the Bacanora Lithium Plc in connection with the Ganfeng Option Exercise. On 26 February 2021, Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a total value of £21.9m (US\$30.4 million) resulting in Ganfeng owning 50% of the enlarged issued share capital of the Company. The funds received through the issue of share capital will be utilised by the Company to fund development of the Sonora Lithium Project.

On behalf of the Board of Directors


Janet Blas

15 September 2021

Directors Report

The Directors present their Annual Report and Financial Statements of the Company for the year ended 31 December 2020.

1 Results and dividends

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

After the reporting date, on 19 May 2021, the Company performed a US\$8.3 million capital reduction. On the same day, the Company and Bacanora Lithium Plc signed a deed of release relating to a receivable balance totaling US\$8.3 million. The release of the receivable resulted in a deemed distribution of US\$8.3 million. The capital reduction and deed of release have been approved by the Company's shareholders.

2 Directors

The Directors who served during the period were:

- Peter Secker
- Janet Blas
- Cherif Rifaat (Resigned on 26 February 2021)
- Mr. Wang Xiaoshen
- Zhang Tong (Appointed on 26 February 2021)

No Directors have interests in the Company.

3 Substantial shareholdings

The Company the following substantial shareholders:

Shareholder	Shareholding on 31 December 2020	Shareholding on 31 December 2019
Bacanora Lithium Plc	77.5%	77.5%
Ganfeng Lithium Co., Ltd ⁽¹⁾	22.5%	22.5%

⁽¹⁾The shareholding is legally owned by Ganfeng International Trading (Shanghai) Ltd, a 100% subsidiary of Ganfeng Lithium Co., Ltd

See note 13 of the Financial Statements for a detailed discussion on events that occurred subsequent to 31 December 2020 which impact the substantial shareholdings.

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, Centre Point, 103 New Oxford Street, London WC1A 1DU).

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 period.

8 Financial risks

See the Principal risks and uncertainties section of the Strategic Report for the Financial risks present to the Company.

9 Post balance sheet events

See note 13 of the Financial Statements for a detailed discussion on events that occurred subsequent to 31 December 2020.

10 Future developments

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

11 Auditor

BDO 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 will be put at a General Meeting.

12 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.

On behalf of the Board of Directors



Janet Blas

15 September 2021

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 Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 IFRSs in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

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.

Independent Auditor's Report to the members of Sonora Lithium Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sonora Lithium Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards (IFRSs) in conformity with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and director's report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 the Directors' report have been prepared in accordance with applicable legal requirements.

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 the 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 Statement of Directors' Responsibilities, 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.

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the board to understand the laws and regulations relevant to the company. These included elements of financial reporting framework and tax legislation
- Holding discussions with management to consider any known or suspected instances of non-compliance with laws and regulations or fraud
- Testing the appropriateness of journal entries made during the year to detect possible irregularities or fraud

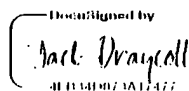
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

Designed by

411141007 1A11477

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
15/09/2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Financial Position

As at 31 December 2020

In US dollars	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Intercompany receivables	7	8,339,331	1
Investment in subsidiaries	6	51,325,911	59,712,687
Total non-current assets		59,665,242	59,712,688
Total assets		59,665,242	59,712,688
Liabilities and shareholders' equity			
Non-current liabilities			
Intercompany payables	7	2,706	50,152
Total non-current liabilities		2,706	50,152
Total liabilities		2,706	50,152
Shareholders' equity			
Share capital	9	16,215,240	16,215,240
Share premium	9	38,376,329	38,376,329
Reconstruction reserve	9	5,070,967	5,070,967
Retained earnings		-	-
Total shareholders' equity		59,662,536	59,662,536
Total liabilities and shareholders' equity		59,665,242	59,712,688

The Company's profit/loss after tax for the period ended 31 December 2020 was US\$nil and there were no income or expenses to report.

The accompanying notes on pages 12 - 18 are an integral part of these Financial Statements.

The Financial Statements of Sonora Lithium Ltd, registered number 11349694, were approved and authorised for issue by the Board of Directors on 15 September 2021 and were signed on its behalf by:



Janet Blas

15 September 2021



Statement of Changes in Equity
For the period ended 31 December 2020

In US dollars	Note	Share capital		Share premium	Reconstruction reserve	Retained earnings	Total equity
		Number of shares	Value				
31 May 2019		1	1	-	-	-	1
Contributions by and distributions to owners:							
Share split	9	9	-	-	-	-	-
Shares issued	9	134,464,862	16,215,239	38,376,329	5,070,967	-	59,662,535
31 December 2019		134,464,872	16,215,240	38,376,329	5,070,967	-	59,662,536
31 December 2020		134,464,872	16,215,240	38,376,329	5,070,967	-	59,662,536

The accompanying notes on pages 12 - 18 are an integral part of these Financial Statements.

There were no cash flows in the period therefore a Statement of Cash Flows has not been presented.

Notes to the Financial Statements

1 Corporate information

These Financial Statements represent the individual financial statements of Sonora Lithium Ltd (the “Company”), a 77.5% subsidiary of Bacanora Lithium Plc with the remaining 22.5% owned by Ganfeng Lithium Co., Ltd as at 31 December 2020. After the end of the reporting period, Ganfeng increased its shareholding to 50% of the enlarged issued share capital of the Company, see Note 13 for further details.

The Company was incorporated under the Companies Act 2006 of England and Wales on 8 May 2018. The registered address of the Company is 4 More London Riverside, London, SE1 2AU.

2 Basis of preparation

a) Statement of compliance

These Company Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRS”) applied in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee.

The Company Financial Statements were authorised for issue by the Board of Directors on 15 September 2021. The Board of Directors has the power and authority to amend these Financial Statements after they have been issued.

These Company Financial Statements are intended to be read alongside the Consolidated Financial Statements for the Bacanora Group (the “Group”). All references to Consolidated Financial Statements relate to the Group Consolidated Financial Statements for the Bacanora Group for the period ended 31 December 2020, which can be found at www.bacanoralithium.com.

b) Basis of measurement

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

The presentational currency of these Financial Statements is United States dollars (“US\$”). The functional currency of the Company is deemed to be the US\$.

c) Going concern

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 Group has a significant cash balance of US\$39.2 million as at 31 December 2020 and has not entered into commitments to develop the Sonora Lithium Project.

In addition, on 8 February 2021, the Group completed an equity raise with gross proceeds of £48.1 million (US\$66.3 million). On 26 February 2021, Ganfeng completed its option to increase its stake in the Company from 22.5% to 50% (the “Option”). Consequently, Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59 pence at a total value of £21.9 million (US\$30.4 million). On 26 May 2021 Ganfeng completed its pre-emptive right to subscribe for a total of 53,333,333 new ordinary shares in the Parent Company at the placing price of £0.45 per share, representing gross proceeds of £24.0 million (US\$33.9 million).

The Board of Directors have considered the impact of the Covid-19 virus and concluded that currently there is no direct impact on the Company.

Thus, the going concern basis of accounting in preparing the Financial Statements continues to be adopted.

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 significant 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) 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 profit or loss in the period in which they arise.

b) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provisions for impairment.

c) 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 as fair value through the 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 profit and loss statement.

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

d) Impairment of assets

i Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine 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 expected credit losses 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.

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) 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, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency, the Company also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Company exercises judgement in determining the date of change.

b) Value of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant cash generating unit, which may span multiple trading entities, or disposal value, if higher. No impairment indicators were identified in the year ended 31 December 2020.

5 Profit for the year

The Company has no revenue or expenses and thus has not presented its Statement of Comprehensive Income in these Financial Statements. The Company's profit after tax for the year ended 31 December 2020 is US\$nil.

6 Investments in subsidiaries

The Company has the following subsidiaries as at 31 December 2020:

Name of subsidiary	Country of incorporation	Shareholding on 31 December 2020	Shareholding on 31 December 2019	Nature of business
Bacanora Chemco S.A. de C.V. ¹	Mexico	99.998%	99.998%	Lithium processing
Bacanora Minerals Ltd	Canada	100%	100%	Holding company
Mexilit S.A. de C.V. ^{2,4}	Mexico	70%	70%	Lithium mining/exploration
Minera Megalit S.A. de C.V. ^{2,4}	Mexico	70%	70%	Mineral exploration

Mineramex Ltd ²	BVI	100%	100%	Holding company
Minera Sonora Borax S.A. de C.V. ³	Mexico	100%	100%	Lithium mining/exploration
Operadora de Litio Bacanora S.A. de C.V. ³	Mexico	100%	100%	Mexican service organisation
Minerales Industriales Tubutama S.A. de C.V. ^{3,5}	Mexico	60%	60%	Dormant

¹ The remaining 0.002% is owned by Bacanora Treasury Ltd, a Group company.

² Held indirectly through Bacanora Minerals Ltd.

³ Held indirectly through Bacanora Minerals Ltd and Mineramex Ltd.

⁴ The remaining 30% is owned by Cadence Minerals Plc.

⁵ The remaining 40% is owned by the original vendors and their descendants, held in Trust by the Group on their behalf.

For Canadian registered subsidiaries, the registered address for each subsidiary is 1600, 421 7th Avenue SW, Calgary, Alberta, T2P 4K9, Canada. For Mexican registered subsidiaries, the registered address for each subsidiary is Calle Uno No. 312, Colonia Bugambillas, Hermosillo, Sonora, Mexico.

On 28 May 2019, a US\$8.3 million receivable arose in Bacanora Minerals Ltd from the sale of its interest in Deutsche Lithium GmbH ("DL") to Bacanora Lithium Plc. On 30 June 2020, Bacanora Minerals Ltd performed a capital reduction and issued a promissory note of US\$8.3 million to the Company. The Parent Company agreed with Bacanora Minerals Ltd to set off the Parent Company's debt to Bacanora Minerals Ltd by issuing a promissory note of the same value to the Company. This transaction resulted in the Company acquiring a related party receivable of US\$8.3 million from the Parent Company in exchange for a reduction of the same value in its investment in Bacanora Minerals Ltd.

On 19 May 2021, the Company performed a US\$8.3 million capital reduction. On the same day, the Company and Bacanora Lithium Plc signed a deed of release relating to the related party receivable balance totaling US\$8.3 million. The release of the receivable resulted in a deemed distribution of US\$8.3 million.

7 Financial instruments

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

At amortised cost (In US\$)	31 December 2020	31 December 2019
Financial assets		
Intercompany receivables	8,339,331	1
Total financial assets:	8,339,331	1
Financial liabilities		
Intercompany payables	2,706	50,152
Total financial liabilities:	2,706	50,152
Net financial assets:	8,336,625	(50,151)

8 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 7. 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 intercompany receivables.

An IFRS 9 expected credit losses impairment assessment on the intercompany receivable was performed by management at 31 December 2020. This involved analysing the expected credit loss on the intercompany receivable to the Company as well as an assessment of the forward projections of cashflows and cash availability by the counterparty of the loan, Bacanora Lithium Plc. This resulted in no credit loss expected at 31 December 2020 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 intercompany receivables represents 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 significant at this time.

After the reporting date, on 19 May 2021, the Company performed a US\$8.3 million capital reduction. On the same day, the Company and Bacanora Lithium Plc signed a deed of release relating to the receivable balance totaling US\$8.3 million. The release of the receivable resulted in a deemed distribution of US\$8.3 million.

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 were applicable includes estimated future interest payments.

As at 31 December 2020 (In US\$)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Intercompany payables	-	-	-	2,706

As at 31 December 2019 (In US\$)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Intercompany payables	-	-	-	50,152

9 Equity

a) Authorised and issued share capital

The authorised and issued share capital of the Company consists of an unlimited number of voting common shares of par value £1.

	Shares	Share Capital (US\$)	Share Premium (US\$)
31 May 2019	1	1	-
Share split*	9	-	-

Shares issued*	134,464,862	16,215,239	38,376,329
31 December 2019	134,464,872	16,215,240	38,376,329
31 December 2020	134,464,872	16,215,240	38,376,329

*The Group performed a reorganisation in which Sonora Lithium Ltd purchased Bacanora Lithium Plc's 100% shareholding in Bacanora Minerals Ltd in order to create a single UK holding company for the Sonora Lithium Project. The restructure on 14 August 2019 involved:

- Sonora Lithium Ltd split its 1 £1 share into 10 £0.10 shares;
- Bacanora Lithium Plc sold 100% of Bacanora Minerals Ltd and its subsidiaries to Sonora Lithium Ltd. Sonora Lithium Ltd purchased 197,471,292 shares of no-par value being 100% of the share capital of Bacanora Minerals Ltd from Bacanora Lithium Plc for 134,464,862 new shares in Sonora Lithium Ltd of £0.10 par value. The total consideration for investment in Bacanora Minerals Ltd has been recognised, net of costs, at £45,309,400 (US\$54,591,568).

b) Reconstruction reserve

On 14 August 2019, as part of the Group corporate restructure, Bacanora Lithium Plc sold 100% of Bacanora Minerals Ltd and its subsidiaries to Sonora Lithium Ltd. Sonora Lithium Ltd accounted for its investment in Bacanora Minerals Ltd at the original cost of investment in Bacanora Lithium Plc. Under guidance of the predecessor value method, the difference between the consideration and the carrying value of the net assets transferred has been accounted for in a reconstruction reserve, being US\$5.1 million.

10 Related party disclosures

The Company's related parties include its Directors, key management personnel of the Parent Company, entities who are members of the same Group and entities who have significant influence over the Company, Ganfeng.

The Company traded with entities within the Group during the year ended 31 December 2020. A summary of the transactions and outstanding balances at the year ended 31 December 2020 with each is set out below:

Name of related party	Nature of relationship	Commercial terms	Transaction value (US\$)	Balance owed by / (owed to) related parties (US\$)
Bacanora Lithium Plc	Parent	Non interest bearing	8,386,776	8,339,331
Bacanora Chemco S.A. de C.V.	Subsidiary	Non interest bearing	-	(2,706)

A summary of transactions and outstanding balances for the period ended 31 December 2019 are set out below:

Name of related party	Nature of relationship	Commercial terms	Transaction value (US\$)	Balance owed by / (owed to) related parties (US\$)
Bacanora Lithium Plc	Parent	Non interest bearing	47,446	(47,446)
Bacanora Chemco S.A. de C.V.	Subsidiary	Non interest bearing	-	(2,706)

On 28 May 2019, a US\$8.3 million receivable arose in Bacanora Minerals Ltd from the sale of its interest in DL to Bacanora Lithium Plc. On 30 June 2020, Bacanora Minerals Ltd performed a capital reduction and issued a promissory note of US\$8.3 million to the Company. The Parent Company agreed with Bacanora Minerals Ltd to set off the Parent Company's debt to Bacanora Minerals Ltd by issuing a promissory note of the same value to the Company. This transaction resulted in the Company acquiring a related party receivable of US\$8.3 million from the Parent Company in exchange for a reduction of the same value in its investment in Bacanora Minerals Ltd.

On 19 May 2021, the Company performed a US\$8.3 million capital reduction. On the same day, the Company and Bacanora Lithium Plc signed a deed of release relating to the related party receivable balance totaling US\$8.3 million. The release of the receivable resulted in a deemed distribution of US\$8.3 million.

11 Directors and employees of the Company

Directors are not remunerated for their role and the Company has no employees.

12 Commitments and contingencies

The Company has no commitments and contingencies.

13 Subsequent events

In February 2021, Ganfeng entered into a new joint venture agreement with Bacanora Lithium Plc in connection with the Ganfeng Option Exercise. On 26 February 2021, Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a total value of £21.9 million (US\$30.4 million) resulting in Ganfeng owning 50% of the enlarged issued share capital of the Company.

On 19 May 2021, the Company performed a US\$8.3 million capital reduction. On the same day, the Company and Bacanora Lithium Plc signed a deed of release relating to a receivable balance totaling US\$8.3 million. The release of the receivable resulted in a deemed distribution of US\$8.3 million.