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Ganfeng Lithium Co., Ltd.

江西贛鋒鋰業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1772)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to the disclosure requirements under Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

According to the relevant regulations of the People's Republic of China, GANFENG LITHIUM CO., LTD. (the “**Company**”) had published the following announcement on the website of the Shenzhen Stock Exchange (<http://www.szse.cn/>). The following is a translation of the official announcement solely for the purpose of providing information.

By order of the Board
GANFENG LITHIUM CO., LTD.
LI Liangbin
Chairman

Jiangxi, PRC
June 29, 2019

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.

GANFENG LITHIUM CO., LTD.
ANNOUNCEMENT ON INVESTMENT IN MINING RIGHTS BY
ACQUISITION OF CERTAIN EQUITY INTERESTS IN BACANORA
AND SONORA, A SUBSIDIARY ENGAGED IN LITHIUM-CLAY
PROJECT

The Company and all members of its board of directors warrant that the information contained in this announcement is true, accurate and complete and that there are no false representations or misleading statements contained in or material omissions from this announcement.

IMPORTANT NOTICE

1. The transaction targets are not more than 29.99% equity interest of Bacanora Lithium Plc (“Bacanora”) and not more than 22.5% equity interest of Sonora Lithium Ltd (“Sonora”), a lithium-clay project company of Bacanora. The transaction constitutes neither a related-party transaction, nor a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganizations of Listed Companies (上市公司重大資產重組管理辦法), and therefore, is not subject to consideration at the general meeting of the Company.
2. The transaction is still subject to filing with the competent PRC authority for outbound investment or approval therefrom. There are risks that such filing or registration of equity interests may turn out a failure.
3. If there are any changes in the policies of Mexico in terms of mining qualification and entry, environmental protection approval, production safety, taxation and other aspects, the future production, operation and profitability of Bacanora and Sonora will be affected.
4. Although the resource and reserve of the lithium-clay project of Sonora has been assessed by a professional firm, the calculation and preparation of resource data may be affected by human, technical and other uncontrollable factors. There are risks that the assessed total resource and reserve may be different from the actual total resource and reserve.

5. As mining requires a series of investment in fixed assets and technology and is restricted by natural environment of the mine, there are technical risks that the mining scale may not reach estimated level.
6. The potential international economic deterioration might lead to decline in prices of lithium and lithium products, which will cause failure of Bacanora and Sonora in achieving the expected performance.

I. OVERVIEW OF THE TRANSACTION

1. At the 35th meeting of the fourth session of the board of directors held on June 28, 2019, Ganfeng Lithium Co., Ltd. (the “Company”) considered and passed the Resolution in Relation to the Investment in Mining Rights by Acquisition of Certain Equity Interests in Bacanora and Sonora a Subsidiary Engaged in Lithium-Clay Project, pursuant to which, the Company or its wholly-owned subsidiary — Ganfeng International Trade (Shanghai) Co., Ltd.*(贛鋒國際貿易(上海)有限公司)(“Shanghai Ganfeng”) would subscribe for the new shares of Bacanora with its self-owned funds of £ 14,400,091 and invest in Sonora with its self-owned funds of £ 7,563,649, and the management of the Company shall be authorised to deal with matters concerning the transaction at its sole discretion. Upon completion of the transaction, the Company or Shanghai Ganfeng will hold not more than 29.99% equity interests in Bacanora and not more than 22.5% equity interests in Sonora.
2. The transaction constitutes neither a related-party transaction, nor a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganizations of Listed Companies (上市公司重大資產重組管理辦法), and therefore, is not subject to consideration at the general meeting of the Company.

II. BASIC INFORMATION OF THE TRANSACTION TARGETS

Bacanora, established in 2018 with its registered address at 4 More London Riverside, London, SE1 2AU, is a company listed on the AIM market of the London Stock Exchange (AIM code: BCN), mainly engaged in investment holding and lithium clay resource and project management. Its major assets are the Sonora lithium-clay project in Mexico. As of the date of this announcement, the issued share capital of Bacanora comprises 134,464,872 shares, 10% of which are held by M&G Investments Fund, its substantial shareholder.

The Sonora project is a lithium-clay project located in Mexico and is currently one of the largest lithium resource projects in the world. According to the feasibility study report of the Sonora project, the total lithium resources of the project are about 8.8 million tonnes of lithium carbonate equivalent. Due to the unique advantages of lithium clay resources, the lithium extraction technology of the project has the both advantages of the extracting lithium from ores and from salt-lake brines, which means it can complete the lithium extraction process in a short time at a speed similar to that of extracting lithium from ores, and at a lower cost similar to that of extracting lithium from salt-lake brines. As of the date of this announcement, the project has not yet been put into operation, and the annual lithium carbonate production capacity of the first phase of the project upon commencement of operation is expected to be 17,500 tonnes.

The financial data of Bacanora for the latest year and interim period are set out as follows:

Indicator	June 30, 2018 (Audited)	December 31, 2018 (Unaudited)
Total assets (<i>US dollars</i>)	50,610,686	60,249,398
Net assets (<i>US dollars</i>)	42,635,204	38,930,632

Indicator	June 2017-June 2018 (Audited)	June-December 2018 (Unaudited)
Revenue (<i>US dollars</i>)	—	—
Net profit (<i>US dollars</i>)	-12,785,861	-4,295,258

As at December 31, 2018, gearing ratio of Bacanora was 35.38%.

Bacanora is not connected with the controlling shareholder, de facto controller, directors, supervisors and senior management of the Company in terms of equity, business, asset, liability and debt, personnel and so forth.

III. PARTICULARS OF THE UNDERLYING MINING RIGHTS

1. Basic information of the mining rights of Sonora lithium-clay project

At present, Sonora has 7 mining licences and exploration licences:

No.	Mining license/ exploration license	Size/location of the mine lot	Expiry Date
1	235611	875 ha./ Bacadehuachi	January 21, 2060
2	243127	945 ha./ Bacadehuachi	July 9, 2064
3	235614	1025 ha./ Bacadehuachi	January 21, 2060
4	243132	2335 ha./ Bacadehuachi	July 9, 2064
5	244345	200 ha./ Bacadehuachi	August 10, 2065
6	243029	1144 ha./ Bacadehuachi	May 29, 2064
7	243133	1630 ha./ Bacadehuachi	July 9, 2064

2. The mode, time and approval authority of change in the ownership of the mining rights in the last three years

There has been no change in the ownership of the mining rights in the last three years.

3. Main product of Lithium-clay mine, their use and sale methods

The main product of the mine is lithium-clay, which is mainly used as the raw material for producing basic lithium salt products (industrial/battery grade lithium carbonate, industrial/battery grade lithium chloride, industrial/battery grade lithium hydroxide, etc.). The product is sold through direct or indirect supply of raw materials for enterprises engaged in the production of basic lithium salt products.

4. Reserve of mineral resources

According to the resource assessment report prepared by SRK Consulting (UK) Limited (“SRK”) (name of the appraising agent), the measured resources, indicated resources and inferred resources of Sonora lithium-clay project are estimated as follows:

	Ore (tonnes)	Lithium carbonate equivalent (tonnes)	Average grade (Li ppm)
Measured resources	103,000,000	1,910,000	3480
Indicated resources	188,000,000	3,130,000	3120
Inferred resources	268,000,000	3,779,000	2650
Total resources	559,000,000	8,819,000	—

5. Payment of various fees in respect of the mining rights under the transaction

Sonora has paid and settled the usufruct outlay of mining rights, resources tax and other charges in accordance with relevant laws and regulations.

6. Procedures to be performed for the transfer of ownership of the mining rights

The transaction targets are not more than 29.99% equity interests in Bacanora and not more than 22.5% equity interests in Sonora. The mining rights are still registered in the name of Sonora and there will be no transfer of ownership of mining rights.

IV. MAJOR TERMS OF THE AGREEMENT

- (1) The Company will subscribe for not more than 29.99% shares of Bacanora through a private placement at the price of £ 0.25 per share, totaling £ 14,400,091. Upon completion of the private placement, Ganfeng Lithium will have the right to nominate a director to the board of directors of Bacanora;
- (2) The Company will make an investment in Sonora Lithium Ltd, a project company of Bacanora, in exchange for its not more than 22.5% equity interest. The investment is to be carried out by way of a private placement at the price of £ 0.25 per share, totaling £ 7,563,649, and Ganfeng Lithium will be granted an option to increase its shareholding in the project company to no more than 50%. Upon completion of the private placement, Ganfeng Lithium will have the right to nominate a director to the board of directors of Sonora Lithium Ltd;
- (3) Conditional on the completion of the strategic investment, the Company will be granted offtake rights to offtake 50% of all lithium products of the Sonora project during Phase I of production. The Company would have the option to increase its offtake to 75% during Phase II of production;
- (4) In addition, the Company will assist Bacanora to complete the EPC design, as well as subsequent construction and commissioning of the Sonora project.

V. COMPLIANCE AND EFFECTIVE CONDITIONS OF THE TRANSACTION

1. At the 35th meeting of the fourth session of the board of directors held on June 28, 2019, the Company considered and approved the transaction with 10 votes for, 0 against and 0 abstention, and authorised the management of the Company to deal with related matters of the transaction at its sole discretion. According to the requirements under the Guidelines on Standard Operations of Companies Listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (《深圳證券交易所中小企業板上市公司規範運作指引》) and the Articles of Association, the transaction does not constitute a related-party transaction, nor a material asset reorganization as stipulated in the Administrative Measures for the Material Asset Reorganizations of Listed Companies (《上市公司重大資產重組管理辦法》), and therefore, it is not subject to consideration at the general meeting of the Company.
2. The transaction is still subject to filing with the competent PRC authority for outbound investment or approval therefrom.

VI. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS

The acquisition of certain equity interests in Bacanora and its lithium-clay project company Sonora by the Company is conducive to the business expansion of the Company, implementation of the lengthways industry chain strategy and the enhancement of the core competitiveness of the Company, and therefore is in line with the upstream-downstream integrated development strategy of the Company. The transaction terms are determined after arm's length negotiation, and are fair and reasonable without prejudice to the interests of the Company and its shareholders as a whole. The decision-making procedures for the transaction are in compliance with relevant requirements under the Company Law, Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and the Articles of Association as well as relevant laws and regulations. In view of the foregoing, we agree on the investment in equity interests in Bacanora and its lithium-clay project company Sonora by the Company.

VII. PURPOSE, IMPACT ON THE COMPANY AND RISKS OF THE TRANSACTION

(I) Purpose of the Transaction

The transaction will facilitate the business expansion and implementation of the lengthways industry chain strategy of the Company, improve the sustainable profitability of the Company and be conducive to the long-term development of the Company.

(II) Impact on the Company of the Transaction

In spite of certain net outflow of cash flow of the Company, the transaction will not have any noticeable influence on the working capital of the Company and has little impact on financial conditions and operating results of the Company for the year 2019.

(III) Risks of the Transaction

1. The transaction is subject to filing with the competent PRC authority for overseas investment or approval therefrom. There are risks that such filing or registration of equity interests may turn out a failure.
2. If there are any changes in the policies of Mexico in terms of mining qualification and entry, environmental protection approval, production safety, taxation and other aspects, the future production, operation and profitability of Bacanora and Sonora will be affected.
3. Although the resource and reserve of the lithium-clay project of Sonora has been assessed by a professional firm, the calculation and preparation of resource data may be affected by human, technical and other uncontrollable factors. There are risks that the assessed total resource and reserve may be different from the actual total resource and reserve.
4. As mining requires a series of investment in fixed assets and technology and is restricted by natural environment of the mine, there are technical risks that the mining scale may not reach estimated level.
5. The potential international economic deterioration might lead to decline in prices of lithium and lithium products, which will cause failure of Bacanora and Sonora in achieving the expected performance.

The board of directors of the Company will pay close attention to the progress of the matter and perform its obligation of information disclosure in due course. Investors are advised to exercise caution and be aware of investments risks.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolution passed at the 35th meeting of the fourth session of the board of directors of the Company.
2. Independent opinions of independent directors on relevant matters.

The announcement is hereby given.

The Board of Directors of
Ganfeng Lithium Co., Ltd.
June 29, 2019