# Solitario Exploration & Royalty and Ely Gold Emphasize Speed at Mt. Hamilton[1]

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**Solitario Exploration & Royalty (TSX:SLR[5]) looks to be living by the old adage that many hands make light work. The company, along with Ely Gold & Minerals (TSXV:ELY[6]), has released an updated feasibility study[7] for the Mt. Hamilton gold project, and the two are looking to produce both gold and silver[8] as quickly as possible.**

The Mt. Hamilton project is located in the southern portion of the Mountain Gold Trend in Nevada, which is home to gold mines such as Cortez and Bald Mountain — both owned by Barrick Gold (NYSE:ABX[9]) — plus the Emigrant mine, owned by Newmont Mining (NYSE:NEM[10]), as well as Klondex Mines[11]' (TSX:KDX[12]) Fire Creek mine.

A feasibility study[14] for the project was first released back in February 2012, identifying average annual production of 48,000 ounces of gold and 330,000 ounces of silver. The new feasibility study has modified those figures to 68,600 ounces of annual gold production and 279,400 ounces of annual silver production.

What's changed? Speed has become the key to the project's success.

**Get in, get out, no one gets hurt**

While the first feasibility study called for a production rate of 8,500 tons per day and a life of eight years, the companies are now looking to pump out 10,000 tons a day with a mine lifespan of seven years. Over the course of the first four years, average annual production of gold equivalent is expected to hit 81,000 ounces, a 57-percent increase from the 2012 feasibility study.

"We are very pleased with the outcome of the 2014 [feasibility study]. Cash flow in the initial years is substantially increased, resulting in enhanced project economics," said Chris Herald, president and CEO of Solitario, in a press release.

The goal is to produce gold as quickly as possible to help with cash flow. An open-pit mining operation with heap leach processing is planned, and a straightforward two-stage crushing process will be employed. Solitario plans to use a vertical ore pass and an underground conveying system to help speed up the process while limiting environmental impact. Post-tax payback is estimated to occur within 2.9 years.

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Solitario was also able to identify additional gold ounces in the resource pit. While reserves are capped at 22.5 million tons, there are approximately 182,000 ounces of indicated and 119,000 ounces inferred gold ounces in the resource pit that are not included in the current reserves. The company maintains that with an expanded heap leach facility, it will be able to upgrade a portion of those ounces from indicated and inferred to proven and probable.

“All of our previous drill programs have been very successful in upgrading existing and adding new resources. Once constructed, the Mt. Hamilton mine should be producing gold for many years to come,” said Trey Wasser, Ely Gold’s president and CEO.

The low cash cost remains a central point in the study. Initial capital costs are estimated to be $91.7 million (with $9 million in contingency) and $29.8 million in sustaining capital. In Monday’s press release, Solitario and Ely maintain that low operating costs are due to the high reserve gold grade at the property combined with short haulage distances. Gold production costs remain low, with an all-in cost of $833 per ounce of gold.

**Solitario looks to gain**

Under the agreement with Ely Gold, Solitario can earn up to an 80-percent interest in the project by completing a feasibility study, making future property payments, completing advanced royalty/royalty reduction payments and arranging project financing. By comparison, Ely Gold holds a 20-percent carried interest that at last glance[15] had a net present value of $29.6 million on a pre-tax basis.

As gold prices continue to struggle, Solitario and Ely Gold seem committed to creating a low-cost project that will be sustainable (and more importantly) possibly produce a profit. With an environmental assessment completed[16], the project is now moving into the development stage.

**Securities Disclosure: I, Nick Wells, hold no direct or indirect investment in any of the companies mentioned.**