

Alix and Lithium Australia Announce Definitive Agreement

✘ Alix Resources Corp. (TSXV: AIX) and Lithium Australia (ASX: LIT) updated the market on their progress at their Electra Project in Sonora, Mexico. Sonora is Mexico's second largest state and the project is located to the northwest of the country.

The Electra Project comprises two concessions, namely the Tule and Tecolote Concession, spanning 22,625 hectares.

Both concessions are thought to contain lithium-bearing clays that extend from the Sonora Lithium Project, a JV between Bacanora Minerals and Rare Earth Minerals (REM). One of the Electra Project concessions is contiguous to the Sonora Lithium Project to the north and the hope is that, through the exploration programme, the Company will be able to prove the existence of lithium-rich clays similar to that of Bacanora/REM. The aim of the partnership between Lithium Australia (LIT) and Alix Resources (Alix) is to provide a superior processing alternative to enhance the value of the lithium-bearing clays.

Consequently, LIT and Alix have signed a definitive agreement to explore the Electra Project, the terms of which entitle Lithium Australia to 49% interest in the Project through the issuance of 1m shares to Alix and expenditures of \$400,000.

In addition, Lithium Australia has the option to increase its share in the Electra Project to 65% through a further issuance of 1.5 million ordinary shares to Alix and a cash payment of \$250,000.

On the 14th of October, Alix reported that it had achieved its objective on its Tecolote concession. The Company identified

two target areas on the said concession. The first target, on the eastern area, is approximately 1,100m long by 250-to-400m wide. The second target measures around 400m by 150m.

Phase 1 reverse circulation (RC) drill program to test the two target areas recently received approval and authorization from the Ejido community regarding the owner/co-op rights. In addition, the Company received an application for the environmental permit on the Tecolote concession to complete up to 25 RC drill holes and rehabilitation of existing roads as needed.

Alix Resources – Outdoing Bacanora?

My view that Bacanora (TSXV:BCN) was a Short has been borne out by the long slide in its stock price. As the Lithium space has become hotter, the enthusiasm for BCN has become cooler. As we have said before “he who lives by the Tesla, dies by the Tesla”. We never liked the ramping associated with the deal “done” with Tesla as it essentially meant nothing. If Tesla were not putting up any money the onus still fell back on the marketplace and investors to fund this project and it is indeed a worthy project.

The Sonora Lithium project is in a good location to service US needs for Lithium and indeed extrapolating past experience with NAFTA it may be the basis for North American processing of Lithium to be established south of the border in a big way.

Ironically with our hedge fund manager thinking cap on we would have said that Bacanora was a potential for a classic Pairs trade, going Short Bacanora and Long its close and

undervalued neighbor in same zone, Alix Resources (TSXV:AIX). Alix Resources main asset is the Electra Project, which borders Bacanora's territory to both the north and the south. This first came to our attention via our work on Lithium Australia (ASX:LIT) that has bought in just at the cusp of Alix beginning work here.



The Deal with LIT

In recent weeks, Alix Resources has announced the signing with Lithium Australia of an option agreement to jointly to develop lithium extraction technologies applicable to advancing Alix's lithium concessions in Mexico. The deal is multi-stage with the terms being a first phase in which LIT may earn a 25% interest in the project by:

- Issue of 500,000 ordinary LIT shares to Alix
- Issue of 500,000 partly paid LIT contributing shares paid to A\$0.0001 each (A\$0.2499 unpaid) to Alix
- Expenditure of AUD\$150,000, spent entirely on phase one work
- LIT to subscribe for CAD\$100,000 private placement in Alix Resources at CAD\$0.05 per share with a full CAD\$0.075 one-year warrant

During this phase Alix will be the operator. Then in a subsequent phase LIT can earn a 49% interest in the project by:

- Issue of 500,000 ordinary LIT shares to Alix
- Issue of 500,000 partly paid LIT contributing shares paid to A\$0.0001 each (A\$0.2499 unpaid) to Alix
- Expenditure of a further AUD\$250,000 within 12 months of signing. Alix – LIT combined board to agree on scope of work, LIT to have deciding vote.

Following upon that, LIT might up the ante to a 65% interest

in the project by:

- Issue of 1,500,000 fully paid ordinary LIT shares to Alix
- Expenditure of a further AUD\$1.1mn within 24 months of signing. Alix – LIT to manage all work program facets.
- Cash Payment of AUD\$250,000

LIT will have to gain shareholder approval for the stock issuances in the first phase due to no placement capacity, EGM to be held within 60 days of this term sheet.

Clearly if there is something to be found here then for a relatively modest price LIT will get its hands on control and Alix will be along for the ride.

Lithium Australia is clearly trying to leverage its rather unique work with Lithium silicates (particularly micas) in Australia onto a broader stage. The opportunity to partner on a deposit with a similar mineralogy in Mexico was too good to let pass, and clearly Alix, as very much a junior in the exploration space needed a big brother to supply the skill sets and technology to augment its credibility.

Work Plans & Geology

The first phase of the work program will commence on the Tule Concession this month and will focus on two initial, high priority targets determined by Alix geologists.

Alix reported the discovery of sedimentary beds on its Tule Concession similar to, on trend and correlating with, geological units which host Bacanora's La Ventana deposit. The exploration program completed by Alix on the property in December included sampling which returned moderately anomalous lithium values from the portion of the concession area that Alix has prospected to date.

The Electra Project consists of two large exploration

concession applications covering 22,625 hectares, with one adjoining Bacanora Minerals' Sonora Lithium Project to the north and one to the southern end, as shown in the map below:



Alix's Tule Concession, comprises 18,125 hectares (approximately 15 kms east-west by 12 kms north-south), covers the extension of three lithium-bearing horizons, as outlined in recent Bacanora presentations.

The mineralised trend on the Bacanora property has been interpreted as extending approximately 15 kms SSE from the La Ventana Lithium deposit to the location of another lithium prospect, and at least an additional 12 kms from this point, towards Alix's Tule Concession.

Alix's Tecolote concession is located north of the Buenavista Concession at Bacanora's Sonora Project and north of the village of Huasabas. The property covers approximately 4,500 hectares. Intercepts from 11 of the 24 reverse-circulation holes drilled at the Buenavista Concession returned values in excess of 1,018 ppm Li and as high as 2,210 ppm Li (equivalent to 0.54% and 1.18% LCE respectively) in a lithium-rich stratigraphic trend interpreted by Bacanora to extend north, through Alix's Tecolote concession. This concession covers approximately 7 kms of this interpreted stratigraphic trend.

The host rocks on the Buenavista concession are calcareous, fine-grained sandstone to mudstone intercalated with tuffaceous bands that are locally gypsiferous. The stratigraphic controls and strong bedding of the volcano-sedimentary sequences are projected to be traceable for long distances north of the Buenavista concession.

Mexican Lithium Geology

In 1992, US Borax commenced an exploration program in the area, which led to the discovery of some weakly anomalous

boron showings which also were high in lithium. US Borax abandoned exploration in the area shortly thereafter.

The project area is underlain by Oligocene to Miocene age rhyolitic tuffs, ignimbrites and breccias of the upper volcanic complex of the Sierra Madre Occidental. This succession was subjected to Basin and Range extensional normal faulting during Miocene times that resulted in the development of a series of half-grabens. The half-grabens are locally filled with fluvial-lacustrine sediments and intercalated tuffs that contain lithium-bearing clay units. Quaternary basalt flows cover the basinal sediment-volcaniclastic succession.

In Mexico, Lithium-bearing hectorite and polyolithionite clays crop out of a volcano-sedimentary sequence located near the towns of Bacadehuachi and Huasabas.

The Sonora Lithium Project

It is useful to look across the boundary line at the Sonora project to get an idea of what might await the AIX/LIT JV. The Bacanora package consists of ten mining concession areas covering approximately 100,000 hectares in the northeast of Sonora State. It is managed by a Joint Venture between Bacanora Minerals and the AIM-listed Rare Earth Minerals.

The JV partners, through drilling and exploration work to date, published in November of 2015 an NI43-101 Indicated Mineral Resource estimated at 364 Mt, averaging 2,600 ppm Li for 5.0 Mt of LCE, in addition to an Inferred Mineral Resource estimated at 355 Mt averaging 2,000 ppm Li for 3.9 Mt of LCE.

The attractions of the Sonora project are various but its main advantage is the clay nature of the mineralisation and the fact that this is relatively near surface (though with a basalt cap over much, but not all, of the deposit).

Below is a cross-section of Bacanora's deposit, which shows

that the clay zones were created as per the previously mentioned weathering and breakdown of the mica, and then overlain by volcanic activity with a basalt cap.



Clearly, Alix and LIT are targeting the same type of occurrence on their adjoining concessions.

Girding the Loins with a Financing

In recent weeks the company announced a non-brokered private placement of up to four million units at a price of \$0.05 per Unit for aggregate gross proceeds of \$200,000. Each Unit will be comprised of one common share and a full warrant. Each warrant is exercisable at \$0.075 per Share for a period of 12 months. Proceeds will be used for general working capital and to advance the Mexican assets.

At the same time Alix announced it had licked its balance sheet into shape as it settled a total of \$80,000 of debt with a non-arm's length creditor in the amount of \$50,000 and an arm's length creditor in the amount of \$30,000. These matters were settled by issuing an aggregate of 1,600,000 Shares at a deemed price of \$0.05 per share to the creditors.

Conclusion

Much to our surprise running a one year comparative chart of Alix against Bacanora shows Alix coming out on top. This looks rather like a Hare & the Tortoise-type story. Tesla is obviously something of a two-edged sword for Bacanora's promotional efforts.



At this point we are looking forward to Bacanora getting back to basics and moving its project forward. There is clearly potential to move Mexico into the column of Lithium producing nations and now the race is on to see if Alix can overhaul

Bacanora or whether Bacanora will move on Alix to consolidate its territory further. Either way, Alix shareholders win...not to mention LIT coming out a winner also. Then again we might speculate on Alix being folded into LIT at some juncture.