



Letter to Shareholders,

It's no secret that 2015 will probably be recorded as the most difficult year in the commodity markets in a generation. All commodities suffered – precious and base metals, oil and gas, coal, and virtually all agricultural products. In total, there was at least \$125 billion in asset impairments within the broad metals sector alone. However, 2016 has seen a nice rebound in the precious metals market as well as a modest uptick in the base metal arena.

Solitario and our shareholders shared in the pain of the stressed commodity sector during most of 2015 and early 2016. However, Solitario was not only able to survive, but to recapitalize its balance sheet with the sale of its interest in the Mt. Hamilton gold project.

I would like to review the Mt. Hamilton asset sale to emphasize the benefits that accrued to Solitario and our shareholders. Solitario closed the sale on its 80% interest in the Mt. Hamilton gold project on August 25, 2015. Solitario received \$24 million in cash for its 80% interest from Waterton Precious Metals Fund II Cayman, LP, a private equity fund. With the proceeds, Solitario paid-off its \$5.0 million in debt and approximately another \$1.0 million in transaction costs, leaving about \$18 million in cash and no debt. As of March 31, 2016, we have a cash balance of a little more than \$17 million, and that is after we have purchased approximately 300,000 shares of Solitario in the open market.

The Mt. Hamilton transaction valued our Measured and Indicated resources at approximately \$50 per ounce of recovered gold – definitely on the higher end of 2013-2015 transactions for undeveloped North American gold projects. We recorded a gain of nearly \$10 million – bucking the 2013-2015 industry trend of massive write-offs.

So now what are we doing with our newly energized balance sheet? Simply stated, we are entirely focused on identifying, negotiating and acquiring the best assets in a politically acceptable country that we can find at an attractive transaction price. To be a little more specific, we are evaluating precious metal and zinc opportunities that fit one of the following criteria:

- Early-stage precious metal projects with compelling data-driven drill targets
- Precious metal projects with an initial resource defined with excellent upside potential
- Advanced gold and silver projects requiring feasibility and permitting work
- Zinc projects that have a realistic potential to be brought into production within a couple of years time-frame.

We believe that Solitario's technical and financial strengths match-up well with these target objectives to achieve significant post-acquisition asset appreciation.

We have identified a number of projects and companies that meet our objectives and are discussing with various third parties the potential to do a mutually beneficial transaction. To date we have made a strategic 9.99% equity investment in Vendetta Mining that owns 100% of a high-quality lead-zinc project in Australia.

Work on our high-grade Bongará zinc project in Peru is centered on obtaining a community agreement and permits to conduct a future significant drilling program. Milpo Mining, our joint venture funding partner, is managing this program. We are working independently on negotiating a community agreement on our 100%-owned La Promesa polymetallic (gold-silver-zinc-lead) project in central Peru.

Transactions on high-quality assets do take time and we will be totally thorough in our due diligence and negotiation processes. We remain confident that we will make a milestone transaction in 2016 and see our share price reflect this.

Sincerely,



Christopher E. Herald
President & Chief Executive Officer

