

Strategic Metals & Rare Earths Letter INTERNATIONAL

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

INVESTMENT ALERT – April 4, 2019

www.wealthminerals.com



Wealth Minerals Ltd. (C\$ 0.47)

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

H + L prices (12 months) : C\$ 1.64 – 0.34

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

Market Capitalization	: C\$ 61.9 million (US\$ 46.5 million)
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2019 price target: C\$ 1.50

INVESTMENT ALERT

Wealth Minerals provides update on spin-out of Wealth Copper

On April 4, 2019, **Wealth Minerals** (“**Wealth**”), focused on core lithium interests in Chile, announced that having intended to spin-out to shareholders its ownership interest **Wealth Copper** in the spring of 2019 with the intent of listing **Wealth Copper** on the TSX.V. **Wealth** has subsequently determined that given the cost and time involved, management is now of the opinion that greater value to shareholders can be achieved by the Company maintaining an interest in **Wealth Copper** and participating in the future exploration and possible development of the **Escalones** and **Christal projects** in **Chile**.

► Escalones Project

In connection with the decision to delay the spin-out of **Wealth Copper**, **Wealth** has entered into an amended and restated letter of intent (the “**Amended TI LOI**”) with TriMetals Mining that replaces a previous letter of intent dated November 30, 2018.

Under the terms of the **Amended TMI LOI**, **Wealth** through **Wealth Copper** would acquire 100% of **TMI**'s interest in and to the mineral exploitation and exploration concessions and related assets and liabilities that comprises the **Escalones copper-gold-porphyry project** covering an area of 161 km² located 97 km south-east of Santiago, Chile.

As consideration, **Wealth Copper** would deliver 25 million common shares in the capital of **Wealth Copper** to **TMI** and make certain cash payments to **TMI**.

The 25 million **Wealth Copper** shares held by **TMI**, together with the 25 million shares that **Wealth** would hold, would collectively represent 100% of the issued and outstanding **Wealth Copper** shares (a total of 50 million shares), excluding any **Wealth Copper** shares issued with a concurrent financing.

The parties have agreed that **TMI**'s ownership interest in the resulting issuer will be not less than 30% immediately after giving effect to the going-public transaction and the concurrent financing.

It is a condition of the closing of the **Escalones transaction** that **Wealth Copper** will have entered into a letter of intent with a TSX.V listed issuer, and after the closing of the going-public transaction, whereby the listed company will acquire all of the issued and outstanding **Wealth Copper** shares by way of amalgamation, share exchange, arrangement of similar transaction and continue the business of **Wealth Copper** in exchange for the issuance of common shares in the capital of the listed company to the **Wealth Copper** shareholders on a 1 (1) for one (1) basis.

It is also the intention of the parties that concurrently with or prior to the closing of the going-public transaction, **private placement financing by either Wealth Copper and/or the listed company will be in the aggregate amount of at least C\$ 5 million.**



Under the terms of the **Amended TMI LOI**, **Wealth Copper** would be required to **make payments of an aggregate of US\$ 4.4 million** spread over the period June 30, 2019 – June 30, 2022 to exercise an option on 19 exploitation concessions that comprise 46 km² of the **Escalones Project**.

In addition to the C\$ 150,000 deposit paid to **TMI** under the initial letter of intent, **Wealth Copper** would be required to make cash payments to **TMI** of \$ 350,000 upon the closing of the concurrent financing; and make an additional cash payment of C\$ 500,000 at the 12-month anniversary of the closing of the concurrent financing.

For so long as **Wealth** and **TMI** hold at least 20% of the issued and outstanding shares of the resulting issuer, each of **Wealth** and **TMI** will have the right to nominate one (1) director to the board of directors of the resulting issuer.

► Cristal Project

Wealth also announced that it has entered into a definitive assignment and assumption agreement with New Energy Metals (“ENRG”), whereby ENRG and its wholly-owned Chilean subsidiary (“ENRG Chile”) will assign and transfer to **Wealth Copper** all of its rights, title benefit and interest in and to a unilateral option to purchase mining concessions agreed on August 4, 2017 and the option thereunder (the “Cristal Option”) to acquire a 100% interest in and to the mineral exploitation concessions comprising the **Cristal Copper Project**, located in Region XC of Arica and Parinacota, Chile (the “Cristal Project”).

In consideration for the assignment under the Assignment Agreement, **Wealth Copper** will deliver to EBRG 50,000 fully-paid and non-assessable common shares in the capital of **Wealth** and if **Wealth Copper** exercises the option under the Christal Option Agreement, grant to ENRG an initial 30% participating interest in the **Cristal Project** (and the resulting joint venture), with **Wealth Copper** holding the remaining 70% in the Project.

Pursuant to the Assignment Agreement, **Wealth Copper** has also agreed to assume the obligations and liabilities of ENRG under the Cristal Option Agreement, including making aggregate payments of US\$ 4.45 million over the period of February 4, 2019 – August 4, 2022, of which on February 4, 2019 US\$ 50,000 was paid.

Wealth will be responsible for all exploration costs and activities during the **Cristal Option** period. There are no minimum exploration commitments during the Cristal Option period.

The underlying owner of the **Cristal Project** retains a 3% net smelter return (“NSR”) royalty, in return of which **Wealth Chile** would have the right of first offer to buy 20% of the NSR royalty for the price of at least US\$ 2 million per percent point, if the underlying owner decided to sell, assign, transfer or dispose of the NSR royalty. In addition, there is also an existing 1% NSR royalty in favor of Condor Resources that can be purchased in its entirety upon a payment of US\$ 1 million.

Finance

On January 31, 2019, **Wealth** announced that it had closed an oversubscribed non-brokered private placement. A total of 3,942,500 units were issued under the placement at a price of \$ 0.40 per unit for gross proceeds of \$ 1,577,000.

Each unit consists of one common share in the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional share at a price of \$ 0.75 per share.

On March 22, 2019, **Wealth** announced that it had arranged a non-brokered private placement of up to 10 million units at a price of C\$ 0.40 per unit for gross proceeds of up to C\$ 4.0 million.

Each unit will consist of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional share of the Company for a period of 2 years from the date of issuance at a price of C\$ 0.75 per share.

On March 28, 2019, **Wealth** announced that it has secured loans in the aggregate amount of C\$ 1.25 million with certain strategic arm’s length lenders. The loans have a term of one year and one day and bear interest at a rate of 8% per annum compounded annually on the maturity date.

Pursuant to the loans the Company has agreed to issue an aggregate of 3,125,000 non transferable bonus common share purchase warrants to the lenders. Each bonus warrant will entitle the holder to purchase one common share in the capital of the Company at an exercise price of C\$ 0.40 per year for a period of two years.

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 **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.

Considering **Wealth's** prospective strategic location in **Chile**, as the world's #1 country for lithium, enhanced by proceeding with the spin-out of **Wealth Copper** expected to create greater value to the Company, **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.



► **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.