



*Christopher E. Herald, President & CEO*

### **Dear Shareholders,**

Solitario undertook an intensive industry evaluation in 2016 to identify corporate opportunities for future growth. This laid the groundwork for our current proposed acquisition of Zazu Metals Corporation (“Zazu”). Initially, we focused within the precious metal space, but eventually our search transitioned to a zinc emphasis, where we saw superior value and a better fit with our existing high-grade Bongará zinc project.

### **Zazu Acquisition**

On April 26, 2017 we entered into a definitive agreement to acquire Zazu, subject to shareholder approval by both Zazu and Solitario shareholders and usual regulatory and exchange approvals. We are excited about the proposed Zazu acquisition because we believe the combination of Zazu with Solitario will create a stronger, asset-rich company with interests in two very high-grade zinc deposits. The transaction is very accretive to Solitario on a zinc-per-share basis, while still preserving a healthy cash position post-transaction.

Zazu’s Lik deposit in northwestern Alaska is remote, but is favorably located next to existing infrastructure. One of the world’s largest zinc operations, Teck’s Red Dog Mine, is located approximately 13 miles southeast of the Lik deposit. Zazu completed a Preliminary Economic Assessment (“PEA”) on the Lik Project in the first quarter of 2014 that demonstrated strong economics at current zinc prices. Zazu and Teck each own 50% of the Lik deposit with Zazu being the operator.

### **Bongará**

In late-2016, Solitario announced that it would independently initiate a PEA on our Bongará high-grade zinc project in northern Peru. In April 2017 our joint venture partner, Minera Milpo (“Milpo”), elected to participate and fund 50% of the PEA, a move that we strongly supported. This combined effort

represents the first NI 43-101 compliant economic analysis of the project and brings together a wide array of previously completed technical studies. We expect the PEA will be completed by mid-July. Not only will the PEA provide an initial snapshot of the project’s economics, but it will contain valuable recommendations for the future work necessary to move the project forward. We are optimistic that Milpo, who is funding 100% of project expenses, will utilize this study to design and execute future work programs.

### **Vendetta Mining**

In May of 2016, Solitario made a strategic 9.97% investment in Vendetta Mining Corp. (“Vendetta”) by purchasing 7,240,000 units of Vendetta for a total consideration of US\$289,000. Each unit consisted of one common share priced at Cdn\$0.05 per share and one full warrant with a two-year term and exercisable at Cdn\$0.10. After the exercise of 2,240,000 warrants and the sale of 1,480,000 shares of Vendetta in the first quarter of 2017, Solitario recorded a gain of US\$221,000. Solitario currently has 8.0 million shares and 5.0 million warrants of Vendetta. Assuming a Vendetta share price of Cdn\$0.30 per share, our Vendetta equity position is currently valued at approximately US\$2.5 million. Vendetta has an option to acquire a 100% interest in the Pegmont lead-zinc-silver deposit located in the Mt. Isa region, Australia, one of the world’s greatest lead-zinc-silver mining areas. Vendetta completed a highly successful drilling program in 2016 and is currently conducting another significant drilling campaign on the property.

### **The Future**

The supply/demand fundamentals of the zinc market are strong and we believe they will remain so for at least the next several years. With the proposed Zazu acquisition, we made the decision to concentrate on zinc assets and have consequently proposed to change the company’s name to Solitario Zinc Corp. to further identify our focus to the investment community.

We are not finished with our plans to grow the company – much work remains. Our goal is to transition Solitario from a single-asset junior company to a multiple-asset intermediate-sized company focused on zinc. We are optimistic that we will be successful in achieving our goals and that the market will reward that success.

Sincerely,

Christopher E. Herald  
President & Chief Executive Officer

