

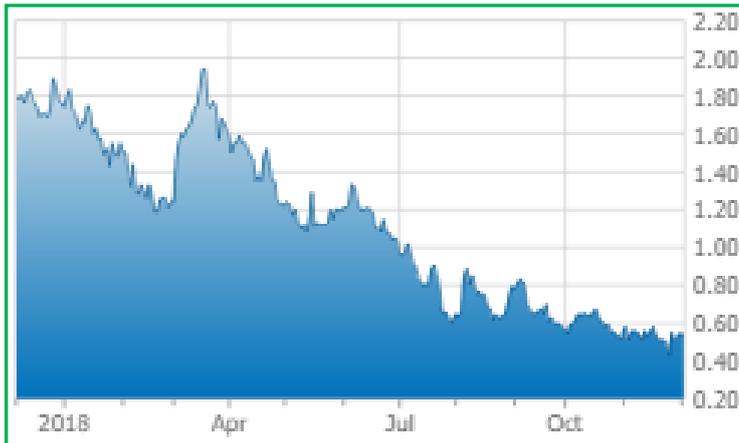
# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

*the independent information and advisory publication on investing in Strategic Metals & Rare Earths*

**INVESTMENT ALERT – December 11, 2018**

[www.wealthminerals.com](http://www.wealthminerals.com)



**Wealth Minerals Ltd. (C\$ 0.48)**

TSX.V	: WML
OTCBB	: WMLLF
SSE	: WMLC
Frankfurt	: EJZN

H + L prices (12 months) : C\$ 2.00 – 0.40

Net shares issued	: 120.6 million
Fully diluted shares	: 129.1 million

Market Capitalization	: C\$ 57.9 million (US\$ 43.4 million)
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**2019 price target: C\$ 1.50**

## INVESTMENT ALERT

### **Wealth Minerals proceeds with spin-out company for newly acquired Chilean Copper assets**

On December 4, 2018, **Wealth Minerals** (“**Wealth**”) announced that the Company entered into a letter of intent with respect to the acquisition of interests in two Chilean copper projects, which will be held by a newly formed subsidiary of Wealth (“**Wealth Copper**”).

**Wealth** intends to proceed with a restructuring transaction, whereby it would spin-out **Wealth Copper** to shareholders of Wealth, with the intent of listing **Wealth Copper** on the TSX Venture Exchange.

The spin-out is being undertaken to allow **Wealth** shareholders to benefit from **Wealth**'s exposure to Chilean mining deals and operational expertise. Upon closing of the spin-out and the placement **Wealth Copper** shares will be owned by **Wealth** shareholders of record as to approximately 30%, while participants of the private placement own approximately 40%, and TriMetals Mining (TSX.V – TMI) will own approximately 30% of the **Wealth Copper** shares.

A meeting of shareholders is to be held to approve the transaction currently contemplated to be held in the spring of 2019. **Wealth Copper** will have separate sources of funding and independent operators.

## ► Transaction assets

It is planned that **Wealth Copper**, upon going public, will have interests in two Chilean copper projects, including:

- The **Escalones Copper Porphyry Project**, covering an area of 161 km<sup>2</sup> of which 48 km<sup>2</sup> are covered by 19 exploration concessions, is located 35 km east of El Teniente, one of the world's largest underground copper mines and within the renowned Chilean porphyry copper belt that runs north-south in the central Andes Mountains. The exploration concessions are wholly-owned by a subsidiary of TMI Chile. Highlights of the Escalones Technical Report prepared pursuant to NI 43-101 standards in July 2014, reported 232,6 million tonnes containing 0.31% copper, 0.07 g/t gold, 0.661 g/t silver and 0.006% molybdenum.
- The **Cristal Copper Porphyry Project** is located in northern Chile near the Bolivia/Chile border. Cristal comprises 9 km<sup>2</sup> of exploitation concessions. The Property was the subject of a Technical Report prepared pursuant to NI 43-101 and filed on New Energy Metals (TSX.V – ENRG)'s SEDAR profile on March 21, 2018. **Wealth** has signed a Letter of Intent dated August 30, 2018 with ENRG for the acquisition of Cristal, whereby ENRG Chile will assign and transfer to **Wealth Copper** all of its rights, obligations and 100% interest in Christal (**Christal Option**) in consideration for **Wealth Copper** delivering ENRG Chile 50,000 fully-paid and non-assessable common shares in the capital of Wealth and granting ENRG Chile a 30% free-carried interest in Christal. **Wealth Copper** is required to make the remaining payments to a total of US\$ 4.45 million to exercise the Christal Option in full.

## Company profile

**Wealth Minerals'** ("Wealth") core projects are its lithium interests in **Chile**, the world's #1 country for lithium, The Company, through its Chilean subsidiary Wealth Minerals Chile, has formal option agreements to acquire interests in various lithium projects. The exploration concessions include the flagship **Salar de Atacama Project**, **Laguna Verde Project**, **Trinity Project** and **Five Salars Project**.

The **Atacama Salar**, located adjacent to International Highway 23, **which connects northern Chile and Argentina, is the world's highest grade (1,840 mg/l) and largest producing lithium brine deposit and hosts more than 15% of the world's known lithium reserves**. Currently producing approximately one-third of global lithium output from 2 production facilities operated by SQM and Albemarle, exploration and production of lithium has recurred only in the southern portion of the salar.

In March 2017, **Wealth** filed a NI 43-101 Technical Report on the **Atacama Project**. The report recommends a comprehensive two-phase exploration program to better define the sub surface environment. Phase 1 is budgeted at approximately US\$ 550,000, followed by the contingent Phase 2 budget of US\$ 15.5 million. In 2017, **Wealth** was able to raise C\$ 16 million to fund exploration expenditures.

In March 2018, **Wealth** announced that it has entered into an agreement with the fully state-owned **National Mining Company of Chile** ("ENAMI"), whereby the parties have agreed to form a strategic alliance to develop and commercialize the Company's projects in the **Salar de Atacama** and **Laguna Verde**.

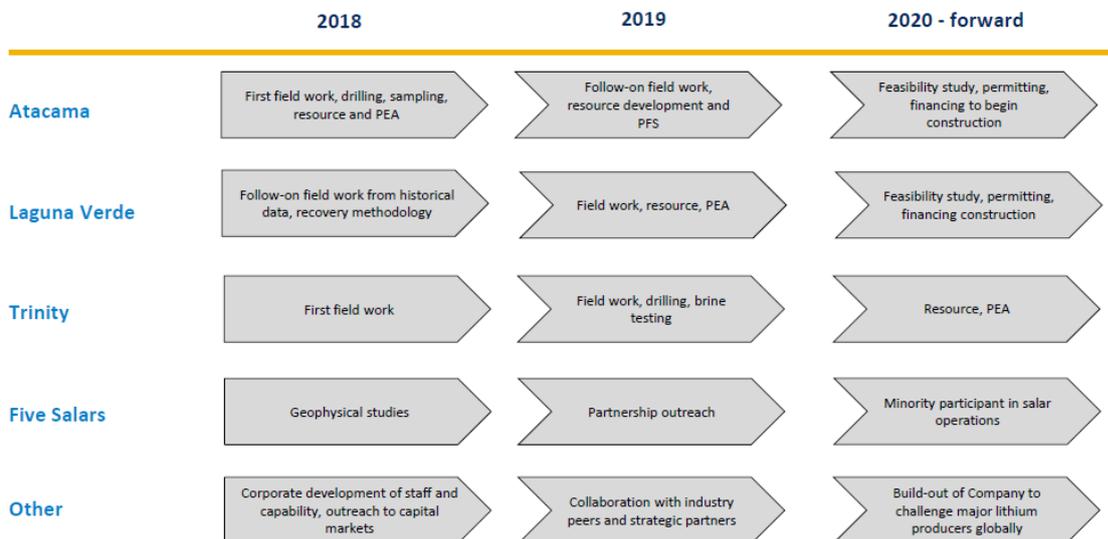
The Agreement provides that the parties will have 24 months to enter into a definitive agreement during which to study and assess the afore-mentioned properties and to form a partnership for the exploitation, development and mining thereof and for the marketing of the products from the projects.

The Agreement provides **Wealth**, along with ENAMI, the ability to apply for the grant of the permits required to explore, develop produce and export lithium in accordance with the terms of export quotas, in effect from time to time. It contemplates that the JV will take the form of an incorporated joint venture company in which **ENAMI** will own 10% of the JV and have a 10% free-carried interest, while **Wealth** will own the remaining 90% of the JV.

**ENAMI** is one of the two state-owned companies in **Chile** involved in the mining industry, the other one is **CODELCO**.

## Development timeline

- At the current stage of WML's development, the Company expects to develop its top priority assets, while steadily advancing other assets and seeking opportunities (new technology, strategic partners, asset-specific partners) to create shareholder value
- Aside from asset development, the Company is actively building out its corporate platform by hiring skilled professionals and a team of consultants to accelerate work and capability



On September 17, 2018, **Wealth** announced that following upon positive **Transient Electromagnetic ("TEM") and Magnetic Telluric ("MT")** geophysical survey results, the Company has completed a comprehensive re-interpretation of geophysical data and established a large 100 km<sup>2</sup> area of anomalous data, interpreted to represent high-salinity brines at depth.

In addition, with a view to expanding the Company's already extensive 46,000 hectares footprint in the **Atacama region**, the geophysical survey was recently initiated as part of due diligence on several additional properties in the area.

Results from the Geophysical Survey are expected to be available in the near future and will be used by **Wealth** in determining whether to proceed with the acquisition of the additional properties.

**Wealth** is continuing to work with all stakeholders towards the goal of commencing drilling at the **Atacama Project** as soon as possible. Drilling data and brine sampling results will help determine the potential volume fluid and lithium content within the target aquifer.

## Investment comments:

**Wealth Minerals'** core projects are its lithium interests in Chile, including a lithium brine project portfolio, with the **Atacama Salar**, the world's highest-grade and largest producing lithium brine deposit hosting more than 15% of the world's known lithium reserves.

Having shift its focus from acquisition to development with work programs underway, **Wealth** filed an NI 43-101 Technical Report on its flagship **Atacama Lithium Project**. The report recommended a comprehensive two-phase exploration program to better define the sub surface environment. Phase 1 is budgeted at approximately US\$ 550,000, followed by the contingent Phase 2 budget of US\$ 15.5 million. In 2017, **Wealth** was able to raise C\$ 16 million to fund both phases.

In March 2018, **Wealth** announced that it had entered into an agreement with fully state-owned **ENAMI**, whereby the parties have agreed to form a strategic alliance to develop and commercialize the Company's projects in the **Salar de Atacama** and **Laguna Verde**.

**Wealth** believes that should exploration results warrant, the construction required to start commercial production at the **Atacama Lithium Project** would last approximately 18 months, with production commencing 18 to 30 months later.

With the lithium market having been affected by oversupply in 2018 to date, demand is expected to achieve a turn-around situation next year and anticipated to triple by 2025, driven by lithium used as a key element in electric car batteries, thereby benefiting from the EV revolution.

The agreement with ENAMI represents a potentially high added value, as a result of which **Wealth**, at a current market valuation of C\$ 63.9 million, is significantly undervalued compared to its peer group, including Lithium Americas (market capitalization C\$ 442 million), Neo Lithium (C\$ 88 million) and Millennial Lithium (C\$ 123 million).

Considering the Company's prospective strategic location in Chile, enhanced by proceeding with a spin-out company for its newly acquired Chilean copper assets, **Wealth** as the world's #1 country for lithium, represents one of my favourite strategic metal investment opportunities by choice, based on which I maintain my 2019 price target of C\$ 1.50.



► **Chile, the world's second largest lithium producer, represents 35% of total global production**

**Chile** is the world's second largest lithium producer and the largest producer of lithium extracted from high-quality and high-concentration brines, accounting for approximately 35% of the total global production representing 75,800 tonnes of lithium-carbonate equivalent. Despite the significant footprint in the industry lithium production in Chile comes exclusively from 2 operations in a claim owned by Production Development Corp (CORFO) in the Atacama Salar.

**CORFO**, a government body responsible for regional development, has contracted production services to both **Albemarle** and **Sociedad Química y Minera de Chile S.A. ("SQM")**.

Neither Albemarle nor SQM own the licences through which they extract lithium as both companies contract directly with CORFO and not the Chilean State. As such, all contracts governing the relationship between CORFO, Albemarle and SQM are specific to the operations in the Atacama Salar and are not representative of the current regulatory regime governing the exploitation of resources from lithium licences generally.

In the past year, other companies have become to enter the lithium space in Chile, most notably **National Copper Corporation ("CODELCO")**.

**Chile's** new President, Mr. Sebastián Piñera, and the incoming Minister of Mines, Mr. Baldo Prokurica, have publicly stated their support for Chile's mining industry and their political platform of attracting foreign and domestic investment to Chile's natural resource sector.

► **Current Chilean law on the exploration of lithium**

Under current Chilean law, and since January 1, 1979, lithium cannot be exploited in Chile by regular mining concessions. The Chilean Mining Code established that lithium is a strategic mineral and expressively provides that the exploitation of "non-concessible" mineral substances (which includes lithium) can only be performed by:

- the government of the Republic of Chile;
- Chilean state-owned company; or
- by means of administrative concessions or special operation contracts that meet the requirements and conditions set forth by the President of the Republic of Chile for each such case.

While a few active licences in Chile were granted before the current state regulations came into force, the lithium production associated with these licences represent a small portion of the anticipated lithium supply.

**Supply | Few pure play lithium exposure vehicles available for investors**

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**Largest non-Chinese lithium producers are conglomerates not offering pure-play lithium exposure**

 <p><b>USD 10.7bn</b> <i>Market capitalisation</i></p> <p>Global specialty chemicals company, with activities in specialty metals extraction, refining catalysts and applied surface treatments</p> <p><b>36%</b> <i>Lithium &amp; advanced materials share of total revenues</i></p>	 <p><b>USD 14.7bn</b> <i>Market capitalisation</i></p> <p>Global producer of fertilizers, potassium nitrate, iodine, lithium, specialty chemicals and metals explorations</p> <p><b>27%</b> <i>Lithium and derivatives share of total revenues</i></p>	 <p><b>USD 11.1bn</b> <i>Market capitalisation</i></p> <p>Global chemical manufacturing company providing solutions and products for the agricultural, industrial and pharmaceutical markets</p> <p><b>8%</b> <i>Lithium share of total revenues</i></p>	 <p><b>USD 10.3bn</b> <i>Market capitalisation</i></p> <p>China-based producer of lithium for ores and production of mid to high-end lithium products, listed on the Shenzhen Stock Exchange</p> <p><b>100%</b> <i>Lithium share of total revenues</i></p>
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