

Strategic Metals & Rare Earths Letter

INTERNATIONAL

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

INVESTMENT ALERT – March 13, 2019

www.wealthminerals.com



Wealth Minerals Ltd. (C\$ 0.50)

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

H + L prices (12 months) : C\$ 2.00 – 0.34

Net shares issued	: 129.7 million
Fully diluted shares	: 137.0 million

Market Capitalization	: C\$ 64.9 million (US\$ 48.5 million)
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2019 price target: C\$ 1.50

INVESTMENT ALERT

Wealth Minerals announces option for 100% of Meductic Vanadium Property

On March 13, 2019, **Wealth Minerals** (“**Wealth**”) announced that it has signed an option agreement giving it the right (the “Option”) to acquire a 100% interest (subject to a 2% NSR royalty) in the **Meductic vanadium properties** located approximately 79 km north-west of Fredericton, New Brunswick, Canada.

Henk van Alphen, **Wealth**’s CEO, commented that the acquisition was made to give **Wealth** increased exposure to metals tied to new battery technologies that are driving the global change in energy issue.

Vanadium is a new battery metal that is enjoying increased demand due to the growing popularity of flow batteries, which are used in applications where long duration energy storage is prioritized over other characteristic of rechargeable batteries.

Vanadium has historically only been used in the steel industry and new demand from battery manufacturers is expanding the landscape as stated by Stefan Schauss, a Director of **Wealth** and a vanadium battery expert.



- Location of claims in New Brunswick, Canada. Red dot represents region location of the Property

► Acquisition terms

Wealth and the Property owners have entered into a formal option agreement dated November 28, 2018. Under the terms of the Option Agreement, **Wealth** made a \$ 20,000 cash payment upon signing and may exercise the Option by paying an aggregate of \$ 720,000 in cash in an annually staged period of four years and issuing an aggregate of 2.5 million shares of the Company to the owners in annual stages in the same period.

Pursuant to the provisions of the Option Agreement, **Wealth** has agreed to pay to the Property owners a 2% NSR royalty on all mineral commodities sold from the claims comprising the Property, The Company has the right to purchase from the Owners, at any time, half of the NSR royalty (1% of the 2%) for a lump sum payment of \$ 1.0 million.

Additionally, from the 5th anniversary of the signing of the Option Agreement until production, the Owners shall receive an advance royalty of \$ 30,000 per year which will be credited towards NSR royalty payments following the commencement of production on the Property.

Finance

In March 6, 2019, **Wealth** reported it had closed a loan placement to third-party lenders, as well as an insider. The total loan sum closed is \$ 1,347,200 and the Company issued 3,368,000 bonus common share purchase warrants to the lenders. Each bonus warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of \$ 0.40 per share for a period of one year, ending February 28, 2020.

The funds available from the loans will be used for general working capital and to make property payments in the Company's **Atacama Lithium Project**.

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 shifted 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.

Lithium market dynamics and a rapidly increasing metal price are the result of profound structural issues with the industry meeting anticipating future demand.

Wealth is positioning itself to be a major beneficiary of this future mismatch of supply and demand.

The agreement with ENAMI represents a potentially high added value, as a result of which **Wealth**, at a current market valuation of C\$ 58 million, is significantly undervalued compared to its peer group.

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

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** and **Trinity Project**.

To date **Wealth** has positioned itself to develop the **Quiquiuro Salar** in Chile (the **Trinity project**), as well as to work alongside existing producers in the prolific **Atacama Salar**, where the Company has a substantial licences package.

Wealth has also positioned itself to play a role in asset consolidation in Chile, with various lithium properties throughout the country.

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 occurred 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 I is budgeted at approximately US\$ 550,000, followed by the contingent Phase 2 budget of US\$ 15.5 million.

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**.

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**”). The two projects include: the **Escalones Copper Porphyry project** and the **Cristal Copper Porphyry project**.

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.

On February 28, 2019, **Wealth** announced positive geophysical results for the **Vapor Lithium Brine Project** located in the Ollague Salar, and has identified high-priority drill targets for 2019.



- ▶ **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 Quimica 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 expressly 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.