

# Geologix's twin-track strategy spurring its Mexican expansion

Geologix combines near-term output with ongoing exploration as catalysts for growth in Mexico

**W**ith C\$20.0 million in the treasury, Geologix is poised to advance its 100%-owned Tepal project through pre-feasibility while continuing to test new targets for ongoing expansion.

In March 2010, Geologix agreed to option 100% of the advanced-stage Tepal gold-copper porphyry project in Michoacán state, Mexico. At the time of the acquisition, the project hosted a resource of 1.15Moz of gold and 413Mlb of copper. The company has now completed its option obligations and owns the project totally. In the past 12 months, the company has implemented a two-pronged approach to the project's advancement and growth:

- initiate a Preliminary Economic Assessment study to evidence positive project economics; and
- aggressively explore for additional mineralisation to increase the resource.

With a healthy working capital, and an experienced board of directors and management team, which includes three prominent principals of Silver Wheaton Corp and former executives of Goldcorp, Geologix certainly boast the expertise and financial capabilities to add value to the company and the project.

## Robust economics – PEA completed

Location, infrastructure and metallurgy are the three key components that make the economic viability of Geologix's Tepal project. In October 2010, the company announced the results of a PEA. Using C\$900/oz gold and C\$2.75/lb copper as base-case metal prices for the life of mine, the PEA demonstrated robust economics and a desirable mine plan for the Tepal project.

### Summary highlights from the PEA include:

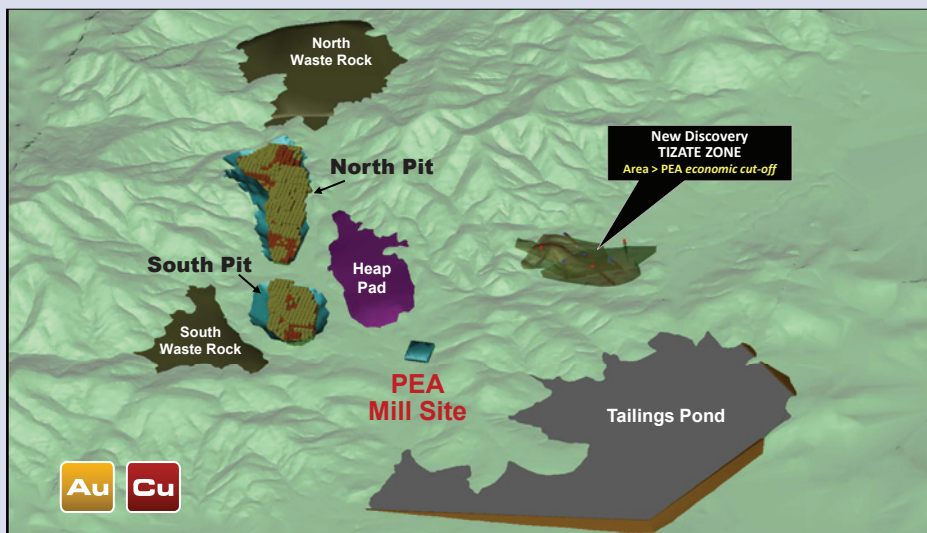
- 2.06Moz gold equivalent in mine plan;
- C\$358/oz operating cost (gold equivalent);
- 157,000oz gold equivalent per year production rate;
- Strip ratio of 0.75:1.0;
- C\$258m net present value (NPV) at a 5% discount;
- C\$348m net positive earnings (EBITDA);
- Life-of-mine capital cost of C\$293m;
- 8.4-year mine life; and
- 28% IRR.

Gold equivalent based on C\$900 gold and C\$2.75 copper

With the initial economic outlook appearing positive for the Tepal project, the company embarked on an aggressive campaign of resource expansion programmes, which consisted of 11,000m of diamond drilling in areas outside the known resource, and led to the discovery of a new mineralised zone.

## Increasing the resource – 2010 drilling expands resource estimate

In March 2011, Geologix announced an updated resource estimate based on nearly 11,000m of resource expansion drilling completed by the company in late 2010. The discovery of a new zone and additional mineralisation outside the previous resource provided the basis for an increase of 131% in the project's



Tizate zone and 2010 PEA site layout at the Tepal project in Michoacán state, Mexico

Category	Mt	Au (g/t)	Cu (%)	Au (Moz)	Cu (Mlb)	AuEq Moz*
Indicated	57.8	0.42	0.24	0.8	311.1	1.7
Inferred	93.2	0.28	0.20	0.8	414.8	2.1

Au = gold, Cu = copper, g/t = grammes per tonne, % = per cent, Moz = million ounces, Mlb = million pounds, and AuEq = gold equivalent.  
 \*AuEq is calculated using C\$900 Au, C\$2.75 Cu metal prices (AuEq = (Mlb Cu\* C\$2.75/C\$900) + Au Moz). Assumes 100% metallurgical recovery.  
 Note: Resource numbers above are rounded to nearest 100,000t, 100,000oz Au, 100,000lb Cu and 100,000oz AuEq

indicated tonnes, and an increase of 69% in inferred tonnes. The details of the new resource estimate are as shown in the table above. These additional tonnes (and ounces of gold and pounds of copper) will now provide the basis for a new revised PEA, expected in first quarter 2011, to outline new economic modelling for this emerging development-stage project.

## Ongoing exploration upside – new discoveries and fresh targets

In January 2011, Geologix initiated a second phase of resource expansion drilling aimed at continuing to identify mineralisation and increase the eventual size and scale of possible mining operation at the project. The focus of this phase of drilling is to expand on the newly discovered Tizate zone, which remains open in multiple directions. Drilling results from the 2011 programme are expected by mid-year.

All work to date at Tepal has been confined to about a fifth of the total land package. As such, Geologix has launched property-wide exploration programmes aimed at target generation. Any targets that are delineated from these programmes will be the focus of future exploration and drilling campaigns to test for ongoing expansion potential.

## Pre-feasibility starting 2011 – advancing to the permitting stage

With a new resource and an updated PEA in hand, Geologix is preparing to start a pre-feasibility programme in the near future at the Tepal project. The pre-feasibility work is expected to include nearly 40,000m of drilling by

up to four drill rigs. On completion of this programme, likely by the end of the first quarter of 2012, the company expects to be able to initiate the permitting process and continue to advance this emerging project toward a possible mining operation.

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