

29

Cu

30

Zn

47

Ag

79

Au

82

Pb

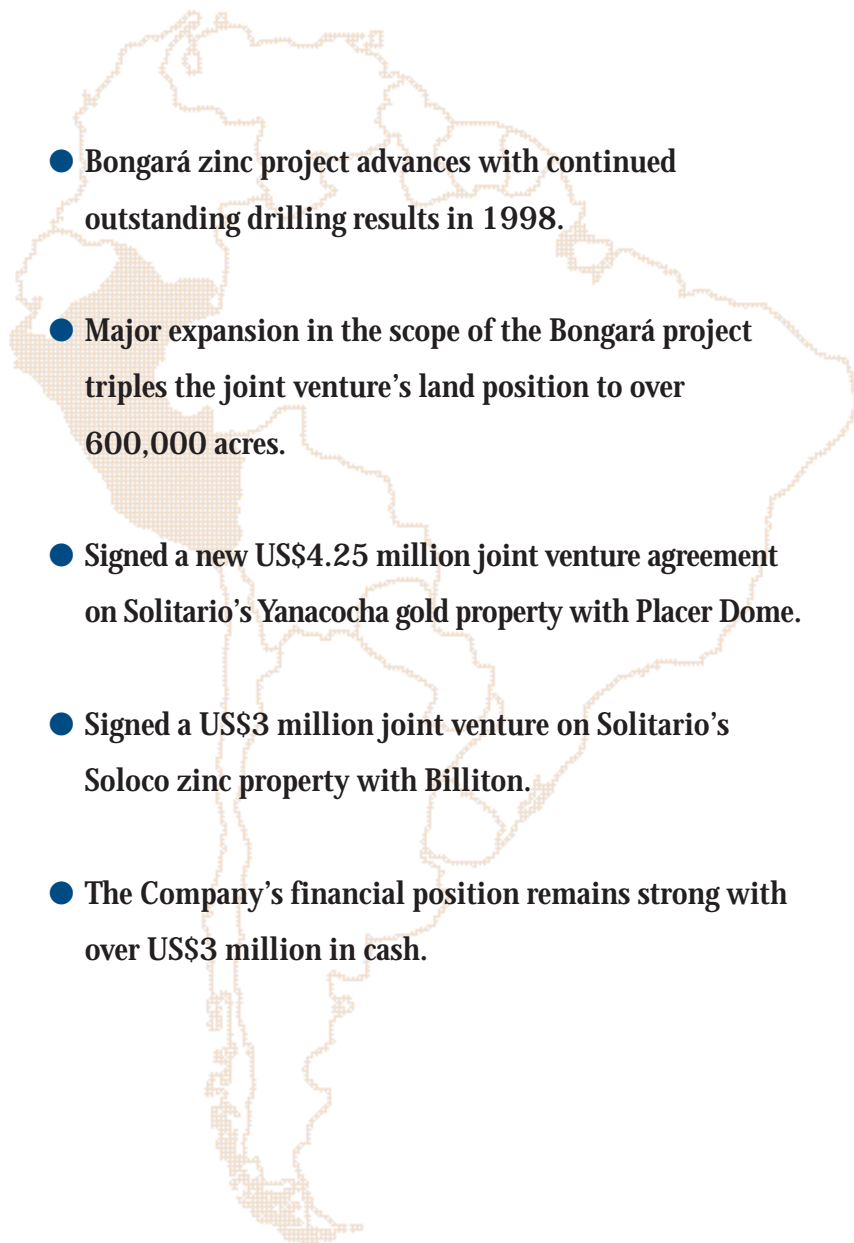
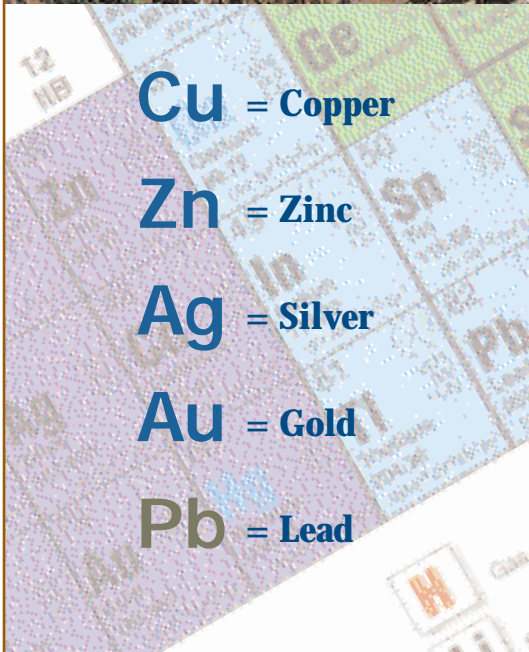
Solitario Resources



Annual Report 1998

Operational Highlights

Solitario Resources Corporation is a precious and base metals exploration company. The Company is a 57%-owned subsidiary of Crown Resources Corporation. The Company's common stock is listed and traded in Canada on The Toronto Stock Exchange under the symbol SLR.



- Bongará zinc project advances with continued outstanding drilling results in 1998.
- Major expansion in the scope of the Bongará project triples the joint venture's land position to over 600,000 acres.
- Signed a new US\$4.25 million joint venture agreement on Solitario's Yanacocha gold property with Placer Dome.
- Signed a US\$3 million joint venture on Solitario's Soloco zinc property with Billiton.
- The Company's financial position remains strong with over US\$3 million in cash.

Message to Shareholders

Dear Shareholders,

Solitario had an outstanding year in terms of attracting joint venture partners to invest in its properties in 1998. We currently have three major joint ventures with work commitments totaling US\$35 million. Two new joint ventures were signed in 1998. The first was on the Yanacocha gold property with Placer Dome, and the second on the Soloco zinc property with Billiton. Moreover, Cominco completed its second year of work at Bongará and is well into its third year of exploration.

A concerted grassroots effort was conducted in three major regions of Peru during the year. One of these project areas, Shimbe, showed strong gold assay results from work conducted near the end of the year. We are very excited about the potential of this property.

Precious and base metal prices remained at historically low levels throughout 1998. However, many market analysts believe these price levels will turn around in the second half of 1999 with improvements in the world economy. Zinc appears particularly poised to resume an upward trend with the continued draw-down in zinc inventories, production cutbacks and a predicted revival of worldwide economic growth. Solitario is well positioned to benefit from any upturn with its outstanding properties and solid joint venture partners.

Solitario anticipates its partners will invest approximately US\$4.0 million on its properties in 1999. At least 3,000 meters of drilling will be completed on the Bongará project, 1,000 meters on the Soloco project, and there is good probability that both the Yanacocha and Shimbe properties will be drilled. Solitario will invest approximately US\$1.0 million to advance its 100%-owned properties and to identify promising new opportunities. The Company is well financed with over US\$3 million in cash to continue its historically successful exploration programs.

“Solitario is well positioned to benefit from any upturn with its outstanding properties and solid joint venture partners.”



“Solitario anticipates its partners will invest approximately US\$4.0 million on its properties in 1999.”

Bongará, Peru



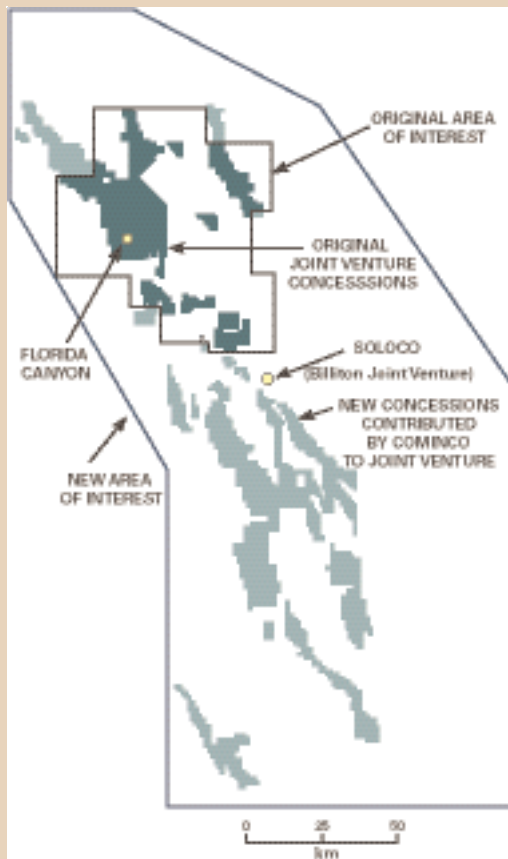
Bongará

The Bongará zinc project, located in northern Peru, is a joint venture between Solitario and Cominco Peru s.r.l., a wholly-owned subsidiary of Cominco Ltd. Highlights include not only drilling results at Florida Canyon in 1998, but also a dramatic expansion of the project area in early 1999.

Now One of the Largest Land Positions in Peru

In addition to the outstanding results of the 1998 exploration program was an amendment of the original joint venture agreement between Cominco and Solitario. This amendment resulted in a sweeping change of project size and provided for an even stronger convergence of interests between the two companies. Major new terms in the amended joint venture agreement signed in early 1999 include:

- Cominco contributed 375,000 acres to the joint venture bringing the total land position to over 600,000 acres.
- The Area of Interest increased from 850,000 acres to 5,800,000 acres; all future land acquisitions within the Area of Interest will be included in the joint venture.
- Cominco committed to a minimum drilling program of 3,000 meters per year; previously there was no guaranteed minimum drill footage.
- Cominco's interest in the project increased from 60% to 65%; Solitario retained a 35% interest.
- Cominco's annual cash payments to Solitario are now tied to the average annual price of zinc per pound and range from US\$100,000 when the price is less than US\$0.51, to US\$500,000 when the price exceeds US\$0.60.



SOLITARIO RESOURCES CORPORATION
BONGARÁ ZINC PROJECT
Land Holdings
SOLITARIO-COMINCO JOINT VENTURE

- Cominco's total work commitment remains at the greater of US\$27.5 million or completion of a feasibility study; future expenditures can be spread over a five-year period versus the current two-year period. The minimum annual work commitment during this earn-in period is US\$2.5 million.
- Cominco's original construction financing guarantee to Solitario remains in place.

The amended agreement provides exceptional long-term benefits to Solitario and demonstrates Cominco's expanded commitment to the region. The 375,000 acres of new mineral concessions contain favorable carbonate rock formations, alteration, and anomalous zinc in stream sediments similar to Florida Canyon. A major program of detailed surface exploration is planned on these new concessions as well as continued drilling at the advanced-stage Florida Canyon prospect and potential new target areas.

1998 Exploration Program – Florida Canyon

Cominco finished its second year of work on the project by completing another major exploration program in 1998. Cominco's two-pronged effort consisted of a massive surface reconnaissance program covering an area 75 kilometers long and 50 kilometers wide and a step-out drilling campaign centered mainly within the Florida Canyon prospect area.

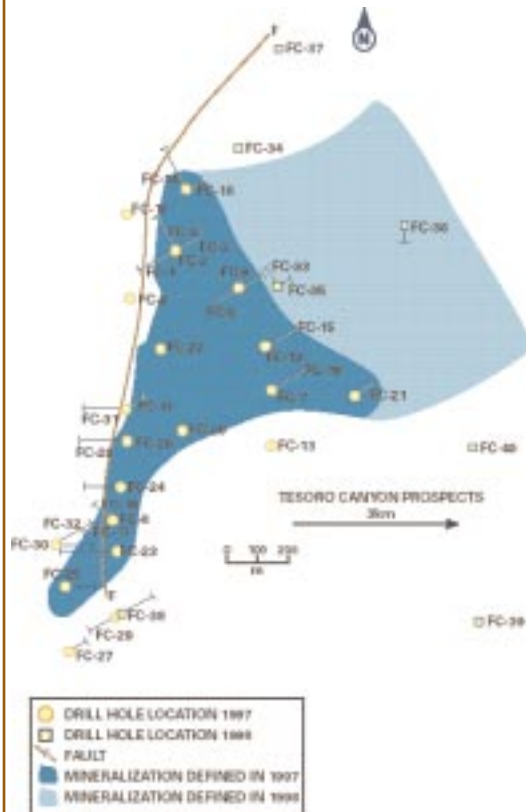
Cominco completed approximately 2,700 meters of drilling in 1998. At Florida Canyon, six of the eight step-out drill holes encountered strong alteration, with four of these holes intersecting significant mineralization. Higher grade intercepts are shown in the table on the following page.

“The amended agreement provides exceptional long-term benefits to Solitario and demonstrates Cominco's expanded commitment to the region.”



Bongará, Peru

SOLITARIO RESOURCES CORPORATION
BONGARÁ ZINC PROJECT
 Florida Canyon
 DRILL HOLE LOCATIONS



Nine separate mineralized stratabound intervals were identified at Florida Canyon within an overall favorable rock unit that ranges from 150 to 200 meters thick. Most mineralized intervals encountered in 1998 drilling are interpreted to be stratigraphically controlled, as contrasted to 1997 drilling results which consisted of both stratigraphically and structurally controlled mineralization. Mineralized intervals listed in the table are interpreted to be approximately equivalent to true thicknesses.

Drill hole FC-36, which intersected 5.1 meters of 27.0% zinc, 3.2% lead and 25 grams per tonne silver, was a significant 500-meter step-out to the east from known mineralization. Another major step-out drill hole, FC-37, appears to be particularly significant in that it encountered over 300 meters of intense dolomitic alteration with associated karst (cave) geologic features and widespread low-grade zinc values. This geologic setting suggests proximity to a major solution collapse breccia that can host large, high-grade zinc ore bodies. The Florida Canyon system remains open to the east, north and south.

Cominco completed its surface reconnaissance exploration program over the original joint venture area in August 1998. Eighteen

Hole No.	Interval: From-To (Meters)	Thickness (Meters)	Zinc (%)	Lead (%)	Silver grams/tn
FC-33	3.25-5.58	2.33	9.26	1.70	9.1
	29.70-31.45	1.75	24.89	3.62	22.9
	48.00-51.53	3.53	6.37	0.99	13.1
FC-35	5.70-8.10	2.40	17.01	1.38	11.2
	24.90-25.65	0.75	14.20	14.45	74.9
	38.65-40.95	2.30	20.46	0.61	6.7
	44.55-45.85	1.30	15.84	2.15	18.0
FC-36	142.00-147.10	5.10	26.97	3.21	25.2
	163.70-165.15	1.45	9.63	2.51	22.4
	159.65-161.70	2.05	5.43	0.37	3.1
FC-37	271.00-272.80	1.80	12.14	0.02	1.9

surface anomalies were evaluated in detail. Several surface anomalies appear to warrant drilling. Surface rock alteration and geochemistry of the Florida Canyon and Tesoro Canyon prospect areas are very similar. These two prospects may merge into a single, very

Yanacocha, Peru

large mineralized system measuring approximately five kilometers long and three kilometers wide. No drilling has been conducted in the Tesoro Canyon area, but is planned for 1999.

Yanacocha – Strategically Centered in the Largest Gold District in South America

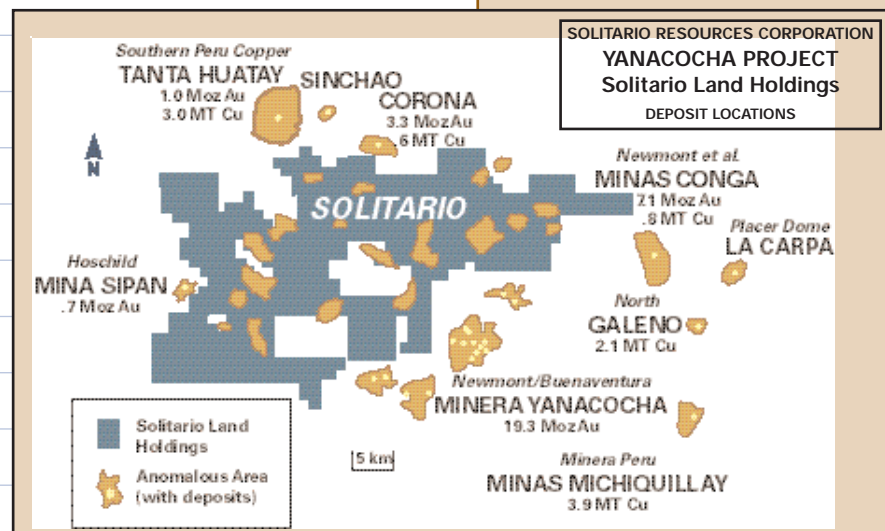
Solitario signed an agreement to joint venture its Yanacocha gold property in northern Peru with Placer Dome del Peru S.A.C., a unit of Placer Dome Inc., in October 1998. The agreement allows Placer to earn a 60% interest in the property by spending US\$4.05 million on exploration and making US\$200,000 in cash payments to Solitario over a four-year period.

Solitario's Yanacocha property is 155,000 acres in size and is strategically located in the center of the largest gold producing district in South America. The Minera Yanacocha gold mine, a joint venture between Newmont Mining and Compania de Minas Buenaventura, is currently producing 1.5 million ounces of gold annually with cash production costs in the US\$100 per ounce range. Reserves and resources now exceed 19 million ounces at Minera Yanacocha, with most of these ounces situated within seven

kilometers of Solitario's southern property boundary.

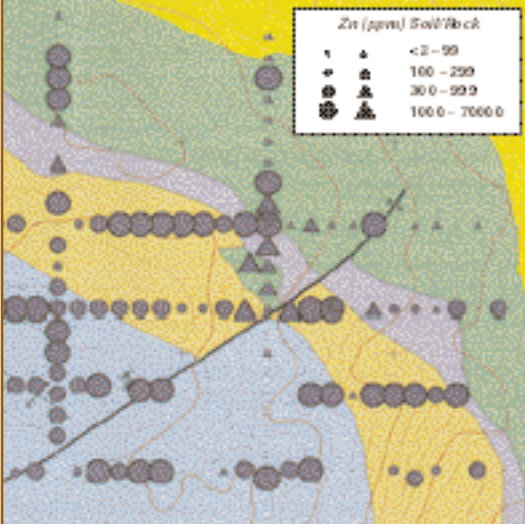
In addition to the Minera Yanacocha gold deposits, seven other major copper-gold, copper, and gold deposits have been discovered to the southeast and northwest of Solitario's land position.

“Florida and Tesoro Canyon prospects may merge into a single, very large mineralized system.”



Soloco, Peru

“... surface exploration conducted by Solitario on the Soloco property identified two prospects displaying zinc values in excess of 20%.”



The district, including Minera Yanacocha, is estimated to contain 31 million ounces of gold and 10 million tonnes of copper.

Previous exploration conducted by Solitario and its past joint venture partners identified over a dozen areas of either significant alteration, geochemically anomalous zones or geophysically anomalous signatures of sub-surface rock formations. Placer has experience in the Yanacocha region where it is currently conducting exploration on its La Carpa property, situated approximately 20 kilometers east of Solitario's property boundary. Placer conducted a limited amount of exploration at Yanacocha in the fall of 1998 and has initiated an extensive surface exploration program that may include drilling for 1999.

Soloco - Another Joint Venture With a Major International Mining Company

Solitario signed a joint venture agreement in October 1998 on its 9,100-acre Soloco zinc property in northern Peru with a subsidiary of Billiton Plc. Billiton is a major international mining company with over US\$6 billion in sales during 1998.

Earlier in 1998, surface exploration conducted by Solitario identified two prospects displaying zinc values in excess of 20%.

Billiton conducted a stream sediment sampling program last fall that substantially enlarged the target area. At Soloco, zinc mineralization is hosted in favorable carbonate rock horizons in a Mississippi Valley-type geologic environment.

Terms of the Soloco agreement call for Billiton to spend US\$3.0 million on exploration over a four-year period, including a firm first-year work commitment of US\$200,000. Billiton is also required to complete a minimum of 1,000 meters of drilling. Billiton can earn an additional 10% of the project by completing a bankable feasibility study within two years after completing its work commitment.

Shimbe, Peru

Shimbe – Perseverance Pays Off

The Shimbe gold project is located in northern Peru and consists of approximately 35,000 acres of 100%-controlled Solitario property. The property was staked in 1997 based on a strong stream sediment anomaly. Recent results have been extremely encouraging with several rock chip samples yielding values in excess of 55 grams of gold per tonne. Two zones of mineralization have been identified that are at least 1,500 meters long and up to 150 meters wide. The area of mineralization is extensively covered by soils making it difficult to assess the overall potential of this exciting target without drilling. Several major gold companies have expressed an interest in joint venturing the property.

Argentina – No More Costs, Plenty of Upside

Solitario completed the sale of its 100%-held Argentinian subsidiary to TNR Resources Ltd. in mid-1998. Solitario currently holds an approximate 15% equity interest, or 1.43 million shares of TNR, as well as 625,000 warrants exercisable at Cdn\$0.40 per share. As a result of this transaction, Solitario's expenditures have been reduced by US\$750,000 per year. TNR has reported very favorable rock chip assay results on its La Ortega property located approximately 10 kilometers east of Barrick Gold's and Argentina Gold's major new Veladero gold discovery.

Strong Financial Position

The Company's solid financial base has been forged over the past three years with proceeds received from innovative share exchanges, mineral property transactions and option exercises. By using joint venture partners for funding the bulk of its exploration, the Company used only a net of US\$605,000 of its own cash during

“Recent results have been extremely encouraging with several rock chip samples yielding values in excess of 55 grams of gold per tonne.”



Message to Shareholders

“Solitario has maintained its secure financial position through a combination of targeted grassroots exploration programs and timely, strategic joint ventures.”



1998. At December 31, 1998, the Company had cash and working capital of US\$3.3 million and no long-term debt. Solitario reported a net loss of US\$405,000 or US\$0.02 per share in 1998, compared to loss of US\$5.2 million or US\$0.33 per share in 1997.

Solitario has maintained its secure financial position through a combination of targeted grassroots exploration programs and timely strategic joint ventures. This enables Solitario to minimize financial risks while aggressively pursuing potential major new discoveries.

Solitario Announces New Director

In May 1998, Solitario was fortunate in securing the services of Mr. Leonard Harris to serve on its board of directors. Mr. Harris was the past General Manager and President of Newmont Peru Ltd. and is credited with the successful development and start-up of Newmont's Minera Yanacocha gold mine in northern Peru. Mr. Harris also has extensive experience in base metal operations, mine development and smelter operations. He has already proven to be a valuable member of Solitario's board and we look forward to his continued guidance.

Sincerely,

Mark E. Jones, III

Christopher E. Herald

Chairman and CEO

President

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MD&A

Management's Discussion and Analysis

The following discussion should be read in conjunction with the consolidated financial statements of Solitario Resources Corporation ("Solitario" or the "Company") for the years ended December 31, 1998, 1997, and 1996, included elsewhere in this report. The Company's financial condition and results of operations are not necessarily indicative of what may be expected in future years. Unless otherwise indicated, all references to dollars are to U.S. dollars.

Solitario was formed in 1984 as a wholly owned subsidiary of Crown Resource Corp. of Colorado ("CRCC"), but until 1993 it had no assets and conducted no operations.

Results of Operations

The Company had a net loss of \$405,000 (\$0.02 per share) in 1998 compared with a loss of \$5,172,000 (\$0.33 per share) in 1997 and a loss of \$947,000 (\$0.07 per share) in 1996. Included in the 1997 results were non-cash property abandonments of \$4.9 million which include \$3.8 million related to the Company's decision to sell its operations in Argentina.

Interest income was \$200,000, \$227,000 and \$137,000 in 1998, 1997 and 1996, respectively, as a result of larger cash balances in 1998 and 1997 compared to 1996, coupled with decreasing interest rates over the three-year period.

During the year ended December 31, 1998, the Company incurred \$112,000 of general and administrative expenses compared with \$363,000 in 1997, and \$212,000 in 1996. General and administrative expenses consist primarily of administrative, legal, accounting, and shareholder-related costs. Reduced exploration programs, in both Peru and Argentina, coupled with lower administrative costs, related to Argentina, contributed to the decrease in costs during 1998.

CRCC provides management and technical services to the Company under a management agreement (the "Management Agreement"). The Management Agreement provides for reimbursement to CRCC of direct out-of-pocket and certain allocated indirect costs and expenses paid by CRCC on behalf of Solitario, plus a service fee equal to 7.5 percent of all expenditures made by or on behalf of Solitario. Management service fees paid to CRCC by the Company in 1998, 1997, and 1996 amounted to \$89,000, \$207,000, and \$224,000, respectively.

The fees will generally fluctuate period to period based on the overall level of exploration spending during the period.

Depreciation, depletion, and amortization expense was \$10,000 in 1998 compared with \$40,000 in 1997, and \$66,000 in 1996, and relates primarily to leasehold improvements and furniture and equipment.

The Company incurred \$73,000, and \$112,000, of interest expense in 1997, and 1996, respectively, related entirely to the note payable to CRCC. *See Liquidity and Capital Resources.*

The Company regularly performs evaluations of its assets to assess the recoverability of its investments in these assets. All long-lived assets are reviewed for impairment whenever events or circumstances change which indicate the carrying amount of an asset may not be recoverable utilizing established guidelines based upon future net cash flows from the asset. Write-downs relating to exploration properties amounted to \$0.4 million in 1998, \$4.9 million in 1997 and \$0.5 million in 1996. Included in the write-down for 1997 was the Company's decision to sell its operations in Argentina resulting in a \$3.8 million charge to operations.

Liquidity and Capital Resources

Due to the nature of the mining business, the acquisition, exploration, and development of mineral properties requires significant expenditures prior to the commencement of production. The Company has in the past financed its activities through the sale of securities, joint venture arrangements, and the sale of interests in its properties. To the extent necessary, the Company expects to continue to use similar financing techniques.

As of December 31, 1997, all of the Company's acquisition and exploration programs have been devoted to properties in Peru. Total foreign assets, as reported in the consolidated balance sheet as of December 31, 1998, amounted to \$5,428,000. The Company is exposed to risks normally associated with foreign investments, including political, economic, and social instabilities, as well as foreign exchange controls and currency fluctuations. Foreign investments may also be subject to laws and policies of the United States affecting foreign trade, investment, and taxation which could affect the conduct or profitability of future operations.

During 1997 and 1996, the Company received net proceeds of \$4.6 million and \$2.6 million, respectively, through separate private placements by CRCC. Solitario issued 1,500,000 units and 1,570,000 units, respectively, priced at Cdn\$4.20 and

Cdn\$2.31, respectively, per unit. Each unit consisted of one share of common stock plus one warrant, exercisable into one share of common stock. Each warrant issued in 1997 was exercisable until February 1999 at a price of Cdn\$4.83 per share. Each warrant issued in 1996 was exercisable until February 1998 at a price of Cdn\$2.66. All warrants expired unexercised.

Proceeds from all option exercises during 1997 amounted to \$415,000 from the exercise of options for 231,250 shares compared to proceeds of \$1,005,000 from the exercise of options for 553,686 shares in 1996. There were no option exercises in 1998.

In August 1997, CRCC elected to convert its \$1.5 million 7.5 percent convertible note into 1,254,180 shares of the Company's common stock. The conversion was in accordance with the terms of the note dated August 25, 1995. Upon completion of the conversion and after giving effect to option exercises during 1997, CRCC held 9,633,585 shares of the Company's stock or 57.2% as of December 31, 1998 and 1997.

In July 1998, Solitario completed the sale of its Argentina subsidiary to TNR Resources, Ltd. of Vancouver, B.C. Canada ("TNR"). The purchase price of \$350,000 was received in the form of 1,250,000 common shares of TNR and warrants to purchase an additional 625,000 common shares for Cdn\$0.40 during the first year and Cdn\$0.46 during the second year. As part of the transaction, Solitario also received \$45,000 in cash as a non-refundable binder payment. TNR reimbursed Solitario \$29,000 for costs incurred through a cash payment of \$8,000 and delivery of 184,709 additional common shares of TNR.

Cash and cash equivalents amounted to \$3,245,000 at December 31, 1998. These funds are generally invested in short-term interest-bearing deposits and securities, pending investment in current and future projects. Working capital at December 31, 1998 was \$3,275,000.

The Company believes that its existing funds are sufficient to meet its currently planned operating activities and mandatory property payments through 1999. The Company will need substantial additional financing in order to bring its properties into production. There is no assurance that such financing will be available when needed or that, if available, it can be secured on favorable terms.

Joint Ventures

In December 1996, Solitario signed an agreement regarding its Bongará zinc project ("Bongará project") located in northern Peru with a subsidiary of Cominco Ltd. ("Cominco") of Vancouver, B.C., Canada. The agreement was modified in January 1999, increasing the joint venture's acreage to approximately 600,000 acres. Cominco has the right to earn a 65% interest in the Bongará project by spending a minimum of \$27,500,000 on exploration and development over a seven-year period beginning January 1997 and by making annual cash payments to the Company of between \$100,000 and \$500,000 per year (depending on the price of zinc), as well as fully funding the project through a bankable feasibility study. Cash payments to the Company of \$118,000, \$354,000 and \$250,000 have been paid by Cominco in January 1999, 1998, and 1997, respectively. In addition to the cash payments and work commitments, Cominco has agreed to finance Solitario's share of project development costs, subject to repayment, after a production decision is made, should Solitario not secure third-party financing. Through December 31, 1998, Cominco has spent approximately \$10 million on exploration of the Bongará project.

In October 1998, the Company signed an agreement with Placer Dome, Ltd. ("Placer") on its Yanacocha gold property, located in northern Peru. The Yanacocha property is comprised of one contiguous block of approximately 155,000 acres located in the center of the Yanacocha district. The agreement gives Placer the right to earn a 60% interest in the property by spending \$4.05 million on exploration and making \$200,000 in property payments to the Company over four years. The property had been explored previously under joint ventures with Rio Tinto, Ltd. and Barrick Gold Corporation.

In October 1998, the Company signed a joint venture with Billiton Exploration and Mining Peru B.V. ("Billiton") on its 9,700-acre Soloco zinc property located in northern Peru, contiguous to the Bongará project. The agreement calls for Billiton to spend \$3.0 million on exploration over a four-year period to earn a 60% interest in the property. Billiton is also required to complete a minimum of 3,280 feet of drilling per year. Billiton can earn an additional 10% of the project by completing a bankable feasibility study within two years after completion of its work commitment.

MD&A

Management's Discussion and Analysis

In April 1997, the Company entered into an agreement with RTZ Mining and Exploration ("RTZ") granting Solitario the right to earn a 60% interest in the Santa Barbara project. The project contains approximately 12,300 acres located 120 miles northeast of Lima, Peru in the Cerro de Pasco Region. Solitario can earn its interest in the property by spending \$1.5 million over a three-year period with no cash payments by Solitario. During 1998, Solitario and RTZ agreed to suspend annual work requirements due to low metal prices.

The Company's exploration and development activities and funding opportunities, as well as those of its joint venture partners, may be materially affected by commodity price levels and changes in those levels. Commodity market prices are determined in world markets and are affected by numerous factors which are beyond the Company's control.

Exploration Activities

A significant part of Solitario's business involves the review of potential property acquisitions and continuing review and analysis of properties in which it has an interest, to determine the exploration and development potential of the properties. In analyzing expected levels of expenditures for work commitments and property payments, the Company's obligations to make such payments fluctuate greatly depending on whether, among other things, the Company makes a decision to sell a property interest, convey a property interest to a joint venture, or allow its interest in a property to lapse by not making the work commitment or payment required.

In acquiring its interests in mining claims and leases, the Company has entered into agreements which generally may be canceled at its option. The Company is required to make minimum rental and option payments in order to maintain its interests in certain claims and leases. The Company estimates its 1999 mineral property rental and option payments to be approximately \$290,000. Based upon existing joint venture or leasing arrangements, the Company's share of these costs is approximately \$44,000.

For the year ended December 31, 1998, the Company expended funds on mineral property additions amounting to \$991,000 compared to \$2,436,000 in 1997. These expenditures are exclusive of amounts spent on its properties by third parties and consist of leasehold acquisition and exploration costs for the Company's properties in Peru and, until December of 1997, Argentina. The Company's decision to sell its operations in Argentina and to focus exploration efforts in Peru, coupled

with a greater emphasis on utilizing joint ventures for exploration expenditures resulted in a decrease in costs in 1998. See *Joint Venture Activities*.

Solitario has budgeted \$900,000 for exploration expenditures during 1999 which will be in addition to planned expenditures by joint venture partners.

The Year 2000

The year 2000 potentially poses unique challenges for many businesses insofar as their computer systems and those of third parties attempt to properly recognize the date change. The Company has made and will make certain investments in its software systems and applications to help the Company make the year 2000 transition.

The Company has implemented new systems, analyzed internal and external activities, including the Company's joint venture partners, and conducted vendor inquiries. The Company estimates its plans will make all of its internal systems year 2000 compliant prior to the fourth quarter of 1999. Contingency plans include some or all of the following: the delay of operational activities, use of backup stand-alone systems, and manual transaction processing. The Company believes its contingency plans are adequate for reasonably foreseeable problems.

Total expenditures to date to address the year 2000 transition have been less than \$10,000 and the Company estimates the total costs to implement all of the Company's plans to successfully make the year 2000 transition will be less than \$20,000. All charges have been included in normal and recurring activities. The Company has recorded additions to fixed assets for replacement and upgrading of equipment and software and charged general and administrative costs for existing personnel time related to the year 2000 transition. Accordingly, the operational and financial impact to the Company has not been, and is not anticipated to be, material to its financial position or results of operations.

New Accounting Pronouncements

In June of 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The standard, effective for fiscal years beginning after June 15, 1999, sets forth guidelines for reporting certain derivative instruments as assets and liabilities to be reported in the financial statements and that the changes in the fair value of the instruments shall be recognized in the results of operations. The effect of this standard, when adopted, on the Company's reported financial position, results of operations and cash flows has not been determined.

AUDITORS' REPORT

Independent Auditors' Report

To the Board of Directors and Stockholders of Solitario Resources Corporation, Denver, Colorado

We have audited the consolidated balance sheets of Solitario Resources Corporation and subsidiaries (a majority-owned subsidiary of Crown Resources Corporation) as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998 which, as described in Note 1, have been prepared on the basis of accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Solitario Resources Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, the consolidated balance sheet at December 31, 1998 includes land and leasehold costs of \$324,000 and deferred exploration costs of \$5,064,000. Note 1 to the consolidated financial statements emphasizes that the recovery of these costs is ultimately dependent upon the development of economically recoverable ore reserves, the ability of the Company to obtain the necessary permits and financing to successfully place the properties into production, and upon future profitable operations.

/s/ DELOITTE & TOUCHE LLP
Denver, Colorado
March 3, 1999

Comments by Independent Auditors For Canadian Readers on U.S. - Canada Reporting Conflict

To the Board of Directors and Stockholders of Solitario Resources Corporation, Denver, Colorado

In Canada, reporting standards for auditors do not permit the addition of an explanatory paragraph in the auditors' report to emphasize a matter when such matter is adequately disclosed in the notes to the financial statements. Our report to the Board of Directors and Stockholders dated March 3, 1999 is expressed in accordance with auditing standards generally accepted in the United States of America, which permits the inclusion of an explanatory paragraph in the auditors' report to emphasize a matter regarding the financial statements.

/s/ DELOITTE & TOUCHE LLP
Denver, Colorado
March 3, 1999

BALANCE SHEETS

Consolidated Balance Sheets

(in thousands of U.S. dollars, except share amounts)

	Years Ended December 31,	
	1998	1997
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,245	\$ 3,850
Prepaid expenses and other	54	49
Total current assets	3,299	3,899
Mineral properties, net	5,388	5,472
Marketable equity securities	229	—
Other assets	9	11
	\$ 8,925	\$ 9,382
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19	\$ 80
Due to CRCC	5	13
Total current liabilities	24	93
Stockholders' equity:		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; none outstanding	—	—
Common stock, \$0.01 par value; authorized 50,000,000 shares; issued and outstanding 16,854,521	169	169
Additional paid-in capital	16,507	16,507
Accumulated deficit	(7,792)	(7,387)
Accumulated other comprehensive income	17	—
Total stockholders' equity	8,901	9,289
	\$ 8,925	\$ 9,382

On behalf of the Board:

/s/ Christopher E. Herald,
Director

/s/ Mark E. Jones, III
Director

OPERATIONS

Consolidated Statements of Operations

<i>(in thousands except per share amounts)</i>	Years Ended December 31,		
	1998	1997	1996
Revenues:			
Interest income	\$ 200	\$ 227	\$ 137
Costs and expenses:			
Depreciation, depletion, and amortization	10	40	66
General and administrative	112	363	212
Management fees – CRCC	89	207	224
Interest expense – CRCC	—	73	112
Asset write-downs	403	4,861	455
Other, net	(9)	(3)	31
	605	5,541	1,100
Loss before income taxes	(405)	(5,314)	(963)
Income tax benefit	—	(142)	(16)
Net loss	\$ (405)	\$ (5,172)	\$ (947)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.33)	\$ (0.07)
Weighted average number of common and common equivalent shares outstanding	16,855	15,683	13,645

STOCKHOLDERS' EQUITY

Consolidated Statements of Stockholders' Equity

<i>(in thousands of U.S. dollars except share amounts)</i>	Common Stock		Additional Paid-in Capital	Accumul- ated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at January 1, 1996	11,745,405	\$ 118	\$ 6,388	\$ (1,268)	\$ —	\$ 5,238
Issuance of shares:						
To CRCC, in private placement	1,570,000	16	2,624	—	—	2,640
On exercise of warrants	553,686	5	1,000	—	—	1,005
Net loss	—	—	—	(947)	—	(947)
Balance at December 31, 1996	13,869,091	139	10,012	(2,215)	—	7,936
Issuance of shares:						
To CRCC, in private placement	1,500,000	15	4,595	—	—	4,610
Conversion of note payable to CRCC	1,254,180	13	1,487	—	—	1,500
On exercise of stock options	231,250	2	413	—	—	415
Net loss	—	—	—	(5,172)	—	(5,172)
Balance at December 31, 1997	16,854,521	169	16,507	(7,387)	—	9,289
Comprehensive income (loss):						
Net loss	—	—	—	(405)	—	(405)
Net unrealized gain on marketable equity securities	—	—	—	—	17	17
Comprehensive loss				—	—	(388)
Balance at December 31, 1998	16,854,521	\$ 169	\$ 16,507	\$ (7,792)	\$ 17	\$ 8,901

CASH FLOWS

Consolidated Statements of Cash Flows

<i>(in thousands of U.S. dollars)</i>	Years ended December 31,		
	1998	1997	1996
Operating activities:			
Net loss	\$ (405)	\$ (5,172)	\$ (947)
Adjustments:			
Depreciation, depletion and amortization	10	40	66
Deferred income taxes	—	(142)	(16)
Asset write-downs	403	4,861	455
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	24	(12)	19
Accounts payable	(61)	(63)	15
Due to CRCC	(8)	(47)	(44)
Net cash used in operating activities	(37)	(535)	(452)
Investing activities:			
Sale of short-term investments	—	9	—
Additions to mineral properties	(991)	(2,436)	(2,745)
Receipts on mineral property transactions	434	300	55
Decrease (increase) in other assets	(11)	24	17
Net cash used in investing activities	(568)	(2,103)	(2,673)
Financing activities:			
Issuance of common stock, net	—	5,025	3,645
Net cash provided by financing activities	—	5,025	3,645
Net increase (decrease) in cash and cash equivalents	(605)	2,387	520
Cash and cash equivalents, beginning of year	3,850	1,463	943
Cash and cash equivalents, end of year	\$ 3,245	\$ 3,850	\$ 1,463
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$ —	106	133
Noncash investing and financing activities:			
Common stock issued to CRCC for conversion of note payable	—	1,500	—
Securities received for mineral property transactions, sale of Argentina subsidiary	212	—	—
Increase in accounts receivable from sale of Argentina subsidiary	29	—	—

NOTES

Notes to Consolidated Financial Statements

1. Business and Summary of Significant Accounting Policies:

Business and company formation

Solitario Resources Corporation (the “Company” or “Solitario”) engages principally in the acquisition, exploration, and development of mineral properties. Currently all of its mineral properties are in Peru. The Company was incorporated in the state of Colorado on November 15, 1984 as a wholly-owned subsidiary of Crown Resource Corp. of Colorado (“CRCC”). CRCC is a wholly-owned subsidiary of Crown Resources Corporation (“Crown”). Prior to 1993, the Company had no assets and conducted no operations.

Financial reporting

The consolidated financial statements include the accounts of Solitario and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, and are expressed in U.S. dollars.

In performing its activities, the Company has incurred certain costs for land and leasehold interests and for exploration activities. These costs are reflected as assets on the Company’s balance sheets. The recovery of these costs is ultimately dependent upon the development of economically recoverable ore reserves, the ability of the Company to obtain the necessary permits and financing to successfully place the properties into production, and upon future profitable operations, none of which is assured.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

Cash equivalents include investments in highly-liquid debt securities with maturities of three months or less when purchased. Investments with longer maturities at the date of purchase are classified as short-term investments.

Mineral properties

Land and leasehold costs are capitalized in cost centers and will be depleted on the basis of economic reserves using the units-of-production method. If there are insufficient economic reserves to use as a basis for depleting such costs, a mineral property write-off will be made in the period in which the determination is made.

Exploration costs are capitalized initially and are charged to operations if an area is abandoned or deemed impaired. Exploration costs on successful projects will be amortized by the units-of-production method based on estimated economic reserves.

The Company records the proceeds from the sale of property interests to joint ventures as a reduction of the related property’s capitalized cost. Proceeds which exceed the capitalized cost of property are recognized as revenue.

Foreign exchange

The United States dollar is the functional currency for all of the Company’s foreign subsidiaries. Although the Company’s exploration activities have been conducted primarily in Peru and, until July 1998, Argentina, substantially all of the land, leasehold, and exploration agreements of the Company are denominated in United States dollars. The

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Notes to Consolidated Financial Statements

Company expects that a significant portion of its required and discretionary expenditures in the foreseeable future will also be denominated in United States dollars. Foreign currency gains and losses are included in the results of operations in the period in which they occur.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income and income taxes, respectively. A valuation allowance is provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Comprehensive income

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in the financial statements. The Company adopted the standard in 1998 and has restated prior periods for comparative purposes. The components of comprehensive income include unrealized gains and losses on marketable equity securities and included in the statement of stockholders' equity and comprehensive income. The Company had no items of other comprehensive income (loss) during 1997 and 1996, and comprehensive loss equaled net loss for those years.

Loss per share

The calculation of basic and diluted loss per share, in accordance with SFAS No. 128, "Earnings Per Share," is based on the weighted average number of common shares outstanding during the years ended December 31, 1998, 1997 and 1996. The effect of common stock equivalents, which include employee stock options, warrants and convertible debt securities, is not included in the computation of per share amounts as inclusion would be anti-dilutive.

Employee stock compensation plans

The Company follows Accounting Principles Board Opinion ("APBO") No. 25, "Accounting for Stock Issued to Employees." Under the Company's stock option plans, the exercise price of stock options issued to employees equals the market price of the stock on the measurement date and therefore, the Company does not record compensation expense on stock options granted to employees.

Segment reporting

The Company operates in one segment, minerals exploration, and accordingly, disclosures required by SFAS No. 131 are not applicable. All of the Company's operations are located in South America as further described in note 2.

New accounting pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The standard, effective for fiscal years beginning after June 15, 1999, sets forth guidelines and requirements for reporting certain derivative instruments as assets and liabilities to be reported in the financial statements and that the changes in the fair value of the instruments shall be recognized in the results of operations. The effect of this standard, when adopted, on the Company's reported financial position, results of operations and cash flows has not been determined.

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Notes to Consolidated Financial Statements

2. Mineral Properties:

Peru

The Company holds exploration concessions or has filed applications for concessions covering approximately 326,000 acres in Peru. These applications are subject to normal administrative approvals and the properties are subject to an annual rental of \$2.00 per hectare (approximately 2.47 acres per hectare) in June of each year.

Bongará

Since 1993, the Company acquired exploration concessions or has filed claims for concessions currently covering approximately 102,000 acres in northern Peru (the "Bongará project").

In December 1996, Solitario signed an agreement regarding the Bongará project with a subsidiary of Cominco Ltd. ("Cominco") of Vancouver, B.C., Canada. The agreement was modified in January 1999, increasing the joint venture's acreage to approximately 600,000 acres. Cominco has the right to earn a 65% interest in the Bongará project by spending a minimum of \$27,500,000 on exploration and development over a seven-year period beginning January 1997 and by making annual cash payments to the Company of between \$100,000 and \$500,000 per year (depending on the price of zinc), as well as fully funding the project through a bankable feasibility study. Cash payments to the Company of \$118,000, \$354,000 and \$250,000 have been paid by Cominco in January 1999, 1998 and 1997, respectively. In addition to the cash payments and work commitments, Cominco has agreed to finance Solitario's share of project development costs, subject to repayment, after a production decision is made, should Solitario not secure third-party financing. Through December 31, 1998, Cominco has spent approximately \$10 million on exploration on the Bongará project.

Argentina

Through December 31, 1997 the Company held exploration rights or had filed applications for rights covering approximately 650,000 acres primarily in six provinces of Argentina. In December 1997, Solitario made the decision to withdraw from exploration in Argentina to concentrate its attention and financial resources in Peru. In July 1998, the Company completed the sale of its Argentinian subsidiary to TNR Resources, Ltd. ("TNR") of Vancouver, B.C., Canada. The purchase price of \$350,000 was paid in 1,250,000 common shares of TNR and two-year warrants to purchase an additional 625,000 common shares of TNR at Cdn\$0.40 for the first year and Cdn\$0.46 for the second year. Solitario also received a non-refundable binder payment of \$45,000 upon signing a letter of intent in March of 1998. TNR reimbursed Solitario \$29,000 for costs incurred through a cash payment of \$8,000 and delivery of 184,709 additional common shares of TNR. As a result of these transactions, Solitario owns approximately 15% of the outstanding shares of TNR.

Mineral property costs for all the Company's properties are comprised of the following:

	December 31,	December 31,
<i>(in thousands)</i>	1998	1997
Land and leasehold costs	\$ 324	\$ 547
Exploration costs	5,064	4,925
	<u>\$ 5,388</u>	<u>\$ 5,472</u>

The above land, leasehold, and exploration costs at December 31, 1998 and 1997 are related to mineral properties for which exploration activities had not yet identified the presence of economic reserves. The following items comprised the additions to exploration costs:

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Notes to Consolidated Financial Statements

<i>(in thousands)</i>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Geologic, drilling, and assay	\$ 240	\$ 952	\$ 976
Field expenses	400	658	1,097
Administrative	237	452	474
Total exploration costs	<u>\$ 877</u>	<u>\$ 2,062</u>	<u>\$ 2,547</u>

Included in the consolidated balance sheet at December 31, 1998 are total assets of the Company's foreign operations, located in Peru, in the amount of \$5,428,000.

Asset write downs

The Company regularly performs evaluations of its assets to assess the recoverability of its investments in these assets. Upon determining that certain properties did not have sufficient potential for economic mineralization and related to the Company's decision to sell its operations in Argentina, the Company recorded write-downs relating to exploration properties of \$403,000, \$4,861,000, and \$455,000 in 1998, 1997, and 1996, respectively.

3. Related Party Transactions:

During the three years ended December 31, 1998, 1997, and 1996, CRCC provided financial, management and technical assistance under an arrangement whereby certain advances were made by CRCC to the Company. These advances are non-interest bearing, unsecured, and are due on demand. Net advances due to CRCC as of December 31, 1998 and 1997 were \$5,000 and \$13,000, respectively.

CRCC provides management and technical services to Solitario under a management agreement. The Management Agreement provides for reimbursement to CRCC of direct out-of-pocket and certain allocated indirect costs and expenses paid by CRCC on behalf of Solitario, plus a service fee equal to 7.5 percent of all expenditures made by or on behalf of Solitario.

Management service fees paid to CRCC by Solitario in 1998, 1997 and 1996 amounted to \$89,000, \$207,000 and \$224,000, respectively.

4. Income Taxes:

The Company's income tax benefit consists of the following:

<i>(in thousands)</i>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Deferred			
U.S.	\$ 105	\$ —	\$ 26
Foreign	85	32	46
Operating loss and credit carryovers:			
U.S.	(105)	—	(26)
Foreign	<u>(85)</u>	<u>(174)</u>	<u>(62)</u>
Income tax benefit	<u>\$ —</u>	<u>\$ (142)</u>	<u>\$ (16)</u>

Consolidated loss before income taxes includes losses from foreign operations of \$441,000, \$5,016,000, and \$616,000 in 1998, 1997 and 1996, respectively.

Deferred income taxes result from temporary differences in the timing of income and expenses for financial and income tax reporting purposes. The primary component of deferred income taxes relates to exploration and development costs and property abandonments.

During 1997, the Company recognized income tax deductions of \$421,000 from the exercise of non-qualified stock options. The income tax benefits of these income tax deductions have been fully offset by a valuation allowance, resulting in no net impact to stockholders' equity. No such transactions occurred in 1998.

The net deferred tax assets/liabilities in the accompanying December 31, 1998 and 1997 balance sheets include the following components:

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Notes to Consolidated Financial Statements

<i>(in thousands)</i>	1998	1997
Deferred tax assets:		
Net operating loss (NOL) carryovers	\$ 2,345	\$ 3,498
Capital loss carryovers	1,857	—
Investment in Argentina subsidiary	—	1,930
Valuation allowance	(2,558)	(4,938)
Deferred tax assets	1,644	490
Deferred tax liabilities:		
Exploration and development costs	1,638	490
Other	6	—
Deferred tax liabilities	1,644	490
Net deferred tax assets/ liabilities	\$ —	\$ —

The reduction in the valuation allowance from 1997 to 1998 consists of the elimination, for income tax purposes, of the Company's investment in Argentina of \$2,480,000 offset by additional valuation allowance established related to deferred taxes generated in 1998.

A reconciliation of expected federal income tax benefit on loss from continuing operations at U.S. Federal tax rate of 34% with the benefit for income taxes is as follows:

<i>(in thousands)</i>	1998	1997	1996
Expected income tax	\$ (138)	\$ (1,807)	\$ (327)
Non-deductible foreign expenses	26	85	67
Disposition of investment in Argentina subsidiary	—	(1,683)	—
Deconsolidation of Argentine NOL	2,480	—	—
Foreign mining incentives	—	(201)	(202)
Foreign tax rate differences	9	(17)	22
State income tax	(4)	(267)	(18)
Valuation allowance	(2,374)	3,747	443
Other	1	1	(1)
Income tax benefit	\$ —	\$ (142)	\$ (16)

At December 31, 1998, the Company has unused U.S. NOL and capital loss carryovers of \$1,975,000 and \$4,761,000 which begin to expire commencing 2008 and 2004, respectively. The Company also has Peru NOL carryovers at December 31, 1998 of \$5,251,000 which begin to expire four years after the first year in which taxable income arises.

5. Fair Value of Financial Instruments:

For certain of the Company's financial instruments, including cash and cash equivalents, accounts payable, and due to CRCC, the carrying amounts approximate fair value due to their short maturities. The Company's marketable equity securities are carried at their estimated fair value based on quoted market prices.

6. Commitments and Contingencies:

In acquiring its interests in minerals claims and leases, the Company has entered into lease agreements which generally may be canceled at its option. The Company is required to make minimum rental and option payments in order to maintain its interests in certain claims and leases. See Note 2. The Company estimates its 1999 mineral property rental and option payments to be approximately \$290,000. Based upon existing joint venture or leasing arrangements, the Company's share of these costs is approximately \$44,000.

7. Stock Option Plan:

On March 4, 1994, the Company's board of directors (the "Board") adopted the 1994 Stock Option Plan (the "Plan"). Up to 1,100,000 shares of the Company's common stock were authorized for issuance under the Plan, subject to certain regulatory limitations. On December 15, 1995, the Plan was amended,

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Notes to Consolidated Financial Statements

increasing the authorized shares to 1,170,000 and conforming the Plan to recently enacted regulatory requirements. On December 11, 1996 and April 16, 1997, the Plan was amended, thereby increasing the authorized shares to 1,536,000.

All options have been granted at exercise prices which are determined by the Board to be the fair market value on the date of grant. The options expire five years from the date of grant, and are subject to certain vesting provisions, as determined by the Board.

The activity in the Plan for the three years ended December 31, 1998 is as follows:

	1998		1997		1996	
	Options	Weighted Average Price (\$Cdn)	Options	Weighted Average Price (\$Cdn)	Options	Weighted Average Price (\$Cdn)
Outstanding, beginning of year	1,203,750	2.49	1,385,000	2.42	925,000	2.50
Granted	60,000	3.00	50,000	4.40	460,000	2.25
Exercised	—	—	(231,250)	2.49	—	—
Forfeited	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Outstanding, end of year	<u>1,263,750</u>	2.51	<u>1,203,750</u>	2.49	<u>1,385,000</u>	2.42
Exercisable, end of year	<u>1,181,250</u>	2.48	<u>1,051,250</u>	2.36	<u>846,250</u>	2.50

The options outstanding at December 31, 1998 have a range of exercise prices between Cdn\$2.25 and Cdn\$4.40 and a weighted average remaining contractual life of 1.5 years.

Pro forma information has been computed as if the Company had accounted for its stock options under the fair value method of SFAS No. 123. The fair values of these options were estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1998, 1997 and 1996, respectively: risk-free interest rate of 5.52%, 6.37% and 6.11%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of 75%, 78% and 80%; and a weighted average expected life of the options of four years. The weighted average fair value of the options granted is estimated at \$1.36, \$1.82 and \$1.05 per share in 1998, 1997 and 1996, respectively.

Had the Company accounted for its stock options under the fair value method of SFAS No. 123, the following results would have been reported:

(in thousands, except per share amounts)

	1998	1997	1996
Net loss			
As reported	\$ (405)	\$ (5,172)	\$ (947)
Pro forma	(459)	(5,232)	(1,429)
Net loss per share			
As reported	\$ (0.02)	\$ (0.33)	\$ (0.07)
Pro forma	(0.03)	(0.33)	(0.11)

8. Stockholders' Equity:

In August 1997, CRCC elected to convert its \$1.5 million, 7.5% convertible note into 1,254,180 shares of the Company's common stock. The conversion was in accordance with the terms of the note dated August 25, 1995. Upon completion of the conversion and after giving effect to option exercises during 1997, CRCC held 9,633,585 shares of the Company's stock or 57.2% as of December 31, 1998 and 1997.

In February 1997, CRCC acquired, by way of private placement, 1,500,000 Units of the Company at a price of Cdn\$4.20 per Unit, for an aggregate purchase

NOTES

Notes to Consolidated Financial Statements

price of \$4,610,000. Each Unit was comprised of one share of Solitario common stock plus one share purchase warrant exercisable into one common share at a price of Cdn\$4.83 per share. The warrants expired unexercised in February 1999.

In February 1996, CRCC acquired, by way of private placement, 1,500,000 Units of the Company at a price of Cdn\$2.31 per Unit, for an aggregate purchase price of \$2,640,000. Each Unit was comprised of one share of Solitario common stock plus one share purchase warrant exercisable into one common share at Cdn\$2.66 per share. In February 1998, the warrants expired unexercised.

In February and March 1996, previously issued warrants to purchase 553,686 common shares of the Company, at Cdn\$2.50 (approximately \$1.82) per share, were exercised, including 529,000 by CRCC. Proceeds from the exercises were \$1,005,000, including \$961,000 from CRCC.

9. Differences between Canadian and U.S. GAAP:

The consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") which differ in some respects from Canadian GAAP. The material differences, in respect to these financial statements between U.S. and Canadian GAAP, and their effect on the Company's financial statements, are summarized below:

Note Payable, CRCC - Under Canadian GAAP, a portion of the proceeds of the convertible debt instrument should be allocated to additional paid-in capital at the time of issuance rather than the entire proceeds recorded as a liability. The note was converted in 1997 and the effect on the consolidated balance sheet of the Company prepared in accordance with Canadian GAAP would be to increase accumulated

deficit and increase additional paid-in capital by \$465,000 as of December 31, 1998 and 1997.

The effect on the consolidated statement of operations would be as follows:

(in thousands, except per share amounts)

	1998	1997	1996
Net loss under U.S. GAAP	\$ (405)	\$(5,172)	\$ (947)
Additional interest expense	(—)	(155)	(233)
Net loss under Canadian GAAP	<u>\$ (405)</u>	<u>\$(5,327)</u>	<u>\$(1,180)</u>
Basic and diluted loss per share under Canadian GAAP	<u>\$ (0.02)</u>	<u>\$ (0.34)</u>	<u>\$ (0.09)</u>

Shareholder Information

Legal Counsel

Stoel Rives LLP, Seattle, Washington
Fogler, Rubinoff, Toronto, Ontario, Canada

Auditors

Deloitte & Touche LLP, Denver, Colorado

Transfer Agents

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Toronto, Ontario, Canada
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Investor Relations

Questions and requests for information should be directed to Debbie W. Mino at 800.229.6827 or via e-mail at dwmino@compassnet.com.

Internet

Please visit the Company's website at:
www.solitarioresources.com

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held at 8:00 a.m. (MDT) on June 4, 1999 at the Company's offices at 1675 Broadway, Suite 2400, Denver, Colorado.

Stock Exchange Listing

Toronto: SLR

Common Stock Data

The Company's common stock has been listed and traded in Canada on The Toronto Stock Exchange since July 19, 1994 under the symbol SLR.

Officers & Directors



Mark E. Jones, III
Chairman and CEO



Christopher E. Herald
President and Director

Mark E. Jones, III
Chairman and Chief Executive Officer

Christopher E. Herald*
President & Director

Dr. Roger D. Morton*
Director, Professor Emeritus,
Geology, University of Alberta

Leonard Harris*
Director, Retired International Mining Executive

James R. Maronick
Vice President & Secretary

Walter H. Hunt
Vice President – Peru Operations

Debbie W. Mino
Vice President – Investor Relations

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