Solitario Resources Corp.

XPL: Price: $0.81; Market Cap (M): $66
Rating: Buy; Price Target: $1.20
Heiko F. Ihle, CFA

Phase 1 of 2024 Drilling Program Underway; Golden Crest Project's Plan of Operations Signed; Reiterate Buy; PT Higher

Click here for complete report and disclosures

Phase 1 of drilling program begins. On July 15, Solitario announced the commencement of core drilling at its Golden Crest project. Phase 1 of the firm's 2024 drilling program consists of 10-12 holes which are expected to total about 5,000 meters (m). Notably, the first area expected to be drill tested is the high-grade Downpour Zone, where trenching and surface rock sampling have revealed high-grade gold at the surface. In addition, surface grab sampling surrounding the trenches indicated notable gold values along a corridor that is about 800m long and up to 500m wide. We stress that within this zone, 37 specific surface grab samples have revealed seven samples above 10 grams per tonne (gpt) gold, 16 samples above 3gpt gold, and 25 samples above 1gpt gold.

Exploration drilling cleared. On June 24, 2024, Solitario announced that the U.S. Forest Service has signed a final revised Plan of Operations for the Golden Crest project. In addition, the South Dakota Board of Minerals has accepted the company's reclamation bond, which should clear the way for exploration drilling to begin. Importantly, the firm is now mobilizing necessary drilling equipment and organizing support equipment for its operations. We highlight that Downpour, Whirlwind, Matchstick, and Mirage are among the numerous high-quality gold drill targets that are currently planned for testing. We stress that these targets have never been drilled before. In our view, the company remains well-positioned to create long-term shareholder value through drilling at its Golden Crest project that is especially notable given management's commitment to environmental safety and regulatory compliance.

We are reiterating our Buy rating on Solitario as we slightly increase our PT to $1.20 from $1.10. Our increased valuation for the firm is based on a higher attributable value for Florida Canyon given additional drilling and continued de-risking of the asset. This effect is partially offset by an increased share count. We now value Florida Canyon at $75.0M (prior: $60M) and XPL's Zazu Metals acquisition at its implied (and unchanged) $13.7M cost. We also add an estimated value of $6.6M for other exploratory assets (including Golden Crest) that are owned by the company. We account for investments in marketable equity securities, short-term investments, and total cash and cash equivalents owned by the firm to arrive at our final NAV of $104.8M, or $1.20 per share, which equates to our final PT of $1.20.

Near-term catalysts. We plan to monitor the results of Solitario's 5,000m drilling program now that Phase 1 of drilling has begun. We stress that the company expects to utilize its cash and short-term investment balance to support exploration activities at its Lik, Florida Canyon, Golden Crest, and Cat Creek Projects. Management also anticipates conducting reconnaissance exploration, and possibly even acquiring additional mineral properties. Looking ahead, we believe Solitario's experienced management is likely to come up with several opportunities for potential acquisitions of advanced mineral projects at appealing terms.

Risks. (1) Metal price risk; (2) operating and technical risk; (3) financing risk; and (4) political risk.

Heiko F. Ihle, CFA
212-356-0510
hihle@hcwresearch.com