

Update: Milpo To Purchase An Interest In Solitario's Bongara Zinc Project

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by: Hard Asset Investments

Summary

- The second-largest zinc producer in Peru has announced it will acquire an interest in the Bongara Zinc project, which is joint-ventured with Solitario.
- This is great news for Solitario shareholders as an established zinc miner with deep pockets is now a part of the project and will help advance it.
- I like Solitario's value here and I remain bullish on shares.

Compania Minera Milpo, a Peruvian mining company, has [announced](#) that it will acquire an interest in the Bongara Zinc Project in Peru from its parent company, Votorantim Metals. Votorantim is on track to earn up to a 70% interest in the project by continuing to fund all project expenses and completing a positive feasibility study. The project is joint-ventured with Solitario Resources (NYSEMKT:[XPL](#)).

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"We are delighted to welcome Milpo to the Bongará project and look forward to working with their management. Milpo is recognized as a preeminent zinc miner in Peru and brings a wealth of technical and operational expertise to bear upon the project," Herald said. "Milpo also maintains a strong balance sheet with approximately US\$412 million in cash. Milpo has indicated that they are formulating their 2015 Bongará work program. We look forward to reporting Milpo's plans to our shareholders when finalized." (Source: Press Release).

In my first [article](#) on Solitario, I argued that the stock was a compelling buy as the company is advancing an economically sound Mt. Hamilton Gold project in Nevada, and owns a 30% interest in the high-grade Bongara zinc project, which contains more than 3 million lbs. of zinc in all categories. According to Solitario, nearly \$60 million has been spent on the property to date by Votorantim, and this project is being fully-funded to production by Votorantim, which reduces Solitario's overall financial risk and minimizes the need to dilute shareholders.

"We must stress that the cornerstone of our agreement with Votorantim Metais is that we are 100% funded through commencement of commercial production by Votorantim. In fact, all funds expended by Votorantim through completion of a feasibility study are 100% Votorantim's obligation, with no repayment required by Solitario. Considering the difficult resource financing environment that we have experienced for the past 18 months, it is becoming unquestionably clear that our underlying agreement with Votorantim makes this great project even better for Solitario and its shareholders." (Source: Company Website)

This is positive news for Solitario shareholders for a few reasons. First, Milpo is currently the second largest zinc producer in Peru, and it operates three of the largest underground zinc mines in the country. So bringing that experience to the table is a huge plus. Next, Milpo has approximately \$412 million in cash, according to Chris Herald, Solitario's CEO. So it has a rock-solid balance sheet and should have no problem funding the project as it now assumes operatorship from Votorantim.

I remain bullish on shares of Solitario, as I feel the company's interest in Bongara and its Mt. Hamilton mine are undervalued by the market.

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.