



CONFIDENTIAL
DELIVERY VIA EMAIL

May 6, 2015

Maxit Capital LP

Attention: Sandeep Singh, Managing Partner
181 Bay Street, Suite 830
Toronto, ON M5J 2T3

Re: Proposed acquisition (the “Proposed Transaction”) by Waterton Precious Metals Fund II Cayman, LP or one of its affiliated or associated entities (the “Purchaser”) of all of Solitario Exploration & Royalty Corp.’s and Ely Gold & Minerals Inc.’s (together with their affiliated and associated entities, the “Sellers” and together with the Purchaser, the “Parties”) rights, title and interests in and to the Mount Hamilton Project located in White Pine County, Nevada (the “Mining Asset”)

Dear Mr. Singh:

The purpose of this letter agreement (the “**Letter Agreement**”) is to set forth the principal terms and conditions of the Proposed Transaction by which the Purchaser shall purchase, and the Sellers shall sell to the Purchaser, the Mining Asset and to facilitate the good-faith negotiation and settlement of Definitive Agreements (as defined below) evidencing the Proposed Transaction, which Definitive Agreements shall substantially reflect the terms and conditions agreed to by the Parties in this Letter Agreement (among other customary and agreed upon representations, warranties, covenants and conditions relating to, among other matters, the Sellers’ title to the Mining Asset, environmental liabilities relating to the Mining Asset and the absence of any material adverse changes).

1. The Proposed Transaction

1.1 The Parties agree that pursuant to the terms and conditions of a purchase agreement (the “**PA**”) to be negotiated by and between the Parties, the Sellers will sell, and the Purchaser will acquire, one hundred percent (100%) of the Sellers’ right, title and interest in and to the Mining Asset, including but not limited to (i) all personal property, tangible and intangible assets of the Sellers (including but not limited to intellectual property, trade secrets and cash collateral supporting the Sellers’ surety bonds supporting the Assumed Reclamation Obligations (as defined below)) and used in connection with the Mining Asset, and (ii) the Sellers’ right, title and interest in and to the claims, leases and all other real property interests comprising the Mining Asset, free and clear of any rights of first refusal, other agreements, liens, encumbrances or liabilities of any kind, except any to which the Purchaser consents to in writing (collectively, the “**Acquired Assets**”). Notwithstanding the foregoing, the Purchaser agrees that it will assume all reclamation obligations arising from the Sellers’ ownership and operation of the Mining Asset (the “**Assumed Reclamation Obligations**”), provided that the Sellers shall, on the closing date of the Proposed Transaction, pay or otherwise transfer to the Purchaser any amounts that they have posted in respect of any cash collateral supporting the Assumed Reclamation Obligations. The Parties will work together to determine the ultimate structure of the Proposed Transaction based on corporate,

tax and other considerations.

- 1.2 The PA shall, subject to the requirements and limits of applicable law as well as other carve-outs customary for transactions similar to the Proposed Transaction, contain an indemnity clause whereby the Sellers shall agree to indemnify the Purchaser for any liabilities which may arise from their obligations under the PA and relating to the Mining Asset.
- 1.3 As consideration for the Purchaser's acquisition of the Acquired Assets, the Sellers will collectively receive, on the closing date of the Proposed Transaction, an aggregate amount (by wire transfer of immediately available funds) equal to **\$30,000,000** (the "**Purchase Price**"). The Sellers will have sole responsibility for allocating the portion of the Purchase Price due and payable to each of them.
- 1.4 The Parties hereby agree to use reasonable efforts to negotiate in good faith and settle the terms and conditions of the Proposed Transaction and to enter into the PA and any other ancillary documents or agreements necessary to effect the intentions of the Parties as described in the PA (collectively, the "**Definitive Agreements**") on or prior to the end of the Exclusivity Period (as defined below).
- 1.5 The Purchaser anticipates closing the Proposed Transaction as soon as practicable. In addition to any other conditions precedent described in the Definitive Agreements, the closing of the Proposed Transaction shall be subject to the following conditions precedent:
 - (i) the Sellers receiving all federal, state, provincial and local approvals (regulatory and otherwise), authorizations, consents and exemptions necessary for the valid and legal completion of the Proposed Transaction and the Definitive Agreements;
 - (ii) no material adverse effect; and
 - (iii) the Sellers shall, with respect to the Mining Asset, conduct their business in the usual and ordinary manner and shall use all reasonable efforts to maintain good relations with all regulatory and governmental departments and agencies and all customers and suppliers.
- 1.6 The Purchaser agrees that if the Proposed Transaction does not close on or before July 1, 2015 (the "**Repayment Date**"), the Purchaser will provide Solitario Exploration & Royalty Corp. ("**Solitario**") with that amount of debt financing (the "**Repayment Facility**") that is necessary to repay that certain facility agreement dated August 10, 2012 by and between Solitario, as borrower, RMB Australia Holdings Ltd., as financier, and RMB Resources Inc., as agent. Notwithstanding anything to the contrary in this Letter Agreement, the Repayment Facility will only be made available to Solitario in accordance with the following availability schedule:
 - (i) if negotiations relating to the Proposed Transaction have ceased as of the Repayment Date, Solitario shall be entitled to initiate the documentation relating to the closing of the Repayment Facility on the Repayment Date only; or
 - (ii) if the Parties are actively negotiating, pursuing or completing the Proposed Transaction and the Definitive Agreements on the Repayment Date, Solitario shall be entitled to initiate the documentation relating to the closing of the Repayment Facility on any date occurring during the period commencing on the Repayment Date and ending on August 21, 2015.

The terms and conditions of the Repayment Facility will include, but will not be limited to, a term of six (6) calendar months (the “**Term**”), a two percent (2%) structuring fee, an interest rate of eight percent (8%) per annum and a prepayment mechanism whereby (x) if the Repayment Facility is actually drawn by Solitario and the Sellers do not close the Proposed Transaction with the Purchaser, Solitario will agree to pay to the Purchaser, upon the prepayment of the Repayment Facility, all interest that would otherwise have become due and payable to the Purchaser had the principal amount of the Repayment Facility remained outstanding until the last day of the Term, or (y) if the Repayment Facility is actually drawn by Solitario and the Sellers do close the Proposed Transaction with the Purchaser, Solitario will agree to pay to the Purchaser, upon the prepayment of the Repayment Facility, all interest accruing to the date of prepayment. For the avoidance of doubt, and notwithstanding anything to the contrary in this Letter Agreement (including, but not limited to, Section 7 hereof), the costs and expenses, up to a maximum amount of \$100,000, actually incurred by the Purchaser in preparing, negotiating and executing the documentation relating to the Repayment Facility shall be for the account of Solitario (in addition to the costs and expenses of Solitario, which shall also be for its account). Following the execution of this Letter Agreement and on or prior to the Initial Delivery Date (as defined below), the Purchaser will deliver to Solitario a letter evidencing its commitment to lend the Repayment Facility in the circumstances described above.

2. **Due Diligence**

- 2.1 The Sellers agree that commencing on the business day after both of the Sellers execute this Letter Agreement, they will permit the Purchaser and its representatives and other persons designated by the Purchaser, at all reasonable times, to have access to each of the Sellers, their management and their representatives and the Mining Asset and will provide the Purchaser with all such information and material concerning the Sellers, their subsidiaries and the Mining Asset as the Purchaser may from time to time request in order to assess the Proposed Transaction. The due diligence investigations will include, but will not be limited to, two (2) multi-day site visits (on dates which shall be mutually agreed-upon by the Parties) and a complete review of the Sellers’ financial, legal, tax and environmental records and agreements, and such other matters as the Purchaser may deem relevant in order to assess the Proposed Transaction. The Purchaser shall indemnify the Sellers and their respective directors, officers, employees, agents, shareholders and representatives from any liability arising out of the gross negligence or wilful misconduct of the Purchaser’s representatives related to such site visits.

3. **Exclusivity**

- 3.1 In consideration of the substantial time, effort and expenses to be undertaken by the Purchaser in connection with the Proposed Transaction, and subject to Sections 3.2 and 3.3 hereof, each of the Sellers agrees that for a period commencing on the date hereof and ending at 5:00pm (Toronto time) on May 18, 2015 (subject to extension in accordance with Section 3.3 below, the “**Exclusivity Period**”), neither of the Sellers nor any of their representatives, officers, employees, directors, agents, subsidiaries or affiliates (all such persons and entities, collectively, the “**Seller Group**”) shall initiate, solicit, encourage, entertain, negotiate, directly or indirectly, any inquiry, submission, proposal or offer from any person or group of persons other than the Purchaser to acquire, joint venture, finance or otherwise transfer all or any part of the Mining Asset or any interest therein (including the acquisition or transfer of any interest in any corporate entity within the Seller Group holding an interest in the Mining Asset, an “**Alternative Proposal**”) or provide any non-public information to any third party in connection with an Alternative Proposal or enter into any agreement, arrangement or understanding requiring it to abandon, terminate or fail to consummate the Proposed Transaction with the Purchaser. Each of the Sellers agrees to

immediately notify the Purchaser if it receives any indication of interest, request for information or offer in respect of an Alternative Proposal, and will communicate to the Purchaser in reasonable detail the terms of any such indication, request or offer, and will provide the Purchaser with copies of all written communications relating to any such indication, request or offer. Immediately upon the execution of this Letter Agreement, the Sellers shall cause each member of the Seller Group to terminate any and all existing discussions or negotiations with any person or group of persons other than the Purchaser regarding an Alternative Proposal. Each of the Sellers represents and warrants to the Purchaser that neither it nor any other member of the Seller Group is party to or bound by any agreement with respect to an Alternative Proposal.

- 3.2 The Parties agree that the Purchaser shall deliver to the Sellers the draft PA by no later than seven (7) calendar days following the execution of this Letter Agreement by all of the Parties (the “**Initial Delivery Date**”) and that the Sellers shall deliver to the Purchaser, on or prior to the date which is three (3) calendar days thereafter (the “**Seller Delivery Date**”), their comments on the draft PA. Following the Seller Delivery Date, the Parties shall abide by a delivery schedule (the “**Exclusivity Schedule**”) whereby the Party that receives the other Party’s comments to the draft PA shall deliver its counter-comments to the draft PA to the other Party within three (3) calendar days of receiving such comments. For the purposes of this Section 3.2, the Sellers shall collectively be considered one (1) Party.
- 3.3 Notwithstanding anything to the contrary in this Letter Agreement, the Sellers agree that (i) for so long as the Purchaser is in conformity with its obligations under the Exclusivity Schedule, and (ii) for so long as the Purchaser has not informed the Sellers (in writing) that the Purchase Price will be decreased below \$30,000,000, the Exclusivity Period shall be extended until the execution of a definitive PA and closing of the Proposed Transaction.
- 3.4 Notwithstanding anything to the contrary in this Letter Agreement, nothing in this Letter Agreement shall prevent the Sellers from discharging their fiduciary duties in the event of an unsolicited proposal for their respective membership interests in Mt. Hamilton LLC or the Mining Asset; provided that, Section 5.2 shall continue to apply in respect of any transaction arising or relating to this Section 3.4.

4. Structuring

- 4.1 At or prior to the Initial Delivery Date, the Purchaser shall inform the Sellers (in writing) as to whether it can proceed with the Proposed Transaction by way of purchasing the membership interests of Mt. Hamilton LLC (the “**Membership Interest Confirmation**”). If the Purchaser confirms the foregoing, the Proposed Transaction shall proceed as a membership interest sale and the terms and conditions of this Letter Agreement shall apply to the Proposed Transaction structured as such.
- 4.2 If the Purchaser does not deliver the Membership Interest Confirmation to the Sellers and the Sellers (i) are amenable to structuring the Proposed Transaction as an asset sale, the Proposed Transaction shall proceed structured as an asset sale and the terms and conditions of this Letter Agreement shall apply to the Proposed Transaction structured as such, or (ii) are not amenable to structuring the Proposed Transaction as an asset sale, this Letter Agreement shall terminate in its entirety and Section 5.2 shall not survive such termination and shall be of no further force or effect.

5. Termination and Break Fee

- 5.1 Unless otherwise set forth herein, this Letter Agreement shall terminate in its entirety upon the *earlier of* (i) the conclusion of the Exclusivity Period if the Definitive Agreements have not been executed prior to such date, (ii) the date upon which the Purchaser notifies the Sellers, in writing, that it does not wish to move forward with the Proposed Transaction, (iii) the date on which the Purchaser notifies the Sellers (in writing) that the Purchase Price will be decreased below \$30,000,000, (iv) the date upon which this Letter Agreement terminates pursuant to Section 4.2(ii), and (v) the execution of the Definitive Agreements.
- 5.2 Notwithstanding anything to the contrary in this Letter Agreement, should either Seller announce, complete or otherwise enter into an agreement in respect of an Alternative Proposal on any date (the “**Alternative Transaction Date**”) prior to the termination of the Exclusivity Period, the Sellers shall, within fifteen (15) calendar days of the Alternative Transaction Date, pay to the Purchaser an amount equal to three percent (3%) of the Purchase Price (the “**Break Fee**”); provided that, the Break Fee shall not be payable if (i) this Letter Agreement terminates pursuant to Sections 5.1(ii), 5.1(iii) or 5.1(iv), or (ii) the Exclusivity Period expires as a result of the Purchaser’s breach of the Exclusivity Schedule.

6. Confidentiality

- 6.1 This Letter Agreement, the contents of this Letter Agreement and the information exchanged by the Parties in connection with this Letter Agreement and the Proposed Transaction, are intended for the exclusive use of the Parties and shall not be disclosed by the Parties to any person other than to each Party’s legal and financial advisors for the purpose of reviewing the Proposed Transaction and completing the Definitive Agreements. Disclosure to third parties not expressly contemplated under this Section 6 may only occur in accordance with the terms and conditions of this Letter Agreement or with the prior written consent of the non-disclosing Parties. The confidentiality obligations described in this Section 6 shall terminate one (1) year after the date of execution of this Letter Agreement.
- 6.2 Notwithstanding anything to the contrary in this Letter Agreement, the confidentiality obligations described in this Section 6 shall not apply to disclosure that is required under applicable law, provided that prior to making any disclosure pursuant to such applicable law, the Party that is

under an obligation to make such disclosure shall agree upon the proposed content of such disclosure with the other Parties.

7. Costs

7.1 Each of the Parties shall be responsible for and shall bear its own costs and expenses (including any broker's or finder's fees and the expenses of its representatives) incurred at any time in connection with (i) this Letter Agreement, (ii) negotiating, pursuing or completing the Proposed Transaction and the Definitive Agreements, and (iii) any matters relating thereto.

8. Governing Law

8.1 This Letter Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

9. Binding Nature

9.1 Other than Sections 2, 3, 4, 5, 6, 7, 8, 9 and 10 hereof, which are intended to be legally binding, this Letter Agreement is an expression of interest only and does not constitute a legally binding agreement between the Parties. This Letter Agreement does not constitute a binding commitment or obligation on the part of any Party to proceed with the Proposed Transaction, and any such binding commitment or obligation will be set forth only in the Definitive Agreements; provided, however, that each of the Parties agrees to make all commercially reasonable efforts to negotiate and settle the Definitive Agreements by the end of the Exclusivity Period.

10. Miscellaneous

10.1 This Letter Agreement will enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, successors and permitted assigns.

10.2 The Sellers may not assign or transfer any of their rights or obligations under this Letter Agreement without the prior written consent of the Purchaser. The Purchaser may assign and transfer its rights and obligations to an affiliate without the prior written consent of the Sellers.

10.3 This Letter Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall together constitute one and the same instrument. Delivery of a copy by facsimile or other electronic means (including email) will be deemed to be delivery of an original.

10.4 Time is of the essence with respect to this Letter Agreement.

10.5 This Letter Agreement constitutes the entire agreement between the Parties, and supersedes all prior agreements, understandings, representations and warranties, negotiations and discussions, whether oral or written, and course of conduct and dealing between the Parties relating to the subject matter of this Letter Agreement.

10.6 Unless otherwise indicated, all references to dollar amounts (\$) in this Letter Agreement refer to the legal currency of the United States of America.

11. Purchaser Contacts

11.1 The primary contact persons for the Purchaser in respect of this matter are:

Isser Elishis
Managing Partner, Chief Investment Officer
Waterton Global Resource Management, Inc.
Commerce Court West
199 Bay Street, Suite 5050
Toronto, Ontario, Canada, M5L 1E2
Tel: + 1 (416) 504-3505
Fax: +1 (416) 504-3200
ielishis@watertonglobal.com

Cheryl Brandon
Partner, Investment Management
Waterton Global Resource Management, Inc.
Commerce Court West
199 Bay Street, Suite 5050
Toronto, Ontario, Canada, M5L 1E2
Tel: + 1 (416) 504-3505
Fax: +1 (416) 504-3200
cbrandon@watertonglobal.com

If this Letter Agreement is acceptable to you, please sign and return a fully-executed copy of this Letter Agreement to us no later than 5:00pm (Toronto time) on May 6, 2015. If not accepted by both of the Sellers by such time, this proposal shall terminate automatically without liability on the part of any Party.

We thank you for your consideration and are available at your convenience to discuss the foregoing matters. We look forward to your response.

Yours truly,

**WATERTON PRECIOUS METALS FUND
II CAYMAN, LP, by the General Partner of
its General Partner, WATERTON
GLOBAL RESOURCE MANAGEMENT
CAYMAN CORP.**

Per: _____
Authorized Signatory

The undersigned hereby agree to the foregoing terms and conditions of this Letter Agreement as of this ____ day of _____, 2015.

ELY GOLD AND MINERALS INC.

Per: _____
Authorized Signatory

SOLITARIO EXPLORATION AND ROYALTY CORP.

Per: _____
Authorized Signatory