Barry FitzGerald: Any junior explorers with the luxury of cash in the bank? Garimpeiro has found one

Mining

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Investors in junior explorers have lots to worry about. It goes with the territory.

If it is not a commodity falling out of favour like lithium, then it could be the latest coup of sorts in a far-flung part of the world changing the ground rules.

There is another and often overlooked issue to worry about – the prospect of a highly dilutive equity issue because the explorer involved is running out of funds to remain active on the exploration front, let alone pay its listing fees.

There is no mystery on which companies are hard up for cash. The information is required in the quarterly cash reports that must be filed with the ASX.

If it is clear cash is low, the smell of blood permeates the market in a stock because a heavily discounted and dilutive equity raising is around the corner. It is pinch point stuff that is best avoided where possible.

One avoidance technique is to limit investment in juniors to those whose quarterly cash reports disclose a cash balance good for at least 18-24 months of activity, and/or those companies with a project generating sufficient interest to ensure a reasonable outcome when it comes to topping up the coffers.

The current June quarterly reports starting to hit the ASX are the best place to find which juniors are facing the need to go cap-in-hand to the market in the near-term for funding. Unless they have a project of particular interest, turf them.

Think of it as upgrading junior exposures in the ever-volatile mining sector.

A Winter for Solstice

All that leads to Garimpeiro's interest this week – Solstice Minerals (ASX:SLS) .

It has none of the funding issues mentioned above because at last count it was holding cash of $17.5 million or 17.44c a share (undiluted).

That is close enough to its 20c share price mid-week (for a market cap of $20.06 million) to say the stock, at the present time at least, is pretty much 100% cash-backed.

It is a remarkable situation for a junior explorer and means shareholders will not wake up one morning to find they have been diluted out of existence at a knockdown price because the bank account was drained.

Solstice's luxury position is the result of carried over funding from its May 2022 IPO and the recent sale of its 80% share in the Hobbes gold deposit (177,000oz) to **Northern Star (ASX:NST)**. which has wrapped it into its Porphyry/Carosue Dam gold operations in WA.

The Hobbes collect for Solstice was $10m cash, which will show up in its June quarterly cash statement.

It goes without saying that Solstice is well and truly funded for its gold exploration effort in the Eastern Goldfields, where it has a big and strategic ground position across a number of interesting greenfields and advanced projects.

There is also the potential for Solstice to seize a corporate development opportunity if one comes along that takes its fancy.

Seasoned board

That might normally worry some investors given it involves the unknown.

But Solstice has a seasoned board and management.

Matt Yates is chairman and, among other things, he is known for his stewardship of African gold explorer OreCorp as its executive chairman until it was taken over by **Perseus Mining (ASX:PRU)** earlier this year for $270 million.

Nick Castleden is managing director and was previously the MD of Apollo Consolidated which was taken over by the ever-acquisitive **Ramelius (ASX:RMS)** in 2021 for $181m on the strength of its Lake Rebecca gold project in WA.

All up, board and management have been involved in corporate transactions worth $2 billion over time. So they know how to make discoveries and grow them into appealing takeover targets.

But like all good explorers, the hope remains to find that one big standalone project, the company maker if you like.