

# Update: Solitario Gets Key Permits Approved For Mt. Hamilton Project

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## Summary

- Solitario just announced that two key reclamation permits for the Mt. Hamilton gold project in Nevada have been approved.
- The permitting process for the Mt. Hamilton gold project is nearly complete, with the final permit expected to be approved at the end of Q1 2015.
- This is positive news for Solitario, although I had already expected these permits to be approved. Financing risk remains the biggest concern here.

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Solitario Exploration & Royalty (NYSEMKT:[XPL](#)) [announced](#) that it has received approval for two key reclamation permits for the Mt. Hamilton gold project in Nevada. Both permits address the mining and processing elements of the project. Just one final permit (the air quality permit) remains, and this is expected to be approved by end of Q1 2015, according to President and CEO Chris Herald.

In my original [article](#) on Solitario, I argued that the stock presented a compelling buy opportunity for a few reasons. My main argument was that the Mt. Hamilton gold project in Nevada - scheduled for initial production in 2016 - is not being fairly valued by the market. An updated [feasibility study](#) shows the mine should produce 73,000 ounces of gold annually at all-in sustaining costs of just \$833 per ounce, with \$91.7 million initial capital required, and with \$333.6 million in EBITDA expected over the mine life. So with a sub-\$40 million market cap, shares appear quite undervalued.

The news that Solitario has received two key reclamation permits is definitely positive, and just one final permit remains, which I expect will be received shortly. However, since the project is located in one of the most mining-friendly regions in the world in Nevada, I didn't see permitting as much of a risk to begin with.

The real concern here is how a company with a \$33 million market cap is going to come up with \$91.7 million capital to get the mine to production. I'm not sure equity is an attractive option, as the stock price is at \$.80; that would result in significant dilution. Debt issuance is risky because if gold drops in price and cash flow falls, it may be hard to service the debt. That's why I think the company's best option is to find a partner for the property, and one that will fund all of the initial capital requirements, or sell the property outright and retain a royalty. I remain bullish on shares of Solitario in the long term, but I'd like to see a plan on how the company will get the deposit to production.

Editor's Note: This article covers one or more stocks trading at less than \$1 per share and/or with less than a \$100 million market cap. Please be aware of the risks associated with these stocks.