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Sonora Lithium Ltd

Annual Report and Financial Statements

31 December 2021

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Company Directory

Board of Directors	Peter Secker Janet Blas Wang Xiaoshen Zhang Tong (Appointed on 26 February 2021) Cherif Rifaat (Resigned on 26 February 2021)
Company Secretary	Cherif Rifaat
Registered Office	4 More London Riverside London SE1 2AU
Registered Number	11349694

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Contents

Strategic Report

1 Strategy

Sonora Lithium Ltd (the "Company") is a joint venture between Bacanora Lithium Plc ("Bacanora") and Ganfeng International Trading (Shanghai) Ltd, a 100% subsidiary of Ganfeng Lithium Co., Ltd ("Ganfeng"). The Company is the holding company for the Sonora Lithium group entities (the "Sonora Group") and provides financing to the further the development of the Sonora Lithium Project (the "Project").

The 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 period ended 26 February 2021, Bacanora owned 77.5% of the Company and Ganfeng owned 22.5%. On 26 February 2021, Ganfeng exercised its existing option to increase its shareholding in the Company to 50% ("Ganfeng Option Exercise") and Ganfeng entered into a new 50:50 joint venture agreement ("JVA") with Bacanora relating to the Company. Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a gross 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 Bacanora 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 Bacanora and are not managed separately.

Implementation of internal controls is a responsibility of the Company and Bacanora. The Board has considered mechanisms by which the business and the financial risks facing the Sonora 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 Bacanora's 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 Sonora 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 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 Sonora 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's development.

Mitigation:

The Company had US$26.0 million cash on hand at 31 December 2021. The Company is owned by Bacanora and Ganfeng in equal proportions. Bacanora had US$122.1 million cash on hand at 31 December 2021. In addition to the existing cash reserves in Bacanora and Sonora Group, Ganfeng, being the majority shareholder of Bacanora, will assist in providing funding for the development of the Project.

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 Sonora Group.

During the year ended 31 December 2021, Ganfeng exercised its existing option to increase its shareholding in the Company to 50% and Ganfeng entered into a new 50:50 JVA with the Bacanora 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. The funds received through the issue of share capital is to be utilised by the Company to fund development of the Project. The JVA dictates the funding source for the Company being funded by its shareholders following the capital requirements of the Sonora Group. The JVA does not preclude debt finance being raised at the Project level.

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.

On 19 May 2021, the Company performed a US$8.3 million capital reduction. On the same day, the Company and Bacanora 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 were approved by the Company's shareholders. The capital reduction and cancellation of the related party receivable was made to support the shareholders interests and simplify the related party debt structure, so there were no conflicts of interest between stakeholder groups.

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

6 Operational Review

During the year ended 31 December 2021, the Company continued to be the holding company for the Sonora Lithium Project and continued to procure further financing for the Project. On 26 February 2021, Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a gross total value of £21.9 million (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 Project.

On 19 May 2021, the Company performed a US$8.3 million capital reduction. On the same day, the Company and Bacanora 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 were approved by the Company's shareholders.

On behalf of the Board of Directors

Janet Blas

2 March 2022

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Directors Report

The Directors present their Annual Report and Financial Statements of the Company for the year ended 31 December 2021.

1 Results and dividends

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

2 Directors

The Directors who served during the year were:

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

No Directors have interests in the Company.

3 Substantial shareholdings

The Company has the following substantial shareholders:

Shareholder	Shareholding on 31 December 2021	Shareholding on 31 December 2020
Bacanora Lithium Plc	50%	77.5%
Ganfeng International Trading (Shanghai) Ltd [1]	50%	22.5%

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

4 Directors' and Officers' insurance

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

5 Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the Confederation of British Industry's Prompt Payers Code (copies are available from the CBI, 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 year.

8 Financial risks

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

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9 Post balance sheet events

See note 15 of the Financial Statements for a detailed discussion on events that occurred subsequent to 31 December 2021.

10 Future developments

The Company will continue to provide a holding company and financing role for the 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

2 March 2022

Directors Statement of Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 UK adopted international accounting standards, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

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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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Sonora Lithium Ltd for the year ended 31 December 2021 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, 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 UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We 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 annual 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 ap 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 of Directors to understand the laws and regulations relevant to the Company. These included elements of financial reporting framework, tax legislation and environmental regulations

- Holding discussions with management and the Board of Directors to consider any known or suspected instances of non-compliance with laws and regulations or fraud

- Testing appropriateness of journal entries made through the year by applying specific risk criteria to detect possible irregularities or fraud

- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements

- Reviewing minutes from board meetings of those charges with governance to identify any instances of noncompliance with laws and regulations

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: 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.

DocuSigned by:
Jack Draycott
4FB34D873A17477

Jack Draycott (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

2 March 2022

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

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Statement of Financial Position

As at 31 December 2021

In US$	Note	31 December 2021	31 December 2020
Assets			
Current assets			
Cash and cash equivalents		**25,970,470**	-
Other receivables		**3,022**	-
Total current assets		**25,973,492**	-
Non-current assets			
Receivable from related parties	12	**4,364,000**	8,339,331
Investment in subsidiaries	5	**51,325,911**	51,325,911
Total non-current assets		**55,689,911**	59,665,242
Total assets		**81,663,403**	59,665,242
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	6	**121,162**	-
Total current liabilities		**121,162**	-
Non-current liabilities			
Payable to related parties	12	**2,706**	2,706
Total non-current liabilities		**2,706**	2,706
Total liabilities		**123,868**	2,706
Shareholders' equity			
Share capital	11	**26,498,777**	16,215,240
Share premium	11	**50,051,705**	38,376,329
Reconstruction reserve	11	**5,070,967**	5,070,967
Retained earnings		**(81,914)**	-
Total shareholders' equity		**81,539,535**	59,662,536
Total liabilities and shareholders' equity		**81,663,403**	59,665,242

The accompanying notes on pages 14 - 21 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 2 March 2022 and were signed on its behalf by:

Janet Blas

2 March 2022

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Statement of Comprehensive Income

For the year ended 31 December 2021

In US$	Note	Year ended 31 December 2021	Year ended 31 December 2020
Expenses			
General and administrative	9	**(120,478)**	-
Foreign exchange loss		**(10,980)**	-
Operating loss		**(131,458)**	-
Finance income	10	**49,544**	-
Loss before tax		**(81,914)**	-
Loss after tax		**(81,914)**	-
Total comprehensive loss		**(81,914)**	-
Net earnings/(loss) per share (basic & diluted)	11	-	-

The accompanying notes on pages 14 - 21 are an integral part of these Financial Statements.

Statement of Changes in Equity
For the year ended 31 December 2021

		Share capital					
In US$	Note	Number of shares	Value	Share premium	Reconstruction reserve	Retained earnings	Total equity
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
Comprehensive loss for the year:							
Loss for the year		-	-	-	-	(81,914)	(81,914)
Total comprehensive loss		-	-	-	-	(81,914)	(81,914)
Contributions by and distributions to owners:							
Share issue - Ganfeng Lithium	11	73,955,680	10,283,537	20,014,707	-	-	30,298,244
Capital reduction	11	-	-	(8,339,331)	-	-	(8,339,331)
31 December 2021		208,420,552	26,498,777	50,051,705	5,070,967	(81,914)	81,539,535

The accompanying notes on pages 14 - 21 are an integral part of these Financial Statements.

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Statement of Cash Flows

For the year ended 31 December 2021

In US$	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Total loss before tax for the year		**(81,914)**	-
Adjustments for:			
Foreign exchange		**12,660**	-
Finance income	10	**(49,544)**	-
Changes in working capital items:			
Other receivables		**(3,022)**	-
Accounts payable and accrued liabilities		**121,162**	-
Net cash used in operating activities		**(658)**	-
Cash flows from investing activities:			
Interest received	10	**49,544**	-
Payments to related parties	12	**(4,364,000)**	-
Net cash used in investing activities		**(4,314,456)**	-
Cash flows from financing activities			
Issue of share capital, net of share costs	11	**30,298,244**	-
Net cash flows from financing activities		**30,298,244**	-
Change in cash and cash equivalents during the year		**25,983,130**	-
Exchange rate effects		**(12,660)**	-
Cash and cash equivalents, beginning of the year		**-**	-
Cash and cash equivalents, end of the year		**25,970,470**	-

The accompanying notes on pages 14 - 21 are an integral part of these Financial Statements.

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Notes to the Financial Statements

1 Corporate information

These Financial Statements represent the individual financial statements of Sonora Lithium Ltd (the "Company"), a 50:50 joint venture between Bacanora Lithium Plc and Ganfeng International Trading (Shanghai) Ltd.

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 UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board.

The Company Financial Statements were authorised for issue by the Board of Directors on 2 March 2022. The Board of Directors has the power and authority to amend these Financial Statements after they have been issued.

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 Company has a significant cash balance of US$26.0 million as at 31 December 2021 and has not entered into commitments to develop the Sonora Lithium Project. 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) Standards, amendments and interpretations adopted

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

Standard	Detail	Effective date
IFRS 7, IFRS 9, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021

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

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b) **Standards, amendments and interpretations effective in future periods**

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

Standard	Detail	Effective date
IFRS 1	Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter)	1 January 2022
IFRS 3	Amendments updating a reference to the Conceptual Framework	1 January 2022
IFRS 9	Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
IAS 1	Amendment - regarding the classification of liabilities	1 January 2023
IAS 1	Amendment - regarding the disclosure of accounting policies	1 January 2023
IAS 8	Amendment - regarding the definition of accounting estimate	1 January 2023
IAS 12	Amendment - regarding deferred tax on leases and decommissioning obligations	1 January 2023
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

Management anticipates that all the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

c) **Foreign currency transactions and balances**

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

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

d) **Cash and cash equivalents**

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

e) **Other receivables**

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

f) **Investments in subsidiaries**

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

g) **Provisions**

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

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

h) Interest income

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

i) 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 profit and loss or unless management elect to do so provided to do so eliminates or significantly reduces a measurement or recognition inconsistency.

ii Financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating 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.

j) 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.

k) Share premium

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

4 Critical accounting estimates and judgements

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

a) 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 2021.

5 Investments in subsidiaries

The Company has the following subsidiaries as at 31 December 2021:

Name of subsidiary	Country of incorporation	Shareholding on 31 December 2021	Shareholding on 31 December 2020	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 Limited, a Bacanora 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. The Company was liquidated on 20 January 2022.

For the Canadian registered subsidiary, the registered address 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. Bacanora Lithium Plc agreed with Bacanora Minerals Ltd to set off the Bacanora Lithium Plc'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 Bacanora Lithium Plc 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.

6 Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities as at 31 December 2021 are as follows:

In US$	31 December 2021	31 December 2020
Trade payables	1,288	-
Accrued liabilities	119,874	-
Total	**121,162**	-

7 Financial instruments

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

At amortised cost (In US$)	31 December 2021	31 December 2020
Financial assets		
Cash and cash equivalents	25,970,470	-
Other receivables	3,022	-
Receivable from related parties	4,364,000	8,339,331
Total financial assets:	**30,337,492**	8,339,331
Financial liabilities		
Accounts payable and accrued liabilities	121,162	-
Payable to related parties	2,706	2,706
Total financial liabilities:	**123,868**	2,706
Net financial assets:	**30,213,624**	8,336,625

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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 receivables from related parties.

An IFRS 9 expected credit losses impairment assessment on the intercompany receivable was performed by management at 31 December 2021. This involved analysing the expected credit loss on the receivables from related parties to the Company as well as an assessment of the forward projections of cashflows and cash availability by the counterparty of the loans. This resulted in no credit loss expected at 31 December 2021 taking into consideration the availability of cash to repay the loan from the counterparty and expected future profit from the counterparty's ongoing projects.

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

The Board of Directors monitors the exposure to credit risk on an ongoing basis and does not consider such risk significant at this time.

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 2021 (In US$)	**Within 30 days**	**30 days to 6 months**	**6 to 12 months**	**Over 12 months**
Accounts payable and accrued liabilities	**121,162**	-	-	-
Payable to related parties	-	-	-	**2,706**

As at 31 December 2020 (In US$)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Payable to related parties	-	-	-	2,706

9 General and administrative expenses

General and administrative expenses relate to legal and accounting fees. For the year ended 31 December 2021, audit fees totaled US$90,073 (year ended 31 December 2021: US$nil).

10 Finance income

Finance income relates to interest income on the Company's cash reserves.

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11 Equity

a) Authorsied 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 December 2019	134,464,872	16,215,240	38,376,329
31 December 2020	134,464,872	16,215,240	38,376,329
Share issue - Ganfeng Lithium[1]	**73,955,680**	**10,283,537**	**20,014,707**
Capital reduction[2]	**-**	**-**	**(8,339,331)**
31 December 2021	**208,420,552**	**26,498,777**	**50,051,705**

[1]On 26 February 2021, Ganfeng subscribed for 73,955,680 new ordinary shares in the Company at 29.59p per share for a gross 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]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.

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.

c) Loss per share

Basic and diluted loss per share for the year ended 31 December 2021 were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Loss after tax attributable to shareholders of Sonora Lithium Ltd (US$)	**(81,914)**	-
Weighted average number of common shares for the purposes of basic and diluted loss per share	**196,466,072**	134,464,872
Loss per share (US$)	**-**	-

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12 Related party disclosures

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

A summary of the transactions and outstanding balances at the year ended 31 December 2021 with each related party 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[1]	Joint venturer	Non interest bearing	(8,339,331)	-
Ganfeng Lithium Co., Ltd[2]	Joint venturer	Share issue	30,428,986	-
Bacanora Minerals Ltd[3]	Subsidiary	Non interest bearing	260,000	260,000
Bacanora Chemco S.A. de C.V.[3]	Subsidiary	Non interest bearing	3,647,000	3,647,000
Bacanora Chemco S.A. de C.V.[4]	Subsidiary	Non interest bearing	-	(2,706)
Minera Sonora Borax S.A. de C.V.[3]	Subsidiary	Non interest bearing	81,000	81,000
Mexilit S.A. de C.V.[3]	Subsidiary	Non interest bearing	319,000	319,000
Minera Megalit S.A. de C.V.[3]	Subsidiary	Non interest bearing	57,000	57,000

[1]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.

[2]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.

[3]Transations relate to Project funding.

[4]Balance relates to the initial investment in Bacanora Chemco S.A. de C.V.

A summary of transactions and outstanding balances for the year ended 31 December 2020 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	8,386,776	8,339,331
Bacanora Chemco S.A. de C.V.	Subsidiary	Non interest bearing	-	(2,706)

13 Directors and employees of the Company

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

14 Commitments and contingencies

The Company has no commitments and contingencies.

15 Subsequent events

The following events occurred after 31 December 2021:

- Minerales Industriales Tubutama S.A. de C.V., a subsidiary of the Company was liquidated on 20 January 2022.