

# LSC Lithium Corp. exercises option to acquire Lithea Inc. and its Salar de Pozuelos tenements in Northern Argentina

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TORONTO, March 15, 2017 - [LSC Lithium Corporation](#) (the "Company" or "LSC") (TSXV: LSC) is pleased to announce that it has delivered notice of exercise of its option (the "Option") to acquire 100% of the issued and outstanding share capital of LitheA Inc. ("LitheA") from BMC Global Limited ("BMC"). LitheA's principal asset is its Salar de Pozuelos tenements (the "Pozuelos Property") located in the Province of Salta, Argentina. The completion of the acquisition is subject to TSX Venture Exchange ("TSX-V") approval.

The key benefits of the acquisition are:

- The Pozuelos Property covers approximately 99% of the surface area of the Salar.
- The Pozuelos Property has been subject to extensive exploration by LitheA since 2008.
- LSC intends to pursue an expedited exploration program to advance the Pozuelos Property to feasibility study level as quickly as possible.
- LitheA's portfolio will add another 30,000 hectares to LSC's Argentina Exploration Portfolio.

Based on available historical sampling and exploration data, management considers the Pozuelos Property to be one of the most important undeveloped lithium brine projects in Argentina with the potential to be a significant lithium producer should the project successfully advance to a feasibility study level. "Acquiring LitheA will provide LSC with an additional high-potential lithium Salar in close proximity to the rest of our properties in one of the world's most prolific lithium producing regions. This acquisition brings the Company's portfolio to 15 properties totaling approximately 270,000 hectares, which is a significant portfolio to draw from when advancing our exploration program," commented Wayne Richardson, Chairman, President and Chief Executive Officer of LSC.

The Pozuelos Property is a major strategic acquisition for LSC as it is a large, high quality Salar located in the Province of Salta, Argentina and in close proximity to Enirgi Group Corporation's ("Enirgi Group") planned future Regional Processing Facility at Salar del Rincón. LSC and Enirgi Group are strategically cooperating on lithium development in Northern Argentina pursuant to a Relationship Agreement whereby, among other things, the parties will examine the most economic solution to process LSC's brines which may include supplying LSC's brines for processing at Enirgi Group's planned facility. LSC anticipates brine samples from the Pozuelos project will be available for initial metallurgical test work at Enirgi Group's demonstration plant on the Salar del Rincón, following its anticipated commissioning. The map featured shows the location of the Pozuelos Property to Enirgi Group's Salar del Rincón Project approximately 80 kilometers away.

## The Pozuelos Property

The Pozuelos Property is located in the Puna (Altiplano) region of northwest Argentina, in the western Salta province. It is located approximately 230 km west of the city of Salta and 150 km east of the Chilean border. The Pozuelos Property is comprised of two main mining groups, Lithea Norte and Lithea Sur, covering 10,500 hectares and centered in Salar de Pozuelos.

The mining concessions, which make up the Pozuelos Property, are currently registered under the name LitheA Inc., S.A., a branch of LitheA. The tenements on the Pozuelos Property are fully registered for lithium and borates extraction. In addition to the above mining groups, LitheA holds several other mining tenements on Salar de Pozuelos which are prospective for fresh water and are currently registered for disseminated gold and copper.

No resources or reserves have been defined on the Pozuelos Property. Reported grades are based on historic sampling results obtained by LitheA during 2010 exploration. While LSC has no reason to believe the historic sample results are not reliable, there can be no assurance that historic sample results will be

confirmed by future exploration. No qualified person has undertaken specific work to classify the prior exploration work in compliance with National Instrument 43-101 ("NI 43-101") and LSC is not considering the historic information as a current resource estimate.

### **Accessibility, Local Resources, Infrastructure and Physiography**

The Pozuelos Property is located in Salta Province and within the Puna area of northwest Argentina which forms part of the "Lithium Triangle". Access to the Pozuelos area from the City of Salta is via high quality paved and secondary gravel roads. The total driving distance between Salta and the Pozuelos Property is approximately 220 km, and the driving time is approximately 4.5 hours.

Local infrastructure is good. The regional administrative center of San Antonio de los Cobres (population 2,000) is within a two-hour drive and offers basic services. Approximately 30 km to the east of the project site, a railway crosses from Northern Argentina to Chile, providing potential access to a number of ports in Northern Chile. 35 km to the east of Salar de Pozuelos there is a branch from a major gas pipeline running from Northern Argentina to Chile. High voltage transmission wires also cross to Chile 50 km to the north. Both of them could provide power for a potential project development. Water of a suitable quality for a supply of process water has been intersected in potentially sufficient quantities using a natural source on the northwestern side of Pozuelos.

### **Geology Setting**

Salar de Pozuelos is classified as a mature halite salar. Halite development proceeds from a highly fractured and porous zone down to approximately 35 m, followed by progressively more compacted halite down to approximately 70 m depth, where it transitions to a mixed halite/clay matrix trending to thick clay at 90 m down to approximately 135 m depth. Below 135 m depth to the bottom of the deepest drill hole at 183 m the clay transitions to a halite/clay mix with clay predominating. Geophysics indicates the presence of two depocentres; one greater than 150 m, and the other to the southwest greater than 100 m and perhaps of more clastic sediment composition.

### **Prior Exploration**

Salar de Pozuelos has been subject to extensive exploration by LitheA since 2008. This work has included initial broadly spaced surface pitting, an extensive program of surface pitting and brine sampling on a 500 m x 500 m grid, geophysical exploration comprising VES (Vertical Electrical Sounding) and MT (magnetotelluric) surveys; exploration diamond core and reverse circulation (RC) drilling and development of pumping wells to 90 m depth for both short and long term porosity testing, brine sampling, and pumping tests.

The surface sampling work showed high values of lithium throughout the salar, with values in excess of 500 mg/L in the central part of the salar and values in excess of 200 mg/L throughout the whole of the salar. The average grade for surface samples is approximately 750 mg/L lithium. The sampling work also indicated that the brine had a highly favourable Mg:Li ratio, typically less than 6:1, Mg to Li. Down hole sampling from drilling indicated lithium grades measured on surface typically extend to the bottom of the holes.

In connection with the acquisition, LSC has undertaken a program of due diligence surface sampling. Samples have been collected from 23 surface pits previously dug by LitheA. Sample assays for the due diligence samples supported the results obtained by LitheA. Samples were assayed by ICP-AES method at NorLab, an Argentine accredited laboratory. The sampling procedures and assay data have been reviewed and verified by Don Hains, P. Geo.

Between January and February 2010, LitheA completed two vertical wells (SPZ RC001 and SPZ RC 002) to a depth of approximately 90 m. A short (20 m deep) uncased piezometer well was drilled approximately 11 m east of SPZ RC001. The wells were 1 km apart and located in the main depocentre of the salar. Pumping data indicated good transmissivity values of 639 m<sup>2</sup>/day for SPZ001 down to 75 m and 400 m<sup>2</sup>/day for SPZ002 down to 55 m. Average lithium brine values for both pumping wells was in excess of 500 mg/L over duration of the pump tests (19 days).

In addition, a vertical HQ size diamond drillhole (SPZ DDH001) was drilled to a depth of 183 m adjacent to SPZ RC001. This hole was drilled to collect data on variations in lithology with depth and to collect brine samples below a massive clay layer encountered at about 90 m depth in the rotary holes. The brine sample assay results show lithium values are relatively consistent with depth and consistent with the surface sample assays from adjacent pits.

**Table 1: Historic Drill Holes – salar de Pozuelos**

Hole No.	Hole Type	Purpose	Coordinates (Gauss Kruger Posgar 94 datum)		Depth (m)	Azimuth
			East	North		
SPZRC001	RC	Monitor	3415980	7267032	96	90°
SPZRC001P	RC	Pumping	3415991	7267034	85	90°
SPZRC002	RC	Pumping	3416988	7267023	89	90°
SPZDDH001	DD	Geology	3416007	7267034	183	90°

Source: *LitheA, from SRK Consulting (Australasia) Pty Ltd. (2011)*

In 2011, SRK Consulting prepared a report for LitheA which reviewed and considered previous work at Salar de Pozuelos and conducted preliminary and indicative estimates of porosity. Due to uncertainties in respect of porosity and anisotropic permeability, SRK was of the opinion that it was not possible to determine resources until such time as further exploration work was completed.

### Exploration Program

LSC has commenced and is undertaking a program of geophysical, diamond drilling and pump tests to confirm the prior exploration work by LitheA and to develop sufficient exploration data for an initial NI 43-101 compliant resource report. Work is currently underway with initial results expected in the second quarter of this year but no assurance can be made that there will be any category of mineral resource estimated pursuant to NI 43-101.

### The Option

Pursuant to an option agreement (the "Agreement") dated November 23, 2016, as amended, between, among others, BMC and LSC Lithium Inc. ("LSC Lithium"), a wholly owned subsidiary of the Company, LSC Lithium was granted an option to purchase from BMC all of the issued shares of LitheA, a British Virgin Islands company.

The consideration payable (the "Purchase Price") by LSC is approximately \$44 million, of which \$38.5 million will be payable to BMC (in exchange for all of the outstanding shares of LitheA) and \$5.5 million (plus interest) will be payable to a beneficial shareholder (the "BMC Holder") of BMC (in exchange for a \$5.5 million promissory note issued by LitheA to the BMC Holder).

On November 14, 2016, Lithium S Corporation ("Lithium S"), a wholly owned subsidiary of the Company, on its own behalf and as agent for the other members of a syndicate of Lenders (the "Lenders") which included, inter alia, Enirgi Group and Regent Mercantile Holdings Limited ("Regent"), entered into a loan agreement (the "BMC Loan") pursuant to which \$14,275,816 was advanced to BMC Holdings Limited, the shareholder of BMC.

The Purchase Price will be satisfied, as to \$14,275,816 plus interest at the rate of 2% per month from November 14, 2016 by the assignment of the BMC Loan, which is guaranteed by BMC and LitheA, and as to the balance by the issuance of common shares of LSC (the "LSC Shares") valued at \$0.964 each. The payment of the \$5.5 million (plus interest at the rate of 12% per annum from November 14, 2016) will be satisfied as to cash in the amount of any accrued and unpaid interest, and the balance in cash and/or through the issuance of LSC Shares valued at \$0.964 each at the option of the BMC Holder.

Pursuant to an agreement dated November 14, 2016, as amended on February 7, 2017, LSC granted the Lenders (other than Lithium S) the right (the "Exchange Right") to exchange following the delivery of the notice of exercise under the Agreement, the principal amount of \$13 million owing to them under the BMC Loan for LSC Shares (issued at \$0.965 each). If they exercise their respective Exchange Rights a maximum of 5,181,347 LSC Shares will be issued to Enirgi Group and 1,813,472 LSC Shares will be issued to Regent, each of which is a Non-Arm's Length Party of the Company under TSX-V policies as a result of shareholdings in the Company and/or cross-directorships. Lithium S provided \$1,275,816 of the BMC Loan and this amount will be set-off against the Purchase Price and will not be repaid in cash. A fee of \$500,000 is payable to an employee of LitheA for introducing the opportunity, upon the successful completion of the acquisition. The Company will seek to pay such fee in LSC shares, subject to regulatory approval.

With respect to the \$14,275,816 portion of the Purchase Price, Enirgi Group has agreed to convert its \$5

million loan into LSC Shares and the BMC Holder has agreed to convert \$3 million of its loan into LSC Shares. The maximum number of LSC Shares issuable in connection with the Agreement and the Exchange Right is approximately 44 million. The exact allocation of the total Purchase Price between cash and LSC Shares will depend, in large part, on whether the other Lenders elect to receive cash and/or LSC Shares which will be determined no later than two weeks prior to the closing date. The Company expects to close the acquisition on or before June 29, 2017, subject to receipt of regulatory approval.

LitheA has \$16,219,619 of unsecured, subordinated debt owing to BMC (the "Subordinated BMC Debt"). The Subordinated BMC Debt does not bear interest, and will be repaid by LitheA in semi-annual installments calculated on the following basis: 20% of net income, plus 20% of depreciation and amortization, less 20% of capital expenditures, less 20% of net changes in working capital (excluding cash and debt), less certain other specified amounts. Pursuant to a secured promissory note (the "Note") entered into on December 22, 2016 LitheA has \$600,000 outstanding under a loan facility from the Company. The loan has been primarily used by LitheA to advance due diligence and exploration work on the Pozuelos Property. On March 14, 2017, the LSC board of directors approved increasing the Note to \$2 million. Any amounts outstanding under the Note at the closing of the acquisition of LitheA will become an inter-company debt of LSC.

### **Qualified Person/Data Verification**

The scientific and technical information included in this press release is based upon information prepared and approved by Donald H. Hains, P. Geo. Donald H. Hains is a qualified person, as defined in NI 43-101 and is independent of LSC and LitheA. Mr. Hains has verified the sampling data against the original assay certificates and the available assay data base and examined available drill core, and is of the opinion that the data verification procedures employed are adequate to corroborate the historical sample results.

### **ABOUT LSC LITHIUM CORPORATION:**

LSC is an emerging lithium producer that has amassed a large portfolio of prospective lithium rich salars in Northern Argentina. LSC's four flagship properties, the Salar Rio Grande Tenements, Salar Pastos Grandes Tenements, Salar Salinas Grandes Tenements and Salar Jama Tenements are located in the "Lithium Triangle," an area at the intersection of Argentina, Bolivia and Chile where the world's most abundant lithium brine deposits are found. LSC holds, or has under option, a land package portfolio totaling approximately 270,000 hectares, which represents extensive lithium prospective salar holdings in Argentina.

### **Forward-Looking Statements**

*Certain statements contained in this news release constitute forward-looking information. These statements relate to future events or future performance, including statements as to the following: receipt of TSX-V approval for the closing of the acquisition of LitheA, timing for the acquisition of LitheA, the allocation of LSC shares or cash for the acquisition of LitheA, the timing and ability to advance the Pozuelos Property to feasibility study level, the timing for testing brines at Enirgi Group's Salar del Rincón demonstration plant, the definition of any mineral resources or mineral reserve estimates pursuant to NI 43-101 on our properties, the timing for potential future production at our properties, the use and application of Enirgi Group's Direct Xtraction Process Technology at our properties, completion of work programs on our properties, and the ongoing strategic relationship with Enirgi Group. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on LSC's current belief or assumptions as to the outcome and timing of such future events. Whether actual results and developments will conform with LSC's expectations is subject to a number of risks and uncertainties including factors underlying management's assumptions, such as risks related to exploration and the establishment of resources and reserves on the Pozuelos Property or other LSC properties; the application and future licensing of new technologies; the risks around timing, permitting, funding and construction of a regional processing facility at the Salar del Rincón by Enirgi Group and the ability of LSC to fast-track production from its own properties by supplying brine to such a facility; risks relating to proposed acquisitions; volatility in lithium prices and the market for lithium; exchange rate fluctuations; volatility in LSC's share price; the requirement for significant additional funds for development that may not be available; changes in national and local government legislation, including permitting and licensing regimes and taxation policies and the enforcement thereof; regulatory, political or economic developments in Argentina or elsewhere; litigation; title, permit or license disputes related to interests on any of the properties in which the Company holds an interest; excessive cost escalation as well as development, permitting, infrastructure, operating or technical difficulties on any of the Company's properties; risks and hazards associated with the business of development and mining on any of the Company's properties. Actual future results may differ materially. The forward-looking information contained in this release is made as of the date hereof and LSC*

*is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein. For more information see the Company's filing statement on SEDAR at [www.sedar.com](http://www.sedar.com).*

*Neither the TSX Venture Exchange Inc. nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

*The TSX Venture Exchange Inc. has neither approved nor disapproved the contents of this press release.*

*All dollar and per share amounts are in U.S. dollars unless otherwise indicated.*

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