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Bacanora Lithium PLC
30 September 2020

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Bacanora Lithium plc
("Bacanora" or the "Company")

Proposed sale of holding in Zinnwald Lithium Project to Erris Resources Plc

Bacanora Lithium plc (AIM: BCN), a lithium exploration and development company, is pleased to announce the proposed sale of its 50% shareholding in Deutsche Lithium GmbH ("DL"), to Erris Resources Plc ("Erris") in exchange for new shares in Erris and a net profit royalty (the "Proposed Transaction").

The main asset owned by DL is the Zinnwald Lithium Project ("Zinnwald" or the "Project"), located in Germany, which would become the sole focus of Erris and its management team going forward. The Proposed Transaction will allow Bacanora to focus wholly on bringing its world class Sonora Lithium Project ("Sonora"), located in Mexico into production, maximise shareholder return on the investment to date in Zinnwald; generate a clear see-through value for its shareholders; and lead in turn to Zinnwald being brought to production by a new, dedicated management team.

Completion of the Proposed Transaction is subject to certain matters including the completion of an appropriate sale and purchase agreement, the approval by Erris shareholders at a general meeting to be convened in due course ("GM"), the raising of an appropriate level of equity by Erris through a placing ("Placing"), the grant of a Rule 9 waiver by the Takeover Panel in respect of the proposed issue of new shares to Bacanora and the admission of the enlarged share capital of Erris to trading on AIM.

While negotiations are at an advanced stage, there is no guarantee that a final agreement will be reached.

Highlights

- Bacanora will be selling its 50% share in DL plus €1.35m cash in exchange for new shares in Erris, giving Bacanora a 70% ownership stake in Erris and a net profit royalty. This percentage ownership will reduce as Erris will be raising additional funds by means of the Placing as part of the process in order to accelerate the further development of Zinnwald.
- The €1.35m cash component of the Proposed Transaction primarily reflects the guaranteed investment in Zinnwald that Bacanora was already committed to, under the second amendment to the joint venture agreement ("JV"), signed with SolarWorld AG ("SolarWorld") in February 2020 as well as to cover a portion of transaction costs.
- The remaining 50% of DL is owned by the administrators of SolarWorld which entered administration in August 2017.

- The transaction will be a Reverse Takeover ("RTO") under AIM Rules, and will therefore be subject to the approval of Erris shareholders at a general meeting. Erris intends to publish an Admission Document shortly and will call a GM to seek the approval of the Proposed Transaction.
- In accordance with AIM Rule 7, Bacanora will be subject to a lock-in period during which it cannot dispose of its shareholding in Erris for one year from the date of admission of Erris shares to AIM following the GM.
- Bacanora will also enter into a relationship agreement with Erris whereby it will undertake that, for so long as it is interested in more than 25% of Erris's voting share capital, it will not act to unduly influence Erris or the Erris board and will ensure that transactions entered into with Erris are on an arms' length basis.
- Following the RTO, Bacanora will have two Board representatives out of a total of six at Erris.
- In connection with the Proposed Transaction, Deutsche Lithium has today published a re-dated NI 43-101 Technical Report to its Feasibility Study, and a copy will be posted on Bacanora's website at <https://www.bacanoralithium.com/investor-relations/technical-reports/>.

Rationale for the Proposed Transaction

- Zinnwald's ownership by a public vehicle will allow access to capital markets in order to support the development of this Project, separate to that of Sonora, and allow Erris to fast track the development of the Zinnwald project to meet the high demand for lithium batteries for the fast developing German electric vehicle industry.
- Erris comes with an experienced management team that will be solely focussed on Zinnwald going forward:
 - Anton du Plessis, Chief Executive Officer ("CEO") - more than 20 years' banking experience with CIBC, Merrill Lynch and Morgan Stanley focussed on the mining sector. Prior to banking, he worked for Anglo American in corporate finance and business development.
 - Cherif Rifaat, Chief Financial Officer ("CFO") - experienced CFO with Mining, Technology and Property companies. He has been corporate adviser to Bacanora since its AIM IPO in 2014 and currently serves as its Company Secretary.
 - Jeremy Martin, Chairman - one of the founders of Erris. He is CEO of AIM-listed Horizonte Minerals Plc, which is at post Feasibility stage on a large Nickel project in Brazil. He is a member of the Society of Economic Geologists and the Institute of Mining Analysts.
 - Graham Brown, non-executive director - a 40-year mining industry veteran and former head of the Base Metals Exploration Division and Group Head of Geosciences for Anglo American. He is currently a senior adviser to Appian Capital.

- Erris has cash on its balance sheet and other exploration assets within its portfolio, alongside the proceeds of the Placing, which will be needed to advance the Zinnwald project to a development stage.
- Erris has a strong shareholder register, including Osisko Gold Royalties, which currently owns circa 16% of Erris.

Peter Secker, CEO of Bacanora said:

"The Proposed Transaction ensures that the development of Zinnwald, which is strategically located in Germany with immediate access to the German and wider European automotive and downstream lithium chemicals industries, can be accelerated and Zinnwald will get the full attention it deserves. Bacanora's commitment has always been to realise shareholder value from Zinnwald, and spinning it out into a separately listed vehicle will allow us to achieve this.

The Erris management team are of an extremely high calibre and we are confident that this is the best outcome for Bacanora's shareholders, who will in turn become indirect shareholders in Erris. Zinnwald is an excellent project and we look forward to seeing it come to production under Erris' ownership."

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For further information please visit www.bacanoralithium.com or contact:

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The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014

Notes to editors

Bacanora Lithium Plc is an AIM-listed (ticker 'BCN') lithium development and exploration company. The Company owns assets in Mexico and Germany. It is focused on building, in collaboration with its major shareholder and offtake partner, Ganfeng Lithium (the world's largest lithium metals producer), a 35,000 tonne per annum open pit lithium carbonate operation at its flagship asset, the Sonora Lithium Project in Mexico. The Sonora Lithium Project has 8.8 million tonnes of lithium carbonate (Li_2CO_3) equivalent resources, with an approximate 250-year resource life, as detailed in its December 2017 Feasibility Study.

Sonora Lithium Ltd ("SLL") is the operational holding company for the Sonora Lithium Project and owns 100% of the La Ventana concession. The La Ventana concession accounts for 88% of the mined ore feed in the Sonora Feasibility Study which covers the initial 19 years of the project mine life. SLL is owned 77.5% by Bacanora and 22.5% by Ganfeng Lithium Ltd. SLL also owns 70% of the El Sauz and Fleur concessions.

In addition, the Company has a 50% interest in the Zinnwald Lithium Project and the Falkenhain and Altenberg Licences in southern Saxony, Germany.

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: commodity price volatility; general economic conditions in the UK, the United States, Mexico, Germany and globally; industry conditions, governmental regulation, including environmental regulation; unanticipated operating events or performance; failure to obtain industry partner and other third party consents and approvals, if and when required; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; competition for, among other things, capital, skilled personnel and supplies; changes in tax laws; and the other risk factors disclosed under our profile on SEDAR at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this news release is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Important notice

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