

SEC Guide 7

Handicapping American Mining Companies

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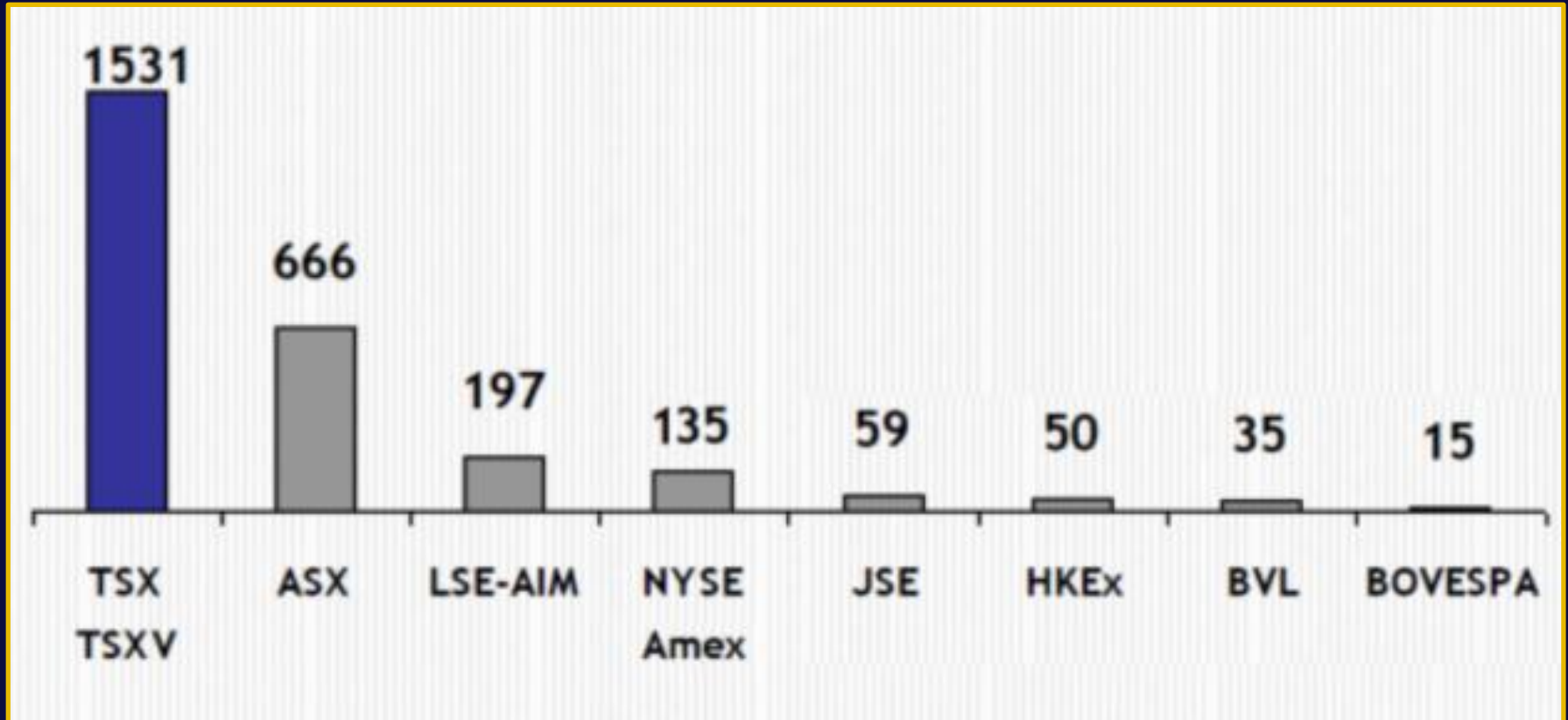
December 8, 2011

Restoring American Competitiveness in the Global Mining Industry

Is There a Competitive Problem for American Mining Companies?

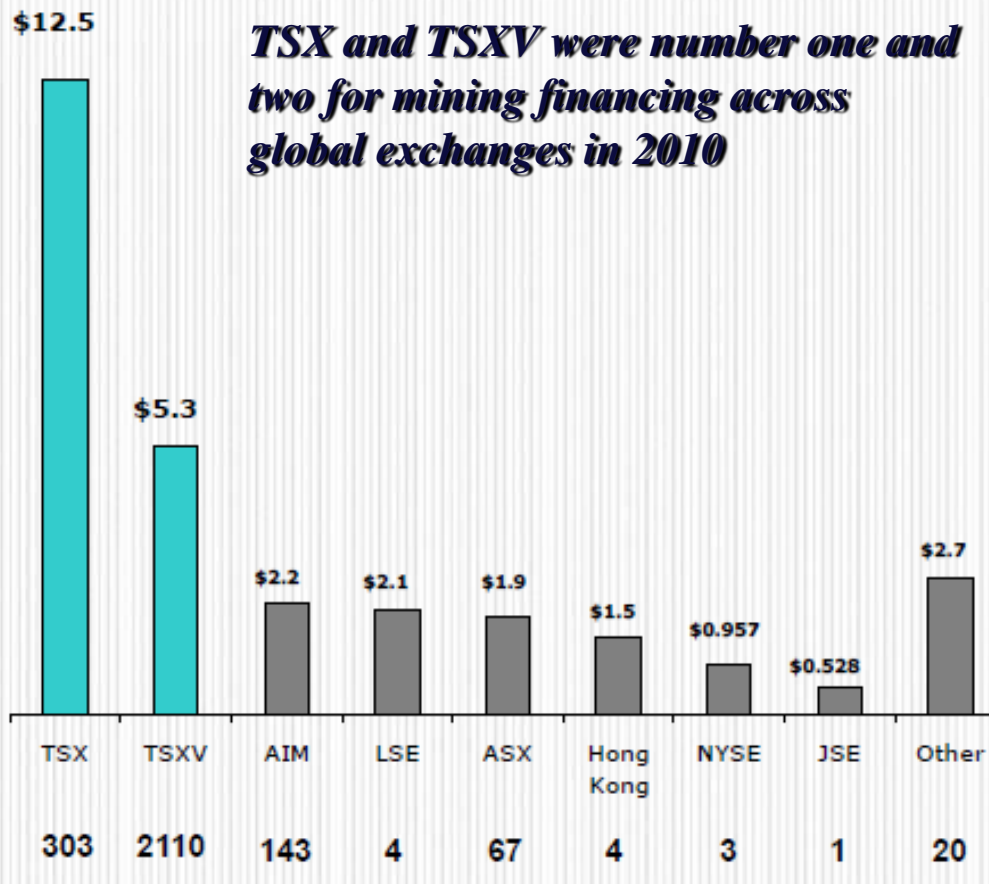
- Is the American mining industry alive and well?
- Is the U.S. based financial industry a world leader and supportive of U.S. mining companies?

Where Do Companies Reside



Issuance

2010 Mining Equity Financings (\$ Billions)



2010:

- \$29.6 Billion total equity capital raised globally – 60% was raised on TSX and TSXV

- 2650+ financings – 91% were done on TSX and TSXV

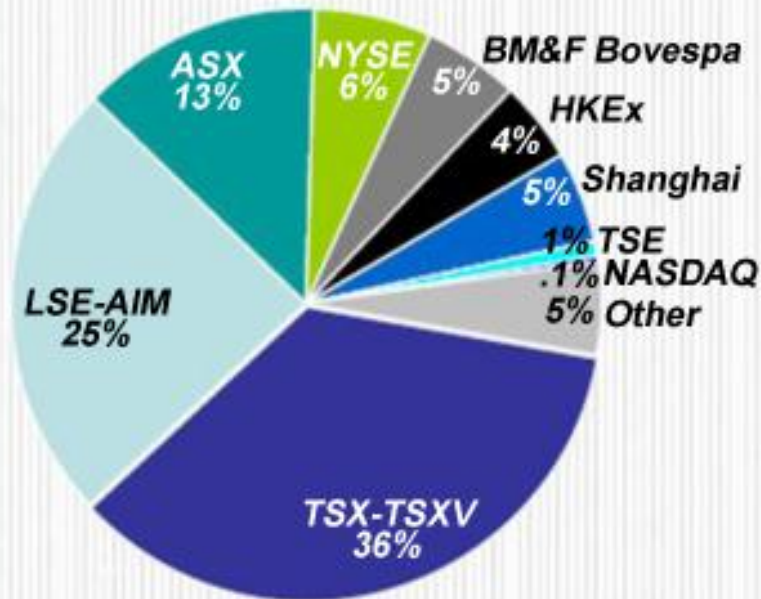


Exchange Volume

Value of Equity Financings

5-Year (2006 to 2010)

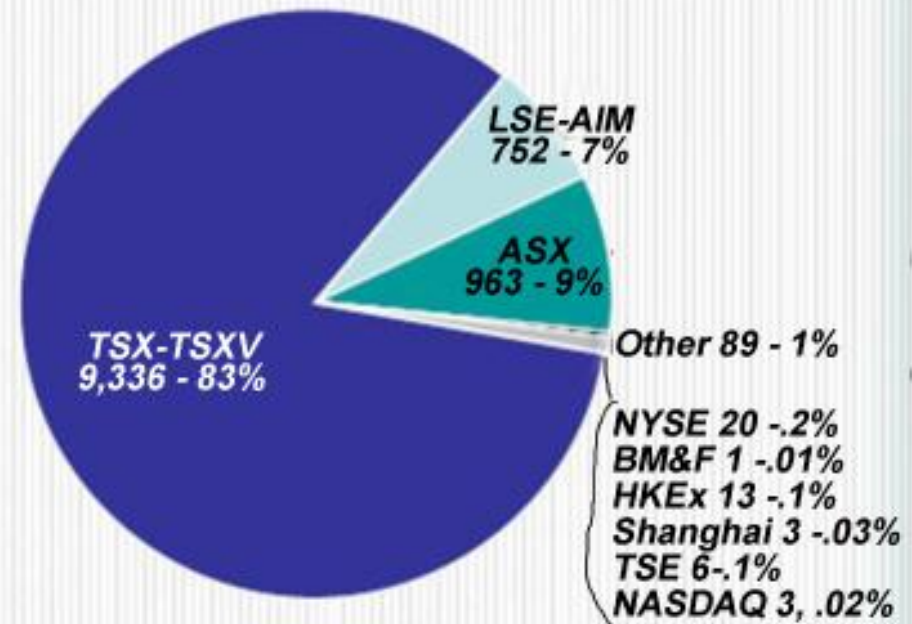
Total = \$218.1 Billion



Number of Equity Financings

5-Year (2006 to 2010)

Total = 11,216 Deals



U.S. Mining Company Formation is Abysmally Low

What are the reasons?

- **Regulatory (financial) – Sarbanes Oxley, Dodd Frank**
 - **Drives entrepreneurs off-shore to more attractive regulatory jurisdictions**
- **Regulatory (technical) – Guide 7**
 - **Greatly limits meaningful technical disclosures prior to feasibility**
 - **Consequently much more difficult to create asset value (share price) prior to feasibility**

Should We Even Care About the U.S. Mining/Investment Industry?

- **Strategic national considerations**
 - The U.S. is a net importer of most metals
- **Jobs?**

Global Employment Considerations

Five-Year Average

Annual Equity Financing-Mining	Annual Fees	Annual Mining Company G & A Costs	Direct Jobs Created*1	Indirect Jobs Supported*2
\$44 billion	\$4.4 billion	\$6.6 billion	73,000	146,000

**1 – assumes one job per \$150,000*

**2 – assumes 2:1 indirect jobs to direct jobs*

What is Industry Guide 7?

- **Description of property by issuers engaged or to be engaged in significant mining operations**
- **It's primary objective is to define reporting standards of mineralization to the public**

Reserves Are Reported as Proven or Probable

Reserve. That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination

Proven Reserve. Reserves for which (the) quantity is computed....(from sampling) spaced so closely and the geologic character is so well defined that size, shape, and depth and mineral content of reserves are well-established.

Probable Reserves. Reserves for which quantity and grade are computed similar to Proven Reserves, but (sampling sites) are less adequately spaced.... but high enough to assume continuity between points of observation

What Guide 7 Does Not Allow

- **“Estimates other than proven or probable reserves....shall not be disclosed unless such information is required to be disclosed by foreign laws; provided however, that where such estimates (have) previously been provided to a (company) that is offering to acquire the registrant, such estimates may be included.”**
- **The foregoing is out of step with world resource reporting standards. This prohibition in reporting resources to shareholders places American domiciled companies at a significant disadvantage in providing potentially critical important information to shareholders and the investment community.**

But What About Mineralized Material?

- U.S. registrants are allowed to report “*Mineralized Material*”
- Virtually nobody in the world knows what “Mineralized Material” means.
- Substituting measured and indicated resources for mineralized material would be a vastly superior and a more understandable disclosure to most shareholders.

The U.S. is Alone in Prohibiting Resource Estimate Disclosure

- There is substantial worldwide convergence for resource estimate protocols
 - It's not the wild-west, NI-43-101, JORC, SAMREC
- Technology for resource estimation has vastly improved during the past 20 years
- Computer technology allows for vastly superior:
 - Data base inputs providing greater integration of many more variables
 - Statistical analysis providing realistic assay data limitations to resource models
 - Geologic modeling constrains mineralization to geology
- None of these significant advances have been recognized by the SEC

A Real Life Example – Solitario's Bongará Zinc Project

- **The Bongara high-grade zinc deposit (Peru) was a grassroots discovery by Solitario in 1996**
- **Joint ventured with Cominco in 1997**
- **Cominco spent approximately \$16 million on exploration between 1996-2001**
- **Cominco drilled 80 core holes totaling approximately 25,000 meters**
- **Cominco dropped out of the joint venture in 2001 with Solitario retaining a 100% interest in the property**
- **Property on care and maintenance for five years**

A Real Life Example – Soitario's Bongará Zinc Project

- **A new joint venture was signed with Votorantim Metais in 2006**
- **Votorantim is a private Brazilian conglomerate – world's third largest zinc producer with a large zinc smelter in Peru**
- **Votorantim has spent ~\$34 million on exploration/development the past six years**
- **180 core holes totaling 50,000 meters**
- **In 2010-2011 Votorantim accelerated exploration and development**

A Real Life Example – Soitario's Bongará Zinc Project

Work Completed

Access Road: 15 km completed, work continues

Underground Workings: underground tunneling continues

Drilling: 12,242 meters completed in 2010; +10,000 meters planned in 2011; underground drilling underway

Metallurgical Testing: positive results, advanced testing planned

Permitting – Social Engagement: positive, work continues









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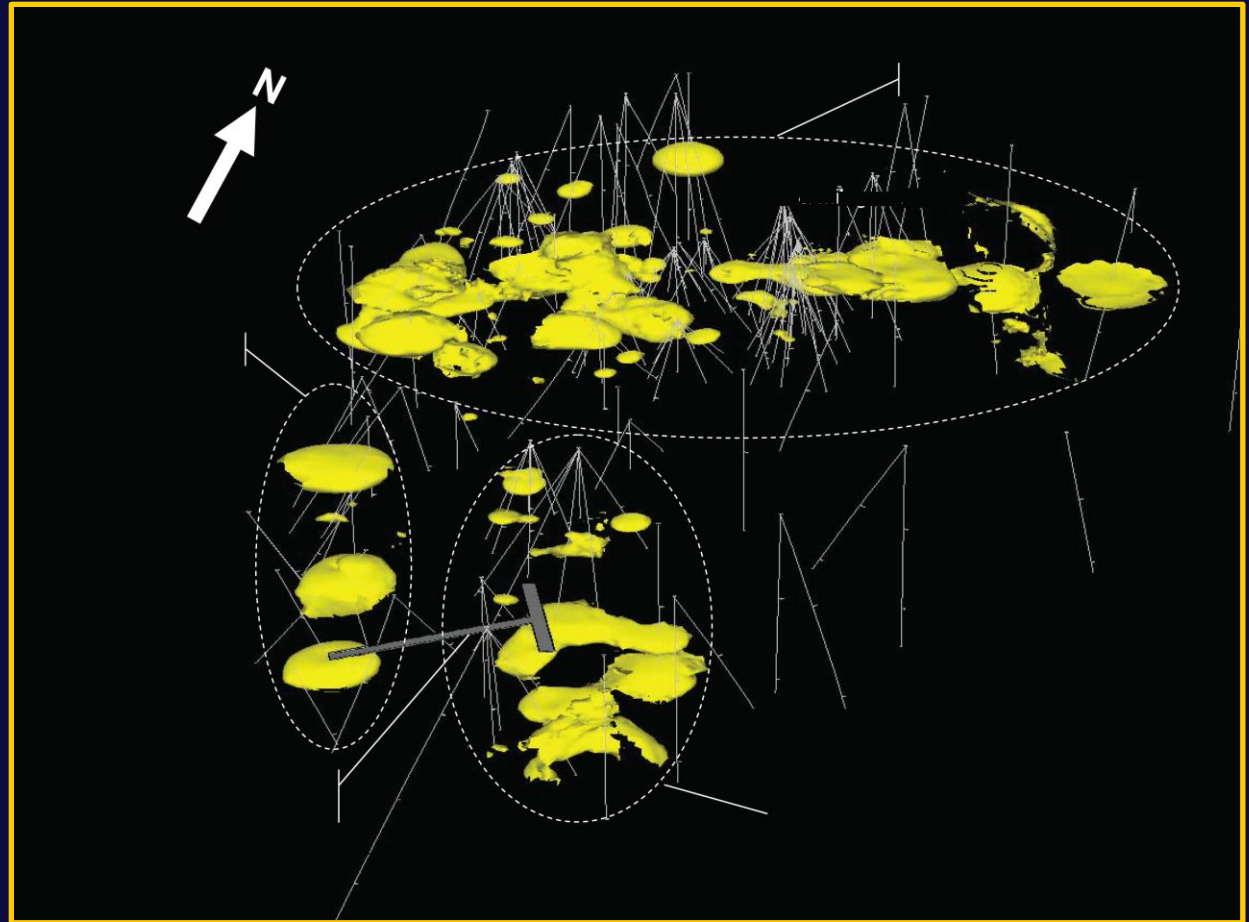
A Real Life Example – Soitario's Bongará Zinc Project

BONGARÁ 2010 DRILLING PROGRAM HIGHLIGHTS

Drill Hole	Intercept (meters)	Zinc (%)	Lead (%)	Lead + Zinc (%)
V-181	15.4	16.9	0.8	17.7
V-181	8.7	14.1	0.1	14.1
V-181	2.4	21.3	0.0	21.3
V-190	11.2	11.6	1.0	12.6
V-192	7.5	14.8	0.9	15.7
V-212	4.0	4.6	11.4	16.0
V-212	16.1	10.3	0.8	11.1
V-214	6.9	12.4	1.2	13.6
V-218	10.7	8.0	2.3	10.3
V-220	17.4	23.8	0.1	23.9

A Real Life Example – Soitario's Bongará Zinc Project

- High potential for increasing resources
- Yellow areas indicate > 3.0% Zn mineralization



A Real Life Example – Soitario's Bongará Zinc Project

What has Solitario Reported to Shareholders?

- Drilling results and a description of activities
- No resources have been reported
- No “Mineralized Material” reported as much of the mineralization is still “inferred”

What Would a Non-U.S. Company Report to Shareholders?

- An indicated + inferred resource in the range of 15-25 million tonnes of material (depending upon certain assumptions) grading about 7.5% zinc, 1.0% lead, and 0.4 gpt silver

This is extremely valuable information denied to our shareholders

Conclusions

- Guide 7 requires an update to come more in line with global reporting standards particularly for reporting resource estimates
- It has (in part) contributed to the significant decline in the formation of new U.S. mining companies, and will continue to discourage new company start-ups in the U.S.
- The US. has become nearly inconsequential as a finance center for the global mining industry
- It is (in part) costing the U.S. thousands of potential jobs and tax revenues

Question For the Day

Why would any mining executive/entrepreneur choose to start a mining company in the U.S. today?