Lithium Stock Buyers Guide
A selection of Canada's publicly-traded lithium companies from the nation’s most respected investment writer.

LITHIUM COMPANY REPORT
ELECTRIFYING THE WORLD

Lithium (Li on the periodic table) has the distinction of being one of the most unique elements on earth. Though classified as a metal, it’s so soft that it crumbles, and so light it floats.

Unlike most metals, the majority of lithium isn’t obtained from ores dug from the earth using conventional mining techniques. According to the U.S. Geological Survey, about 85% of the world’s lithium is extracted from so-called salar brines.

Salar brines are underground reservoirs (usually found beneath dried lakebeds known as salars) containing high concentrations of dissolved lithium, potassium, and sodium salts, as well as other substances.

To extract the lithium, the salt-rich water, or brine, is first pumped to the surface and collected in evaporation ponds. As the water evaporates (over a period of 12 to 18 months, depending on location), it leaves behind a residue containing lithium and other elements. Unfortunately, the evaporating water can take with it as much as 60% of the minerals.

Prohibition, and the upside for investors who are lucky enough to recognize the massive scale of the opportunity, are going to realize transformational wealth accumulation.
LITHIUM COMPANY REPORT

This residue is then subjected to a series of extraction, concentration, and purification steps that separate the lithium from other elements.

Despite the time and expense it takes to obtain lithium, this unusual metal is in soaring demand.

The World’s Hottest Commodity

In addition to being one of the planet’s most unique metals, lithium is also one of the most indispensible. It’s crucial to a wide array of industrial uses, the most important of which is the manufacture of lithium batteries. According to the U.S. Geological Survey, about 35% of worldwide lithium production is utilized in battery manufacture.

Solar evaporation is the most common method used to produce lithium. Using the sun reduces the energy cost of removing the water from lithium-bearing brines collected in massive ponds. Unfortunately, this method takes upwards of 18 months and can result in mineral losses as high as 60%.

Lithium consumption for batteries has increased significantly in recent years because rechargeable lithium batteries are indispensible components of electronic devices like smartphones and laptops, as well as for electric tools.

They’re also key components in hybrid (e.g., the Prius) and all-electric (e.g., Tesla and GM’s upcoming Bolt) motor vehicles. According to The Wall Street Journal, Tesla and other electric-vehicle (EV) makers are “swallowing up” lithium at a furious rate.

And demand is almost certain to accelerate even more as 12 lithium battery “mega factories” come on line (or expand) by 2020. No wonder The Economist magazine calls lithium “the world’s hottest commodity.”

THE MARKET’S HOTTEST STOCKS

The prospect of rapidly increasing demand has made lithium-mining stocks among the biggest winners in the market.

For example, you could have picked up shares of Albemarle Corp. [NYSE: ALB], one of the largest lithium producers, for just over $40 in the autumn of 2016, and watched them double in about a year. (The stock is now trading for more than $100.) If you had purchased a thousand shares near the end of 2016, your $4,000 stake would be worth more than $10,000 today.

Although many lithium stocks have reached what is most likely peak valuation (at least for the moment), there are a few that still have the potential to deliver outsized gains. Here, in my opinion, are three of the best.
MGX Minerals Inc.  
(OTCQB:MGXMF  
CSE: XMG)

- North American company targeting hydrocarbon well sources of lithium brines;  
- 1.7 million acres of brine-bearing formations;  
- Agreements with major oil and gas companies to conduct well sampling;  
- Successfully extracted lithium from oilfield brine using proprietary process

As I explained above, obtaining lithium from underground brine reservoirs is a lengthy, expensive process. The evaporation step alone takes as long as 18 months. The company that figures out how to shorten that process stands to make millions. And MGX might turn out to be the company that does just that.

CEO Jared Lazerson has demonstrated an uncanny ability to identify credible alternative sources in the lithium brine space, as well as to find the innovative and original technologies to process them.

This tech-savvy outfit has developed a process that reduces that 18-month evaporation step to just 24 hours. (No, that’s not a typo. I do, in fact, mean 24 hours, not 24 days.)

The ability to slash so much time off the lithium extraction process, all by itself, is a remarkable game changer. But that’s only half the story …

TURNING A LIABILITY INTO AN ASSET

Instead of extracting lithium from salar brines, MGX uses brine water from conventional oil and gas wells.

Most people outside the industry don’t realize that oil and gas wells typically produce large quantities of brine water (which is referred to as “produced water”) along with the hydrocarbons. That’s because hydrocarbon deposits are found in sedimentary rock that also contains mineral-rich waters. [9] (Remember, sedimentary rock is formed from sediments, water-borne particles that settle to the bottom of a body of water.)

Produced water is an expensive headache for the oil and gas industry. It has to be separated from the hydrocarbons, stored, treated, and eventually disposed of (all in conformance with state and federal environmental rules and regulations).

As a well ages, more and more produced water is generated, until eventually the cost of handling the water exceeds the value of the hydrocarbons. Contrary to what many people think, wells are often shut down, not because they run out of oil or gas, but because it becomes too expensive to deal with the produced water.

But thanks to MGX Minerals’ proprietary technology (called PetrolithiumTM), produced water becomes an asset instead of a liability.

MULTIPLE SOURCES OF INCOME

Petrolithium® technology allows oil and gas wells to also supply lithium at little extra cost. This additional revenue source completely changes industry economics, making marginal wells profitable and turning profitable wells into cash cows.

MGX has been perfecting this new technology since 2016. Canada’s Saskatchewan Resources Council, an independent third party with no connection to MGX, has verified that the technology works.
LITHIUM COMPANY REPORT TOP PICK #1

The company has extensive patent filings to protect its discovery and is currently manufacturing commercial versions of PetrolithiumTM that can be sold to other energy companies or used at MGX Minerals’ own properties.

**1,700,000 acres of potential lithium brines ...**

MGX has mineral leases covering 1.7 million acres, divided between the Canadian province of Alberta (where the PetrolithiumTM technology was tested and proven) and Utah.

The Utah properties lie within the Paradox Basin, and near the Lisbon Valley oilfield located 40 miles southeast of Moab, Utah. Both are especially interesting, but for different reasons.

Brine from oil and gas wells typically contains anywhere from 200mg to 1,400 mg of lithium per liter of water. Brine content in the Lisbon Valley oilfield, however, has been historically recorded as high as 730 mg of lithium per liter of water.

Obviously, the more lithium in the brine water, the more “valuable” that water becomes if the well operator has a way to extract it. And thanks to its PetrolithiumTM technology, MGX has the ability to do just that.

The company’s holdings in the Paradox Basin make it the largest landholder in that area. That’s significant because, according to the US Geological Survey, the Paradox Basin as having one of the largest undeveloped oil and gas fields in the United States.

**MANY WAYS TO WIN**

MGX Minerals is one of those companies that’s tough to pigeonhole. Yes, it’s a lithium company (which is why you are reading about it here), but it’s also an oil and gas company, and a water treatment company. And because of its game changing technology, you wouldn’t be wrong to categorize it as a tech company. But it also has assets in magnesium and silicone, which bring potential in their own right.

Likewise, it has a number of different ways to make money. It can develop its own wells, producing oil, gas and lithium. It can license or sell the PetrolithiumTM technology to other companies. It could even become a service company, providing energy companies with a better way to handle excess brine water.

I’m not sure which route MGX will take. But what I do know is that the company’s Chairman of the Board, Marc Bruner, has a reputation for making lots of money for shareholders. For example, he engineered the buyout of Ultra Petroleum at $90 per share, making potential millions for shareholders in the process.

**Purlucid CEO Dr. Preston McEachern shakes hands with MGX Minerals’ CEO Jared Lazerson while holding up a sample of lithium extracted from hydrocarbon well brines using Purlucid’s proprietary process. (Purlucid is now a wholly-owned subsidiary of MGX Minerals).**
LITHIUM COMPANY REPORT TOP PICK #2

MILLENNIAL LITHIUM CORP (OTCQB:MLNLF TSX.V: ML)

» 62,000 acres in the Lithium Triangle of South America
» Well testing underway;
» Drill programs completed and latest results pending;
» First right of refusal on future growth capital.

The Lithium Triangle is an otherworldly landscape of high-altitude lakes and gleaming white salt flats that straddles Chile, Bolivia and Argentina. Millennial’s operations are located in the southeastern part of the triangle, in Argentina (perhaps the most business-friendly country of the three).

FOUR PROJECTS COVERING 62,000 ACRES
The company has four project sites covering over 25,000 hectares (or about 62,000 acres), each having its own unique characteristics, but all having one very important thing in common.

» Pastos Grandes, the company’s flagship project, boasts some of the best infrastructure in the Lithium Triangle. The site has access to water, electricity, and natural gas. It’s also accessible year-round. (Many projects in this area are not.) Drilling is currently underway, with one drill hole showing commercial concentrations of lithium from the surface down to 395 meters.

» Cauchari East is located east of a site operated by Lithium Americas Corp. and south of a processing plant run by Orocobre Ltd. Both of these companies have explored the salar since 2009. A recent study shows that the brine reservoir at the Lithium Americas site appears to extend east to Millennial’s property.

» The Cruz Project is located between a known lithium find dating back to the 1970s and the Rincon volcano, believed to be the source of these lithium-bearing fluids. That suggests Cruz could turn out to be an especially valuable property.

» Pocitos West has the benefit of being in an area where extensive work by other companies and the Argentine government confirms extensive underground brine reservoirs with extremely high lithium concentrations.

And, importantly, all four sites are located at …

EARTH’S LITHIUM EPICENTER
The Lithium Triangle, which holds more than half the planet’s lithium resources, is clearly one of the most important natural resource treasures on the planet.

But although lithium has been found throughout the Triangle, the highest concentrations are located within the so-called “Lithium Trend.” This area is rife with geological faults (cracks in the earth’s crust) associated with the creation of the vast underground reservoirs that contain lithium and other elements.

It’s no exaggeration to say that the company’s portfolio represents the best of the best in lithium properties. And that’s also true of the people running Millennial …
LITHIUM COMPANY REPORT TOP PICK #2

Mr. Scarr and Mr. Abasov have assembled what can only be regarded as an “all star” team of managers, advisors, and board members, including:

Dr. Vijay Mehta, has 45 years of R&D and manufacturing experience in ore and brine-based technology.

Dr. Peter J. MacLean, has over 25 years of exploration and development experience in the Americas and Africa.

Andrew Bowering, has held senior executive positions in numerous public exploration companies over the last 25 years.

Graham Harris, who has over 30 years experience in finance and who has directly raised over $250 million in development and venture capital.

THE BOTTOM LINE

Lithium demand is almost certainly going to increase significantly in the years ahead. And although that “rising tide” is likely to lift many lithium stocks, I predict Millennial will be one of the biggest winners because of the combination of an exceptionally strong management team and its portfolio of extremely promising properties.
LITHIUM COMPANY REPORT TOP PICK #3

WEALTH MINERALS CORP (TSX .V: WML)

- Only Canadian player of size in Atacama salar, source of one third of the world’s lithium;
- Total package of 71,400 hectares throughout Chile;
- Crack management team with significant Chilean government relationships;
- Maiden resource calculation expected Q2 2018.

Why would someone who made a fortune in copper get involved in lithium? I don’t pretend to be able to read minds, but I think a reasonable guess would be that Mr. Awad realizes that lithium is shaping up as the big money maker in the years ahead.

In addition to his extensive experience with natural resource stocks, Mr. Awad has a good working relationship with CORFO, the Chilean government’s economic development branch. (It never hurts to have friends in high places.)

As with Millennial Lithium, it’s the combination of properties and people that make Wealth Minerals such a compelling opportunity. Mr. Awad is joined by a veritable “who’s who” of lithium mining experts.

If I were writing an article about this company for the popular press, I’d probably start with a headline like: “Copper billionaire jumps into lithium.” That’s because Marcelo Awad, a Chilean billionaire and former CEO of the second largest copper producer in Chile has joined Wealth’s board of directors.

And perhaps the best proof of management’s ability is the clever strategy they’ve used to assemble a portfolio of extremely promising properties…

THE SMART WAY TO ACQUIRE PROPERTIES

Wealth Minerals (which I’ll refer to as WML for convenience) has used option contracts to obtain hundreds of individual concessions, grouped into four project areas. The use of option contracts minimizes the amount of up-front cash needed, and allows the company to “lock up” far more property than it otherwise could.
LITHIUM COMPANY REPORT  TOP PICK #3

Thanks to this strategy, WML now controls concessions covering 71,000 hectares (just over 175,000 acres).

The use of option contracts allows the company to abandon concessions that don’t meet expectations while concentrating its efforts on those that show the most promise.

FOUR PROJECT AREAS, UNLIMITED POTENTIAL

Despite the immense size of its holdings, WML has been very careful in its selection of properties, focusing on quality rather than mere quantity. The company groups its properties into four project areas:

» Project Area #1: Atacama. The Atacama salar is the highest grade and largest producing brine reservoir on earth, producing about 1/3 of global lithium output. WML holds 144 concessions covering over 114,000 acres in the northern part of the salar, contiguous to concessions held by some very big players, including BHP Billiton.

» Project Area #2: Laguna Verde. WML controls almost 21,500 acres with access to Highway 60 and a short drive to the regional capital, Copiapo.

» Project Area #3: Trinity. The Trinity project consists of 14,800 acres east of Atacama in three different salars, in close proximity to each other. Like Atacama, these are classified as “Tier 1” salars, meaning they have very high lithium concentrations.

» Project Area #4: Five Salars. Representing almost 26,000 acres, this grouping represents five separate projects, each focusing on lithium extraction in five different salars.

Locking up hundreds of different sites with a relatively small cash outlay gives WML great flexibility in how it goes about exploiting its holdings...

TURNING POTENTIAL INTO PROFITS

Utilizing funds from a $15 million private placement, WML has begun work at several of its properties. Management is cleverly prioritizing projects, focusing on those with the quickest route to generating a positive cash flow. The company’s top priority is Atacama, followed by Laguna Verde, Trinity and the 5 Salars Project.

Atacama is, of course, a logical place to start since large, established companies like SQM and Albemarle are already operating there, allowing WML to utilize knowledge accumulated over the course of decades. Later this year, the company will begin geophysical studies to better understand the subsurface structure, followed by the drilling of 3 to 5 wells to test brine composition.

At Laguna Verde, the company plans to continue with: material testing for lithium recovery, geophysical surveys to establish subsurface lithium targets, and drilling to test targets for lithium-bearing brines.

By the end of this year, the Company intends to conduct geophysical work on the Trinity Project to identify targets for further exploration. WML is also evaluating providers for the infrastructure needed to develop the Trinity salars. The Need For Speed

Each of my three top lithium stocks is well positioned to cash in on the lithium boom, but it’s difficult to predict which will see results first. Perhaps the best way to stake your claim to the boom in lithium is to spread your capital across all three stocks.

But I would encourage you to act sooner rather than later. Small-cap stocks have a remarkable ability to skyrocket at the first sign of success. On more than one occasion, a small-cap natural resource stock has doubled overnight after release of promising news.

So, do your due diligence. Then, stake your claim to the riches that are possible from lithium, what The Economist magazine calls “the world’s hottest commodity.”

Wealth’s flagship Atacama Salar is the source of one third of the world’s total supply of lithium currently. The only other foreign entity producing lithium there is Albemarle Corporation, a $13 Billion top lithium company in North America.
LITHIUM COMPANY REPORT

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