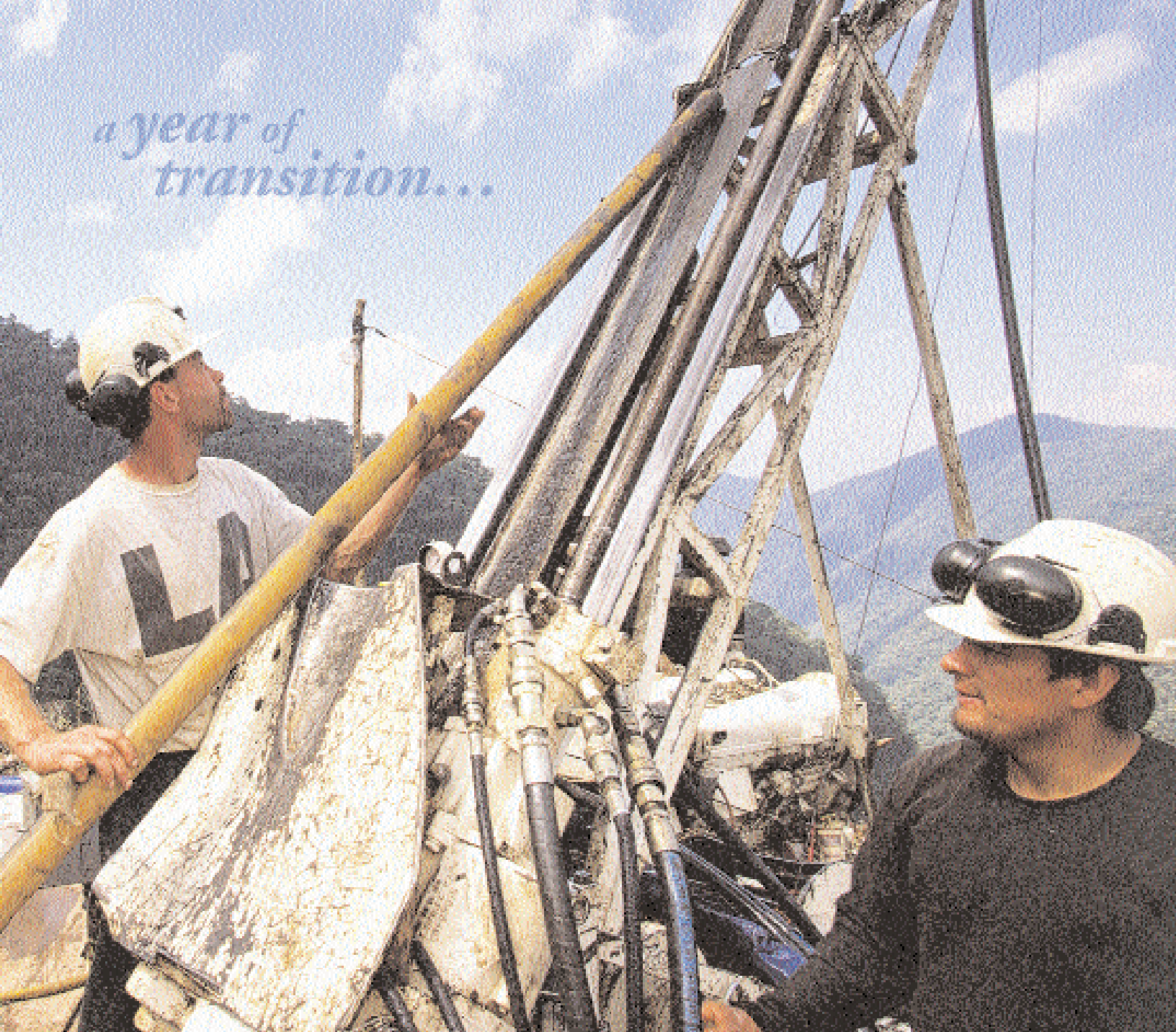


*a year of  
transition...*



*2000 Solitario  
Resources  
Annual Report*

# Metals to Platinum & Palladium the Future

World demand for Platinum Group Metals (“PGM”) continues to outpace supply. South Africa and Russia produce 90% of the world’s supply of PGMs. PGM consumers are looking for new production from more politically stable western hemisphere sources to meet anticipated future demand.

***Why have the prices of platinum and palladium increased so dramatically during the last decade?***

There are two primary reasons: (1) environmental legislation on car/truck emissions has led to the use of autocatalysts and to the development of fuel cell technology in order to meet the mandatory government standards; and, (2) a very strong increase in the demand for platinum jewelry .

***What are PGMs used for?***

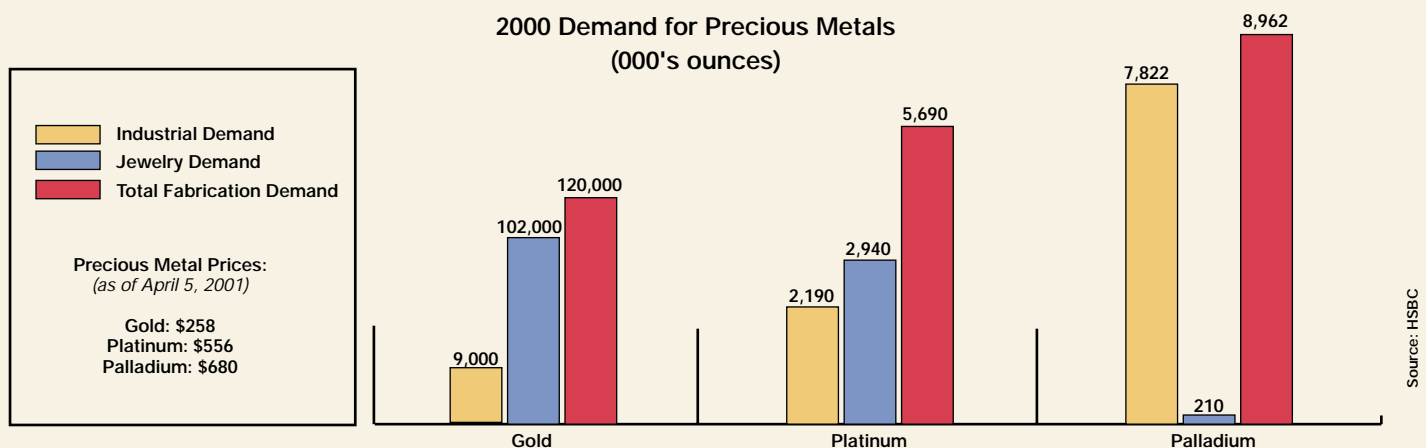
The automotive industry relies on palladium and platinum in the manufacture of autocatalysts needed to comply with governmental regulations on auto emission standards. The largest growth in industrial demand has been in the personal computer industry, where platinum is used to improve storage capacity in hard drives. PGMs are also used in the production of fiber optic cables, LCD displays, mobile phones, dentistry and pacemakers to name a few. Over 50% of annual platinum production is used for jewelry. Presently, Japan, China, North America and Europe are the largest consumers. Platinum jewelry demand growth is forecast to continue along with expanded demand in emerging countries.

***With higher PGM prices, will there be significant new production coming on line?***

Modest production increases are anticipated over the next several years from existing mines. However, unlike gold, quality undeveloped PGM projects are extremely rare. Initial results at Solitario’s Pedra Branca property place the project in a very elite group of potentially large, high-grade PGM projects. It is unlikely that new production sources can be brought on line fast enough to negatively affect the current price of either platinum or palladium.

***Will the demand for PGMs continue?***

We believe the demand will increase as nearly all industrial applications for PGMs are showing increased usage. Longer term, PGM demand from fuel cells could be an explosive growth area.



# Solitario Resources

## Message to Shareholders

### Dear Shareholders,

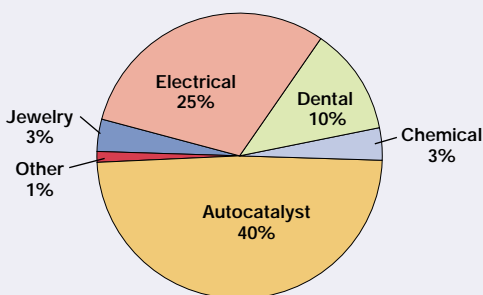
The first year of the new millennium was a very active one for Solitario Resources. Highlighting 2000 was the successful closing of the Solitario Resources - Altoro Gold Plan of Arrangement (merger). With this acquisition, Solitario has taken a giant step forward in realizing our corporate objective to become the leader in platinum-palladium ("PGM") exploration in South America. Also significant was Solitario's sale of its Yanacocha property to Newmont for US\$6.0 million and a sliding-scale royalty. This sale provides financial strength for the future.

With our outstanding array of PGM, gold and zinc properties, coupled with our strong financial position and relatively low number of outstanding shares (23.3 million), we believe that Solitario is well positioned to grow without diluting our existing shareholders. We are more convinced than ever that this combination will produce tangible exploration success during the upcoming exploration season. As this is the first Solitario Annual Report that former shareholders of Altoro Gold will receive, we hope you find it informative and we welcome you as a new Solitario shareholder.

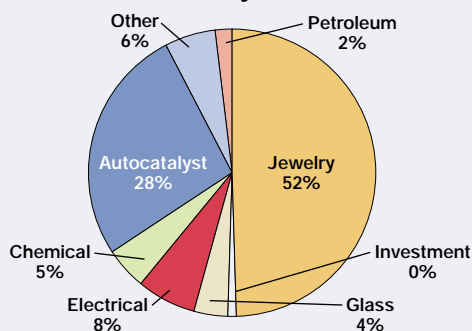
### Solitario-Altoro Merger

The Solitario-Altoro merger closed in mid-October 2000. Solitario issued approximately 6.5 million shares (including various warrant exercises) to Altoro shareholders on the basis of one share of Solitario for every three shares of Altoro. Solitario now has approximately 23.3 million shares outstanding. Crown Resources Corporation's 9.63 million shares of Solitario now constitute a 41% equity interest in Solitario, down from 57% pre-Altoro merger, giving Solitario a more independent image.

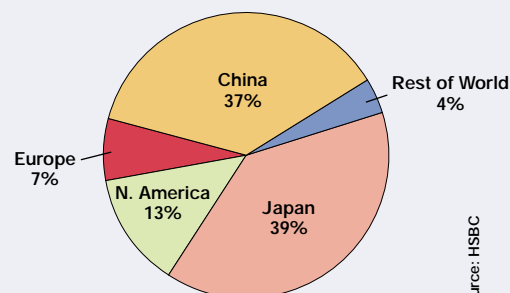
2000 Palladium Demand by Sector



2000 Platinum Demand by Sector



2000 Platinum Jewelry Demand



## Pedra Branca PGM Project

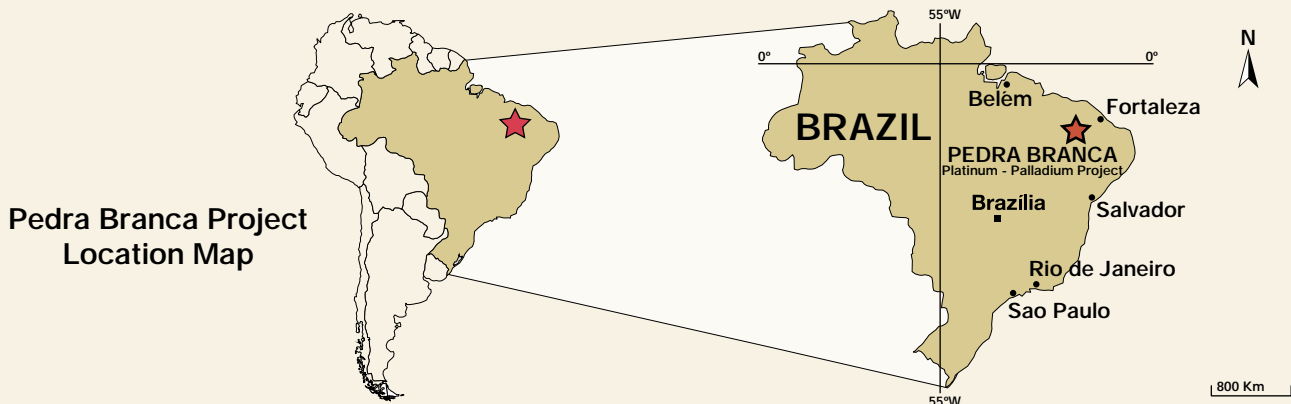
The driving force behind the Solitario-Altoro merger was Altoro's 99,800-hectare (246,500 acres) Pedra Branca PGM property in Brazil. Past drilling by Gencor, Rio Tinto and Altoro intersected potentially economic grades and thicknesses of PGM mineralization. The property is subject to a joint venture agreement between Solitario and Rockwell Ventures Inc. signed earlier this year by Altoro. Rockwell can earn a 60% interest in Pedra Branca by spending US\$7.0 million on the property and by paying Solitario 500,000 shares of Rockwell, with a minimum market value of US\$500,000, in five equal tranches over the next four years.

An extensive soil and rock sampling campaign, in conjunction with geologic mapping, was completed in February of 2001. This work identified 13 significant PGM-bearing chromitite occurrences over a 45-kilometer strike length of the Pedra Branca ultramafic complex. Over 40% of the 300 representative chromitite grab and channel samples collected over these prospects returned values in excess of 5.0 g/t PGM, with nearly 20% of the samples returning values in excess of 10 g/t PGM.

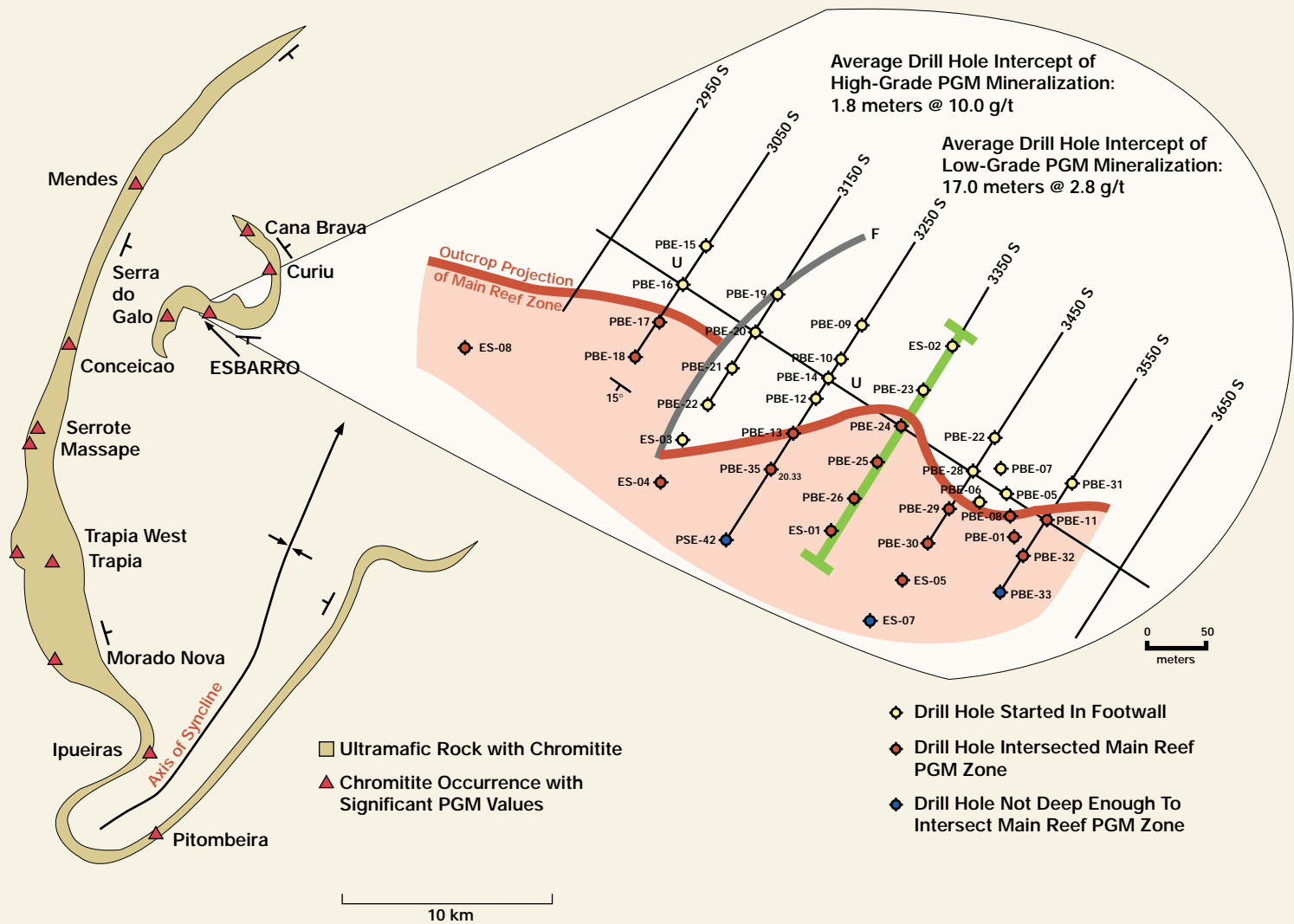
Approximately 11,500 soil samples have been collected over the favorable ultramafic rock horizon that hosts the PGM-bearing chromitite reef. The soil program tested 37 kilometers of horizontal strike length of the ultramafic unit. With many of the results still pending, the soil survey indicates that at least 17.5 kilometers of the ultramafic unit are PGM-bearing, a remarkably long and continuous anomaly.

The high-grade PGM surface values are consistent with past drilling results at the Esbarro prospect in the north-central part of the project area. At Esbarro, approximately 40 drill holes completed by previous operators intersected a high-grade chromitite reef zone that averaged 1.8 meters grading 10.0 g/t PGM within a lower grade zone that averaged 17.0 meters grading 2.8 g/t. Drilling on the Esbarro prospect indicates the zone is at least 800 meters long and 150 meters in down-dip width. The zone is open in both directions along strike and down dip. Recent surface work at Esbarro has traced the chromitite zone with strong PGM values nearly continuously for 1.2 kilometers along strike horizontally. This suggests the potential for a significant PGM deposit at Esbarro. A core drilling campaign at Pedra Branca began in late March.

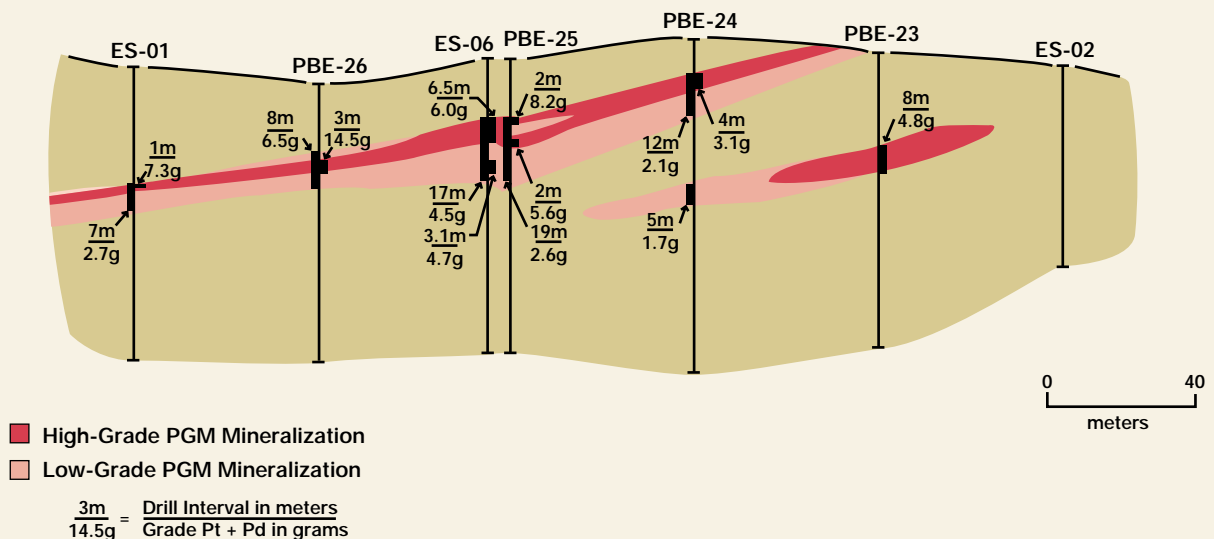
2



# Pedra Branca Ultramafic Complex & Drill Pattern



## Pedra Branca Cross Section Map



# Geologic Map of the Rincon del Tigre Complex

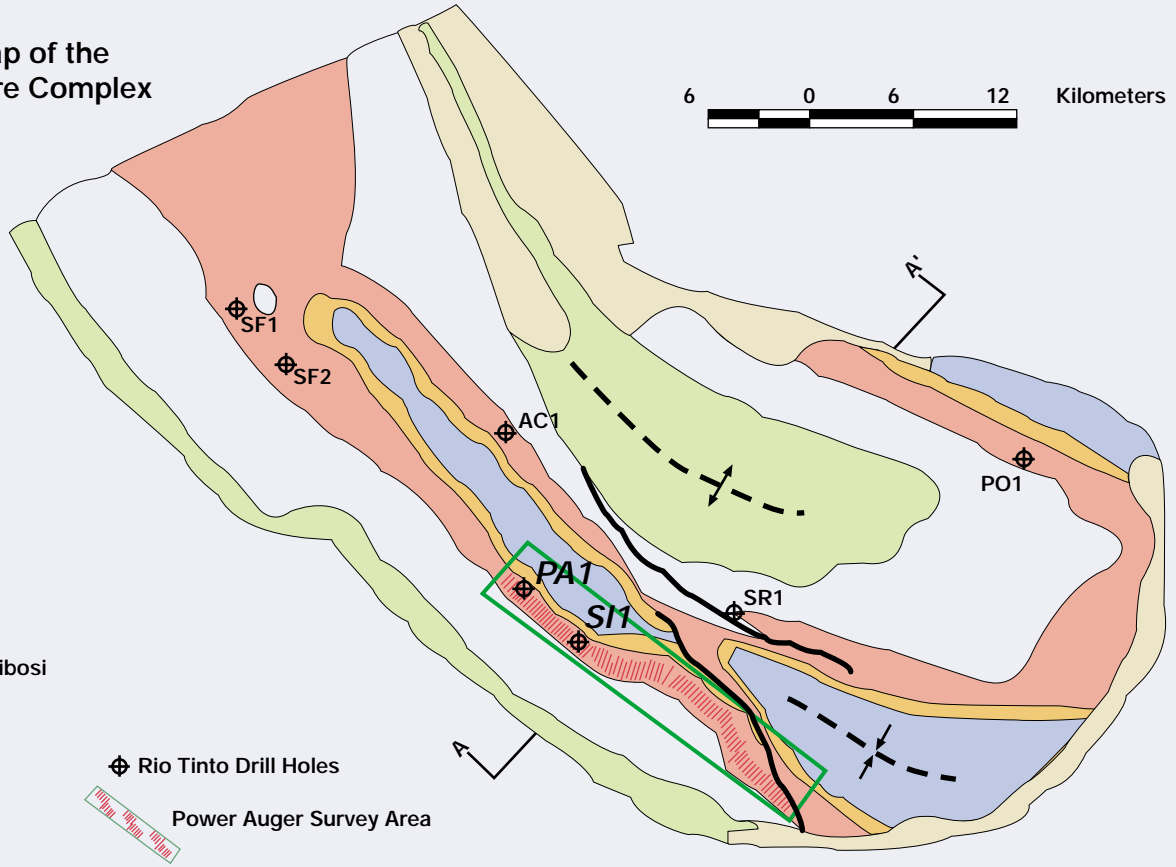


## EXPLANATION

### Generalized Geology

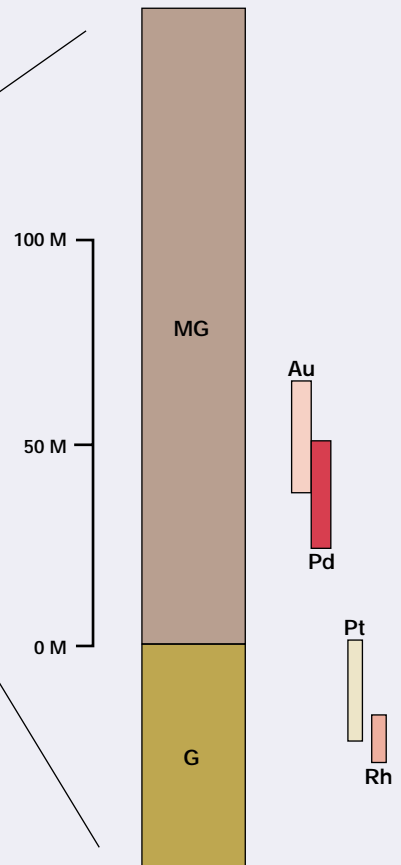
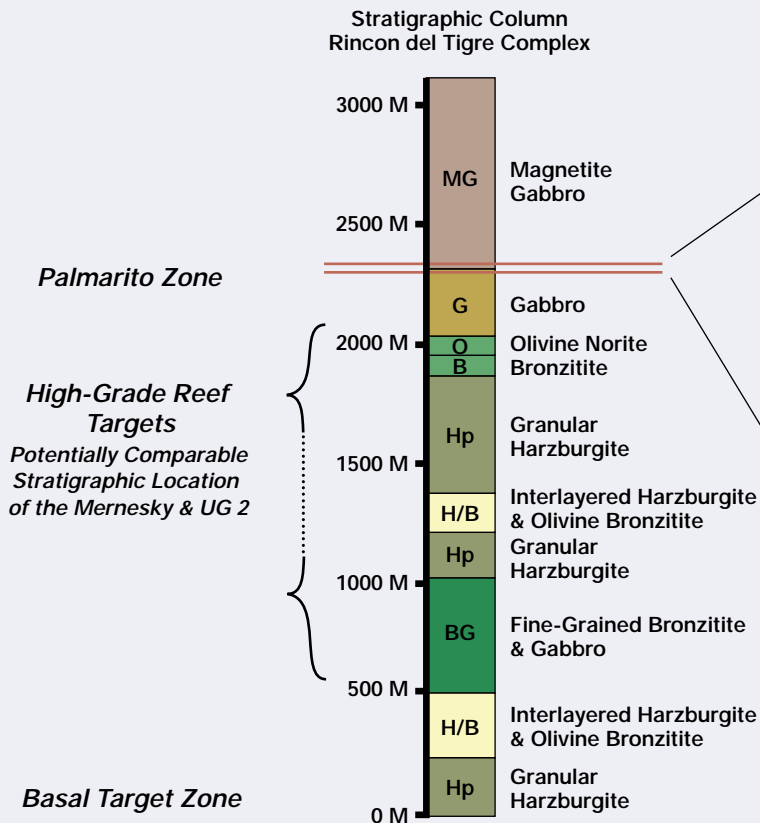
- Anticline
- Syncline
- Fault
- Cover Rocks
- Pre-Cambrian Vibosi Metasediments
- Felsic Unit
- Mafic Unit
- Ultramafic Unit
- Pre-Cambrian Sunsas Metasediments

Rio Tinto Drill Holes  
 Power Auger Survey Area



## Summary of Target Locations in the Rincon del Tigre Stratigraphy

## Schematic Stratigraphy & Precious Metal Distribution, Palmarito Zone





## Rincon del Tigre

The Rincon del Tigre layered ultramafic complex, acquired in the Altoro transaction, is perhaps the last such complex in the world that remains largely unexplored. These large ultramafic complexes account for the majority of PGMs produced in the world today.

Solitario completed initial surface exploration work on its 51,400-hectare (127,000 acres) Rincon del Tigre PGM property in Bolivia. Results at Rincon del Tigre continue to encourage us that this very large ultramafic complex could host a significant PGM deposit. Previous work at Rincon del Tigre has defined a minimum 24 kilometer long PGM-bearing horizon. Only two Rio Tinto drill holes have tested this portion of the horizon intersecting the following:

### Palmarito Drilling Results (from 1993)

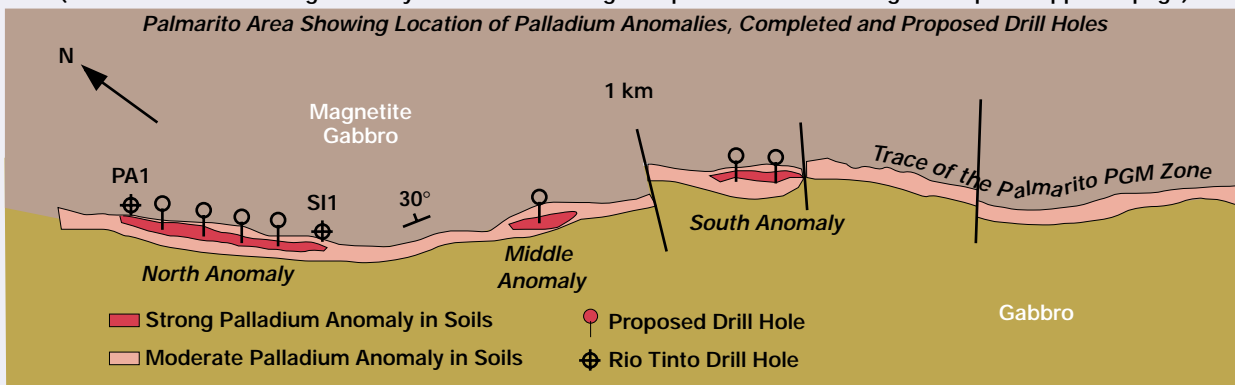
Hole No.	Meters	Feet	Grade Palladium (g/t)
PA-1	34	111.5	0.58
(Including)	10	32.8	1.27
SI-1	17	55.8	0.90

This PGM horizon has been traced on the surface by geochemical techniques for more than 127 kilometers. Based on Solitario's analysis of the ultramafic stratigraphy, the potential for additional undiscovered PGM-bearing horizons is considered good. Because of the large scope of this promising project, Solitario is seeking a joint venture partner to further explore the property.

### Palmarito Zone: Geochemical Anomaly Map

(reference the Power Auger Survey Area on the Geologic Map of the Rincon del Tigre Complex - opposite page)

Palmarito Area Showing Location of Palladium Anomalies, Completed and Proposed Drill Holes



## Bongará

An aggressive 31-hole, 10,295-meter drilling campaign was completed by Pasminco on the Bongará zinc project in Peru during 2000. Eighty drill holes totaling approximately 24,700 meters have now been completed in the Florida Canyon area during the past four field seasons.

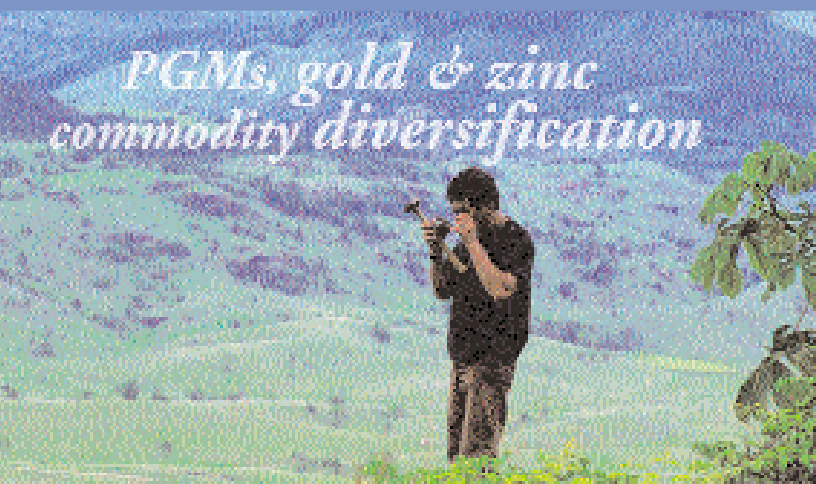
This year's drilling results significantly expanded the footprint of mineralization at Florida Canyon to over 2,500 meters in a north-south direction and 1,300 meters in an east-west direction. With approximately one-third of all drill holes encountering potentially economic mineralization, and another third intersecting significant mineralization of lower grade or narrower thickness, results from the 2000 drilling program were consistent with previous drilling campaigns. This success ratio is considered excellent for a grid drilling program in a Mississippi Valley type of zinc deposit where drill hole spacing is 100 to 300 meters.

The best fifteen drill holes for 2000 are as follows:

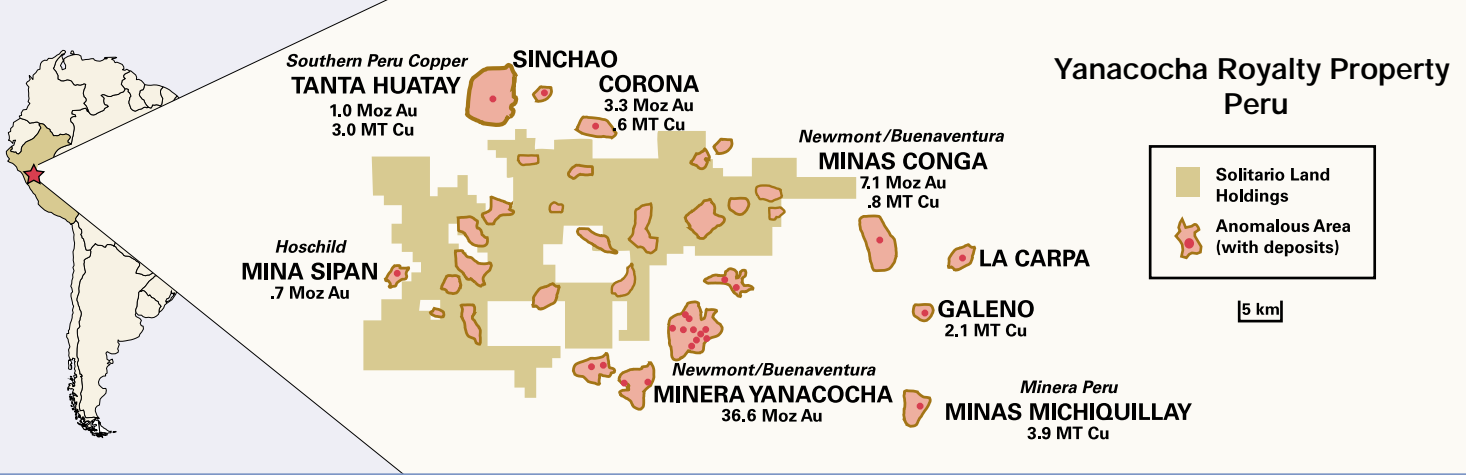
Drill Hole No.	Thickness		Grade		Drill Hole No.	Thickness		Grade	
	(meters)	(feet)	Zn-%	Pb-%		(meters)	(feet)	Zn-%	Pb-%
FC-56	2.5	8.2	11.89	–	FC-69	2.3	7.4	6.71	2.31
FC-58	11.0	36.1	8.08	0.75		3.0	9.8	11.22	–
(Including)	2.7	8.9	11.96	0.58	FC-71	1.0	3.3	15.64	7.04
(Including)	3.5	11.5	15.55	1.52	FC-72	2.0	6.5	15.82	2.11
FC-59	2.0	6.6	9.35	1.44	FC-76	5.3	17.2	6.54	0.45
FC-60	3.5	11.5	20.87	12.46	FC-77	5.1	16.7	10.82	0.71
	2.1	6.9	13.59	0.74	FC-78	13.9	45.6	3.75	2.21
FC-62	1.1	3.6	18.00	0.59	(Including)	3.1	10.0	7.61	1.24
	2.2	7.2	7.08	0.24		5.2	17.0	3.39	8.17
FC-64	2.1	6.9	16.60	1.14		0.9	3.0	28.14	0.16
FC-65	2.6	8.5	15.98	3.23	FC-80	2.3	7.5	7.48	0.17
FC-66	4.6	14.9	10.80	2.26		2.6	8.5	13.00	4.49

Early in 2001, Pasminco and Cominco terminated their option to earn an interest in the Bongará project.

Consequently, Solitario now owns 100% of the property. With over US\$16 million invested in the Bongará project to date, and strong high-grade zinc mineralization encountered over a large area at Florida Canyon, Bongará remains a core asset of the Company. Solitario will seek a joint venture partner during 2001 in this advanced-stage exploration property. Interest in this project by mid-sized zinc producers is strong.







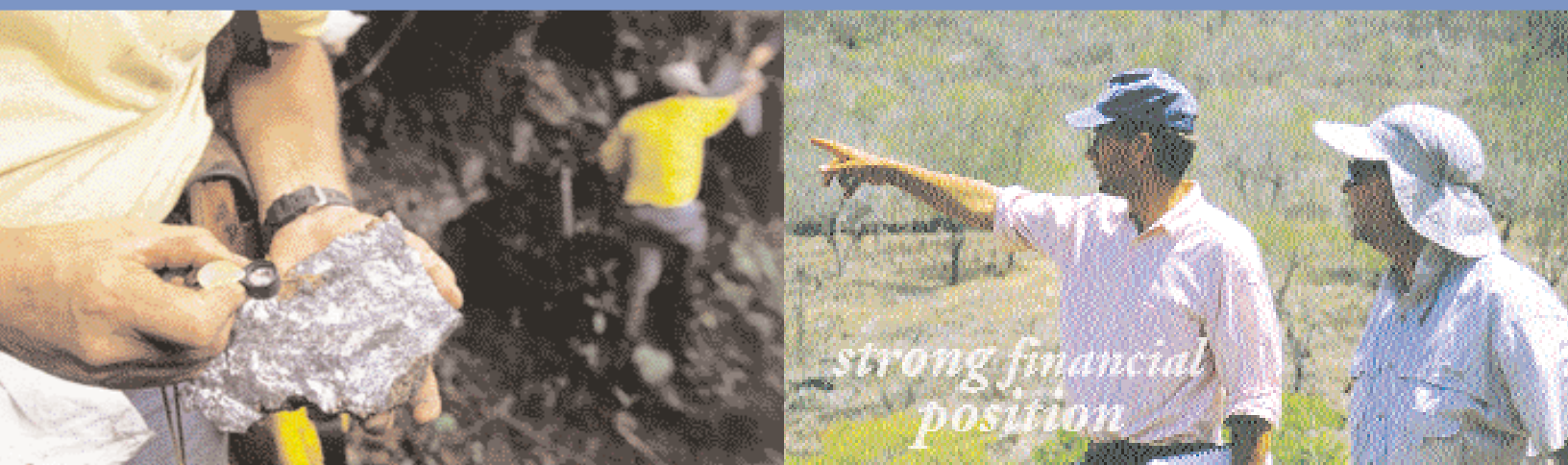
## Yanacocha

In February 2000, Solitario Resources sold its mineral interests in its Yanacocha gold property in northern Peru to Newmont Mining Corporation. The agreement converted Solitario's interest in its Yanacocha property to a net smelter return ("NSR") royalty and transferred approximately 60,000 hectares (150,000 acres) of mineral rights to Newmont. Solitario received US\$5.6 million in cash upon closing and will receive four annual payments of \$100,000. The transaction closed in late April 2000.

Solitario's gold royalty ranges from 2% to 5%, depending on the prevailing price of gold. Solitario also retains a 3% NSR royalty for all silver produced and a 2% NSR royalty for copper production. In late 2000, Newmont announced outstanding exploration results and an increase in reserves to 36.6 million ounces of gold on its 51%-owned Minera Yanacocha property located immediately south of Solitario's royalty property. We view this announcement as positive for the future of our retained royalty position located in such close proximity to the largest gold mine in South America.

## Tocantinzinho

Gold mineralization on the Tocantinzinho property, located in Brazil and acquired as part of the Altoro transaction, occurs in shear zones cutting a variety of intrusive rock types. A considerable amount of channel sampling of old pits and short power auger holes in saprolitic soils indicates strong gold mineralization over a strike length of at least 600 meters and a combined width of two zones of up to 120 meters. Gold grades of surface and auger samples average between 1.2 and 3.2 grams per tonne within this large zone. Solitario is in serious discussions with a major gold producer that may lead to a joint venture on this promising gold property.



## Sapalache

AngloGold completed four widely-spaced diamond drill holes totaling 650 meters on the Sapalache gold project in northern Peru. Drill hole DDH-3 intersected four gold bearing zones with numerous +1.0 g/t gold values. The best zone graded 9.38 g/t over one meter, with three other one meter intervals grading in excess of 3.0 g/t gold. Drill hole DDH-4 intersected one meter grading 5.96 g/t gold. Drill holes DDH-1 and 2 encountered strong argillic alteration, silicification, and anomalous gold. AngloGold elected to terminate its option to earn a 51% interest in the property. Solitario is seeking a new joint venture partner interested in high-grade underground gold targets.

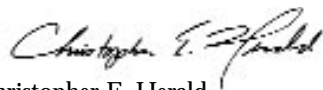
## Outlook for 2001

We believe the outlook for Solitario has never been brighter. Our attention is currently focused on the Pedra Branca drilling program where we hope to establish the presence of a new district-scale PGM project. With the worldwide scarcity of quality PGM projects, Pedra Branca could emerge as one of the most significant new exploration discoveries in years.

Adding to this excitement, we are attempting to complete important new joint ventures on the Rincon del Tigre PGM project in Bolivia, the Tocantinzinho gold project in Brazil and the Bongará zinc project in Peru. These potential new joint ventures all contemplate serious drilling commitments during 2001.

With our current cash position of US\$5.6 million (C\$8.9 million) as of March 25, 2001 and no debt, Solitario is well positioned for growth. We look forward to reporting the Company's progress during 2001.

Sincerely,



Christopher E. Herald  
Chief Executive Officer



Mark E. Jones III  
Chairman



# *Financial* **Table** *of Contents* --- *Statements*

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# Financial Conditions & Management Results of Operations

## Discussion & 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, 2000, 1999, and 1998, 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 ("Crown or CRCC"), but until 1993 it had no assets and conducted no operations.

### Results of Operations

The Company had net income of \$4,285,000 or \$0.24 per share in 2000 compared with a loss of \$6,003,000 or \$0.36 per share in 1999 and a loss of \$405,000 or \$0.02 per share in 1998.

On April 26, 2000 Solitario completed a transaction with an affiliate of Newmont Mining Corporation ("Newmont") and sold its interest in its Yanacocha property for proceeds of \$6,000,000 million and a sliding scale net smelter return royalty ("NSR") that varies with the price of gold. In order to effect the transaction, Solitario transferred all of the operating assets and liabilities, excluding its interest in Yanacocha, of its Peru operating subsidiary, Minera Los Tapados ("Los Tapados"), to a new operating subsidiary, Minera Solitario Peru. Newmont received all of the outstanding shares of Los Tapados for cash consideration of \$5,600,000. The balance of the proceeds, \$400,000, is being held in a reserve by Newmont and, pending release of certain contingent liabilities, will be paid in four annual payments of \$100,000 plus interest. Solitario recorded a gain on the sale of the Yanacocha property of \$5,809,000 during the second quarter of 2000.

On October 18, 2000, Solitario, completed a Plan of Arrangement ("the Plan") with Altoro Gold Corp. of Vancouver, Canada ("Altoro"), whereby Altoro became a wholly-owned subsidiary of Solitario. In connection with the Plan, Solitario issued 6,228,894 shares to Altoro shareholders and option holders. Solitario also reserved 825,241 Solitario shares for issuance upon the exercise of 825,241 warrants in exchange for Altoro warrants. On October 24, 2000, Solitario issued 261,232 shares upon the exercise of the above warrants and 286,231 the warrants expired unexercised. After the issuance of the shares in connection with the Arrangement and exercise of the warrants discussed above, Solitario has 23,344,647 shares outstanding of which CRCC owns 9,633,585 shares. Primarily as a result of the issuance of Solitario shares in connection with the Plan, CRCC's ownership percentage of Solitario was reduced from 57.2% to 41.3% at December 31, 2000. As a result of the acquisition of Altoro, Solitario acquired exploration properties in Bolivia and Brazil. Additionally Solitario expanded its focus of exploration from gold and base metal proper-

ties to include platinum group metals with targets primarily located in Brazil and Bolivia.

Interest income was \$360,000, \$144,000, and \$200,000 in 2000, 1999 and 1998, respectively. The change in interest income was primarily the result of larger cash balances related to the Yanacocha sale during 2000, compared to 1999 and 1998.

Included in the 1999 loss was the cumulative effect of a change in accounting principle for exploration costs on properties without proven and probable reserves from capitalizing all expenditures to expensing all costs, other than acquisition costs, prior to the establishment of proven and probable reserves. The \$5,094,000 cumulative effect of the change on prior years is included in the loss for 1999.

Exploration expense was \$1,182,000 in 2000 compared to \$666,000 in 1999 as a result of Solitario's expansion of its exploration to include Brazil and Bolivia as well as an expansion of the focus of exploration to include platinum group metals during 2000.

During the year ended December 31, 2000, the Company incurred \$372,000 of general and administrative expenses compared with \$75,000 in 1999, and \$112,000 in 1998. General and administrative expenses consist primarily of administrative, legal, accounting, and shareholder-related costs. The increased activities in Brazil and Bolivia as well as costs related to the sale of the Yanacocha property and the Altoro transaction account for the increase in general and administrative costs. Reduced exploration programs coupled with lower administrative costs, related to reductions in activities in Peru, contributed to the decrease in costs from 1998 to 1999.

CRCC provides management and technical services to Solitario under a management agreement originally signed in 1994 and modified in April 1999 and again in December 2000. The modified agreement, which has a three year term, provides for reimbursement to CRCC of direct out-of-pocket costs; payment of seventy-five percent of executive and administrative salaries and benefits, rent, insurance and investor relations costs ("Administrative Costs") and payment of certain allocated indirect costs and expenses paid by CRCC on behalf of Solitario. Prior to December 2000, Administrative Costs were reimbursed at fifty percent and a management fee of 2% was charged on direct Solitario expenses paid by CRCC. Prior to April 1999, the agreement reimbursed CRCC direct out-of-pocket costs; for certain allocated indirect costs; and payment of a service fee equal to 7% of expenditures. Management service fees paid to CRCC by Solitario in 2000, 1999 and 1998 were \$414,000, \$333,000 and \$89,000, 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 \$18,000 in 2000 compared with \$35,000 in 1999, and \$10,000 in 1998, and relates primarily to leasehold improvements and furniture and equipment.

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 \$63,000 in 1999 and \$403,000 in 1998. There were no property write-downs in 2000. Property write-downs have been reduced since 1998 primarily as a result of Solitario's change in accounting principle to no longer capitalize exploration expenditures on properties without proven and probable reserves.

### 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 a result of the Altoro transaction, the Company's 2000 acquisition and exploration programs have been devoted to properties in Brazil and Bolivia as well as Peru. Solitario also has approximately \$50,000 of assets in Canada, consisting primarily of marketable equity securities. Total foreign assets, as reported in the consolidated balance sheet as of December 31, 2000, amounted to \$5,124,000. 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.

Additions to mineral properties for land and leasehold costs during 2000 were \$4,820,000 which related primarily to the acquisition of Altoro properties as follows: The Pedra Branca property in Brazil of \$3,627,000; the Tocantinzinho property in Brazil of \$621,000; and the Rincon del Tigre property in Bolivia of \$558,000. There were no capitalized exploration costs during 2000 and 1999 due to Solitario's decision to expense exploration costs on properties without proven and probable reserves, compared to additions of \$991,000 for leasehold acquisition costs and exploration expenditures in 1998.

During 2000, the Company received net proceeds of \$6,000,000 from the sale of its Yanacocha property to Newmont. Newmont retained \$400,000 which has been recorded as restricted cash. The restricted cash will be paid in four annual payments of \$100,000 plus interest pending the release of certain contingent liabilities.

Solitario recorded property acquisition costs of \$4,705,000 from

the issuance of its shares in connection with the acquisition of Altoro. There were no other share issuances in 2000, 1999, or 1998. Primarily as a result of the issuance of shares in connection with the acquisition of Altoro, CRCC's ownership percentage has been reduced from 57.2% to 41.3% as of December 31, 2000.

During 1998, the Company 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. TNR reimbursed the Company \$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 \$6,334,000 at December 31, 2000. These funds are generally invested in short-term interest-bearing deposits and securities, pending investment in current and future projects. Restricted cash held by Newmont amounted to \$416,000, including \$300,000 in other (long-term) assets. Working capital at December 31, 2000 was \$6,339,000. The increase in cash and working capital is primarily attributable to the sale of the Yanacocha property.

The Company believes that its existing funds are sufficient to meet its currently planned operating activities and mandatory property payments through 2001. 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 the Bongará project with a subsidiary of Cominco Ltd. ("Cominco") of Vancouver, B.C., Canada. Cominco had the right to earn a 65% interest in the Bongará project by spending a minimum of \$17,000,000 over a five year period from January 2000 forward on exploration and development (in addition to the approximately \$10 million spent prior to January 2000) and by making annual cash payments to the Company of between \$100,000 and \$500,000 (depending on the price of zinc), as well as fully funding the project through a bankable feasibility study. Cash payments of \$118,000, \$118,000, and \$354,000, including value added taxes of 18%, have been paid to the Company by Cominco in January 2000, 1999 and 1998, respectively. In February 2001 Cominco terminated their option to acquire an interest in the Bongará project. Through December 31, 2000, Cominco had spent approximately \$16 million on exploration and drilled eighty holes totaling 81,000 feet on the Bongará project. Solitario currently holds a 100% interest in the project covering approximately 111,000 acres and may seek a new joint venture partner to explore and develop this property.

Altoro signed an agreement in May of 1999 with Eldorado Gold

Corporation ("Eldorado") on a portion of the Pedra Branca Project located in Ceará state in Brazil. Solitario can earn a 70% interest in concessions covering approximately 24,000 acres by spending \$2 million on exploration over three years. Solitario can earn an additional 20% (90% total) by spending an extra \$1 million within five years of the signature date. Should Eldorado be diluted to 10% this interest converts to a 2% NSR. Additionally, Solitario has applied for concessions in its own name at Pedra Branca covering approximately 141,000 acres for a total of 165,000 acres at the Pedra Branca Project.

On February 18, 2000, Altoro signed a letter of intent granting Hunter Dickinson Group, Inc., of Vancouver, Canada an option to earn a 60% interest in Altoro's share of the Pedra Branca Project which has been assigned to Rockwell Ventures, Inc. of Vancouver, Canada ("Rockwell"), a publicly-traded exploration company. Under the terms of the agreement, Rockwell has the right to earn the 60% interest in the Pedra Branca Project by spending \$7 million on exploration within four years from July 2000, with a minimum expenditure of \$1 million during the first year. In addition Rockwell must issue to Solitario a total of 500,000 shares of Rockwell common shares over four years in five equal installments with a minimum value of US\$100,000 per allotment. Rockwell delivered 125,433 shares and \$50,000 in cash May 2000 upon regulatory approval of the agreement to satisfy the first payment under the agreement. Upon Rockwell earning its 60% interest, Solitario will have the right to put its 40% interest in Pedra Branca Project to Rockwell (the "Put Option") in exchange for the right to own 40% of Rockwell's market capitalization after exercise of the put option (the Purchase Price). The Purchase Price may be paid 100% in shares of Rockwell or 25% in cash and 75% in shares of Rockwell. Rockwell is responsible for making all payments related to the property during the earn-in period.

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, Solitario'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, Solitario has entered into agreements which generally may be canceled at its option. Solitario is required to make minimum rental and option payments in order to maintain its interests in certain claims and leases. Solitario estimates its 2001 mineral property rental and option payments to be approximately \$168,000. Based upon existing joint venture or leasing arrangements, the Company's share of these costs is approximately \$108,000.

Solitario charged operations \$1,182,000 in 2000 and \$666,000 in 1999 for exploration expenditures on mineral properties. The increase in the expenditures in 2000 is related to the expansion of the focus of Solitario's exploration activities to include platinum group metals as well as the acquisition of Altoro which increased the number and scope of properties to be evaluated and the number and cost of exploration personnel. There is no exploration expense charged to operations in 1998 as Solitario capitalized all exploration expenditures prior to January 1, 1999, the date of the change in accounting principle. Exploration charged to operations is exclusive of amounts spent on its properties by third parties.

Solitario has budgeted \$930,000 for exploration expenditures, to be charged to operations, during 2001 which will be in addition to planned expenditures by joint venture partners.

### New Accounting Pronouncements

In June of 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities". The standard, which is effective for fiscal years beginning after June 15, 2000, sets forth guidelines for recording derivative instruments as assets and liabilities to be reported in the financial statements at fair value and that changes in the fair value of the instruments shall be recognized in the results of operations. This standard, will be adopted by the Company in 2001 and is not expected to have a material effect on the Company's financial position, results of operations and cash flows.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain of the SEC views in applying generally accepted accounting principles to revenue recognition as it relates to, among other things, the revenue recognition from non-refundable, up-front payments in connection with service contracts. Solitario adopted the provisions of SAB 101 in the fourth quarter of 2000. The adoption of SAB 101 did not have a material effect on Solitario's financial condition or results of operations.

# *Financial* **Independent** *Auditors' Report* *Statements*

## 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 (the Company) as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000 which, as described in Note 1, have been prepared on the basis of accounting principles generally accepted in the United States of America. 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 of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the consolidated balance sheet at December 31, 2000 includes land and leasehold costs of \$4,873,000. 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.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for exploration costs on properties without proven and probable reserves in 1999.

Deloitte & Touche LLP  
Denver, Colorado  
March 23, 2001

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## 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 explanatory paragraphs 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 23, 2001 is expressed in accordance with auditing standards generally accepted in the United States of America, which permits the inclusion of an explanatory paragraphs in the auditors' report to emphasize a matter regarding the financial statements.

Deloitte & Touche LLP  
Denver, Colorado  
March 23, 2001

# Consolidated Balance Sheets

	Years Ended December 31,	
	2000	1999
<i>(in thousands of U.S. dollars, except share amounts)</i>		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,334	\$ 2,386
Restricted cash	116	—
Prepaid expenses and other	40	43
Total current assets	6,490	2,429
<b>Mineral properties, net</b>	4,873	53
<b>Assets held for sale</b>	—	178
<b>Marketable equity securities, at fair value</b>	220	103
<b>Other assets</b>	377	33
	<b>\$ 11,960</b>	<b>\$ 2,796</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 70	\$ 7
Due to CRCC	81	39
<b>Total current liabilities</b>	151	46
<b>Stockholders' equity:</b>		
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 23,344,647 and 16,854,521	234	169
Additional paid-in capital	21,147	16,507
Accumulated deficit	(9,510)	(13,795)
Accumulated other comprehensive income	(62)	(131)
<b>Total stockholder's equity</b>	11,809	2,750
	<b>\$ 11,960</b>	<b>\$ 2,796</b>

On behalf of the Board:

Christopher E. Herald,  
Director

Daniel Leonard,  
Director

See notes to consolidated financial statements.



# Consolidated of Operations Statements

	Years Ended December 31,		
	2000	1999	1998
<i>(in thousands of U.S. dollars, except per share amounts)</i>			
<b>Revenues:</b>			
Mineral property option proceeds	\$ 100	\$ 100	\$ —
Gain on sale of assets	\$ 5,811	\$ 19	\$ —
Interest income	360	144	200
	6,271	263	200
<b>Costs and expenses:</b>			
Exploration	1,182	666	—
Depreciation, depletion and amortization	18	35	10
General and administrative	372	75	112
Management fees - CRCC	414	333	89
Asset write-downs	—	63	403
Other, net	—	—	(9)
	1,986	1,172	605
<b>Net income (loss) before cumulative effect of change in accounting principle</b>	4,285	(909)	(405)
Cumulative effect of change in accounting principle	—	(5,094)	—
<b>Net income (loss)</b>	\$ 4,285	\$ (6,003)	\$ (405)
<b>Earnings (loss) per common share:</b>			
<b>Basic before cumulative effect of change in accounting principle</b>	\$ 0.24	\$ (0.05)	\$ (0.02)
<b>Change in accounting principle</b>	—	(0.31)	—
<b>Basic earnings (loss) per share</b>	\$ 0.24	\$ (0.36)	\$ (0.02)
<b>Diluted before cumulative effect of change in accounting principle</b>	\$ 0.23	\$ (0.05)	\$ (0.02)
<b>Change in accounting principle</b>	—	(0.31)	—
<b>Diluted earnings (loss) per share</b>	\$ 0.23	\$ (0.36)	\$ (0.02)
<b>Weighted average of shares outstanding</b>			
<b>Basic</b>	18,163	16,855	16,855
<b>Diluted</b>	18,350	16,855	16,855
<b>Pro forma amounts assuming the method of expensing exploration costs as incurred is applied retroactively:</b>			
<b>Net income (loss)</b>	\$ 4,285	\$ (909)	\$ (923)
<b>Basic income (loss) per common share</b>	\$ 0.24	\$ (0.05)	\$ (0.05)

# *Consolidated* of *Stockholders'* *Equity* *Statements*

<i>(in thousands of U.S. dollars, except share amounts)</i>	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
<b>Balance at January 1, 1998</b>	<b>16,854,521</b>	<b>\$ 169</b>	<b>\$ 16,507</b>	<b>\$ (7,387)</b>	<b>\$ —</b>	<b>\$ 9,289</b>
Comprehensive income (loss):						
Net loss	—	—	—	(405)	—	(405)
Net unrealized gain on marketable equity securities	—	—	—	—	17	17
Comprehensive loss				—	—	(388)
<b>Balance at December 31, 1998</b>	<b>16,854,521</b>	<b>169</b>	<b>16,507</b>	<b>(7,792)</b>	<b>17</b>	<b>8,901</b>
Comprehensive income (loss):						
Net loss	—	—	—	(6,003)	—	(6,003)
Net unrealized loss on marketable equity securities	—	—	—	—	(148)	(148)
Comprehensive loss					—	(6,151)
<b>Balance at December 31, 1999</b>	<b>16,854,521</b>	<b>169</b>	<b>16,507</b>	<b>(13,795)</b>	<b>(131)</b>	<b>2,750</b>
Shares issued:						
Acquisition of Altoro	6,228,894	62	4,464	—	—	4,526
Exercise of warrants	261,232	3	176	—	—	179
Comprehensive income (loss):						
Net income	—	—	—	4,285	—	4,285
Net unrealized gain on marketable equity securities	—	—	—	—	69	69
Comprehensive income					—	4,354
<b>Balance at December 31, 2000</b>	<b>23,344,647</b>	<b>\$ 234</b>	<b>\$ 21,147</b>	<b>\$ (9,510)</b>	<b>\$ (62)</b>	<b>\$ 11,809</b>

# Consolidated of Cash Flows Statements

<i>(in thousands of U.S. dollars)</i>	Years Ended December 31,		
	2000	1999	1998
<b>Operating activities:</b>			
Net income (loss)	\$ 4,285	\$ (6,003)	\$ (405)
Adjustments:			
Depreciation, depletion and amortization	18	35	10
Asset write-downs	—	63	403
Gain on asset sales	(5,811)	(19)	—
Cumulative effect of change in accounting principle	—	5,094	—
Other	99	—	—
Changes in operating assets and liabilities, excluding effects of acquisition:			
Prepaid expenses and other current assets	(77)	(11)	24
Accounts payable	(73)	(12)	(61)
Due to CRCC	42	34	(8)
Net cash used in operating activities	(1,517)	(819)	(37)
<b>Investing activities:</b>			
Payments for acquisition, net of cash acquired	(374)	—	—
Additions to mineral properties and other	(55)	—	(991)
Receipts on mineral property transactions	—	—	434
Proceeds from asset and mineral property sales	5,715	19	—
Decrease (increase) in other assets	—	(59)	(11)
Net cash provided by (used in) investing activities	5,286	(40)	(568)
<b>Financing activities:</b>			
Issuance of common stock, net	179	—	—
Net cash provided by financing activities	179	—	—
<b>Net increase (decrease) in cash and cash equivalents</b>	3,948	(859)	(605)
<b>Cash and cash equivalents, beginning of year</b>	2,386	3,245	3,850
<b>Cash and cash equivalents, end of year</b>	\$ 6,334	\$ 2,386	\$ 3,245
<b>Supplemental disclosure of cash flow information:</b>			
Noncash investing and financing activities:			
Securities received for mineral property transactions, sale of Argentina subsidiary	—	21	212
Increase in accounts receivable from sale of Argentina subsidiary	—	—	29

See notes to consolidated financial statements.

# Notes *Financial* *Statements* to Consolidated

## 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. Solitario's mineral properties are located in Brazil, Bolivia and 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"). On October 18, 2000 Solitario completed a Plan of Arrangement ("the Plan") whereby Solitario issued 6,228,894 shares of its stock to the shareholders of Altoro Gold Corp. ("Altoro") in exchange for 100% of the outstanding shares of Altoro. After the issuance of shares in connection with the Plan, CRCC owns 41.3% of Solitario as of December 31, 2000. See Note 9.

### **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 accounting principles generally accepted in the United States of America, and are expressed in U.S. dollars. See Note 11 for differences between Canadian and U.S. generally accepted accounting principles.

In performing its activities, the Company has incurred certain costs for land and leasehold interests. 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.

During 1999, the Company changed its method of accounting for exploration costs on properties without proven and probable reserves from capitalizing all expenditures to expensing all costs incurred, other than acquisition costs, prior to the establishment of proven and probable reserves. See Note 2.

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. When such proceeds are associated with properties subject to a joint venture, they are recorded as revenue in accordance with the terms of the joint venture and the transfer of the property interest to the joint venture partner during the term of the joint venture.

### **Marketable equity securities**

The Company's equity securities are classified as available-for-sale and are carried at fair value which is based upon market quotes of the underlying securities. The cost of marketable equity securities sold is determined by the specific identification method.

### **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 Brazil, Bolivia and Peru, substantially all of the land, leasehold, and exploration agreements of the Company are denominated in United States dollars. The 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.

### **Earnings per share**

The calculation of basic earnings per share, "Earnings Per Share," is based on the weighted average number of common shares outstanding during the years ended December 31, 2000, 1999 and 1998. The calculation of diluted earnings per share for the year ended December 31,

2000 includes the effect of common stock equivalents, which include employee stock options and warrants, unless inclusion would be anti-dilutive. The potentially dilutive securities, which include stock options and warrants were 1,615,000, 1,178,000 and 2,681,000 at December 31, 2000, 1999 and 1998, respectively. The effects of these securities are not included in the computation of diluted earnings per share where their 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. As a result of repricing of its options in 1999, the Company accounts for all grants which have been repriced as variable awards and records increases and decreases in compensation expense during the period based upon changes in the market price of Solitario's stock as required by APBO 25.

#### **Segment reporting**

The Company operates in one segment, minerals exploration. All of the Company's operations are located in South America as further described in note 2. Solitario's United States assets consist primarily of cash and cash equivalents at December 31, 2000 of \$6,379,000 and conducts certain administrative functions in the United States. Solitario holds certain South American assets through its Canadian wholly-owned subsidiary, Altoro.

#### **New accounting pronouncements**

In June of 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The standard, which is effective for fiscal years beginning after June 15, 2000, sets forth guidelines for recording derivative instruments as assets and liabilities to be reported in the financial statements at fair value and that changes in the fair value of the instruments shall be recognized in the results of operations. This standard was adopted by Solitario in 2001 and did not have a material effect on Solitario's financial position, results of operations and cash flows.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 summarizes certain of the SEC views in applying generally accepted accounting principles to revenue recognition as it relates to, among other things, the revenue recognition from non-refundable, up-front payments in connection with service contracts. Solitario adopted the provisions of SAB 101 in the fourth quarter of 2000. The adoption of SAB 101 did not have a material effect on Solitario's financial condition or results of operations.

## **2. Mineral Properties:**

#### **Change in accounting principle**

During 1999, the Company changed its method of accounting for exploration costs on properties without proven and probable reserves from capitalizing all expenditures to expensing all costs, other than acquisition costs, prior to the establishment of proven and probable reserves. This will bring the Company's accounting method in accordance with the predominant practice in the U.S. mining industry. The \$5,094,000 cumulative effect of the change on prior years is included in the loss for 1999. The effect of the change in 1999 was to increase the loss before cumulative effect of change in accounting principle by \$69,000 or \$0.00 per share.

#### **Peru**

The Company holds exploration concessions or has filed applications for concessions covering approximately 179,000 acres in Peru. These applications are subject to normal administrative approvals and the properties are subject to an annual rental of \$5.00 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 111,000 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. After a modification signed in 1999, Cominco had the right to earn a 65% interest in the Bongará project by spending a minimum of \$17,000,000 over a five year period from January 1999 forward on exploration and development and by making annual cash payments to the Company of between \$100,000 and \$500,000 (depending on the price of zinc), as well as fully funding the project through a bankable feasibility study. Cash payments of \$118,000, \$118,000, and \$354,000, including value added taxes of 18%, have been paid to the Company by Cominco in January 2000, 1999 and 1998, respectively. In February 2001 Cominco terminated their option to acquire an interest in the Bongará project. As of that date, Cominco had spent approximately \$16 million and drilled eighty holes totaling approximately 81,000 feet. Solitario currently holds 100% interest in the property and may seek a new joint venture partner to explore and develop this property.

#### **Yanacocha**

On April 26, 2000 Solitario completed a transaction with an affiliate of Newmont Mining Corporation ("Newmont") and sold its interest in its Yanacocha property for \$6 million and a sliding scale net smelter return royalty ("NSR") that varies with the price of gold. In order to effect the transaction, Solitario transferred all of the operating assets and liabilities, excluding its interest in Yanacocha, of its Peru operating subsidiary, Minera Los Tapados ("Los Tapados"), to a new operating sub-

sidiary, Minera Solitario Peru. Newmont received all of the outstanding shares of Los Tapados for cash consideration of \$5.6 million. The balance of the \$6 million, \$0.4 million, is being held in a reserve by Newmont and, pending release of certain contingent liabilities, will be paid in four annual payments of \$0.1 million plus interest. Solitario recorded a gain on the sale of the Yanacocha property of \$5.8 million during the second quarter of 2000.

#### ***Other Peruvian properties***

Solitario holds concessions comprising approximately 67,000 acres on the La Pampa, Sapalache and Esmeralda exploration properties. Solitario will conduct limited exploration activities while it seeks joint venture partners to explore and develop these properties.

#### **Brazil**

##### ***Pedra Branca***

With the completion of the acquisition of Altoro in October 2000, Solitario acquired the Pedra Branca platinum-palladium (PGM) Project located in Ceará state in Brazil. Altoro signed an agreement in May of 1999 with Eldorado Gold Corporation ("Eldorado") whereby Solitario can earn a 70% interest in concessions covering approximately 24,000 acres, by spending \$2 million on exploration over three years. Solitario can earn an additional 20% (90% total) by spending an extra \$1 million within five years of the signature date. Should Eldorado be diluted to 10% this interest converts to a 2% NSR. Additionally, Solitario (through Altoro) has applied for concessions in its own name covering approximately 141,000 acres for a total of 165,000 acres at the Pedra Branca Project.

On February 18, 2000, Altoro signed a letter of intent granting Hunter Dickinson Group, Inc., of Vancouver Canada an option to earn a 60% interest in Altoro's share of the Pedra Branca Project which has been assigned to Rockwell Ventures, Inc. of Vancouver, Canada ("Rockwell") a publicly-traded exploration company. Under the terms of the agreement, Rockwell has the right to earn the 60% interest in the Pedra Branca Project by spending \$7 million on exploration within four years from July 2000, with a minimum expenditure of \$1 million during the first year. In addition Rockwell must issue to Solitario a total of 500,000 shares of Rockwell common shares over four years in five equal installments with a minimum value of US\$100,000 per allotment. Rockwell delivered 125,433 shares and \$50,000 in cash May 2000 upon regulatory approval of the agreement to satisfy the first payment under the agreement. Upon Rockwell earning its 60% interest, Solitario will have the right to put its interest in Pedra Branca to Rockwell (the "Put Option") in exchange for ownership of 40% of Rockwell's market capitalization after exercise of the Put Option (the "Purchase Price"). The Purchase Price may be paid, at Solitario's option, in shares of Rockwell or 25% in cash and 75% in shares of Rockwell. Rockwell is responsible for making all payments related to the properties during the earn in period.

In October 2000, Solitario recorded \$3,627,000 in mineral property additions for the Pedra Branca project in connection with the acquisition of Altoro.

##### ***Tocantinzinho***

In November 1998 Altoro entered into an option agreement (subsequently modified) to acquire a 100% interest in the Tocantinzinho gold property in Brazil. The agreement covers washing licences for approximately 10,000 acres located in the Para state in Brazil. In order to keep the option in force under the terms of the agreement, Solitario will have to pay the former title holder of the licences \$40,000 in each of the years 2001 and 2002 and \$50,000 annually thereafter until commercial production is achieved. At that time Solitario will be required to make a lump-sum payment of \$1.0 million. The owner retains a 0.5% royalty from any production which may be purchased for \$500,000. Solitario expects to convert the washing licenses to exploration concessions in 2001. Additionally, Solitario has the right under a separate agreement to convert about 10,000 acres in additional washing licenses to exploration licenses. No underlying payments are associated with this agreement. A payment to the Brazilian government of \$0.55 per hectare is required to keep the washing licenses in force totaling about \$4,400 in 2001.

In October 2000, Solitario recorded \$621,000 in mineral property additions for the Tocantinzinho property in connection with the acquisition of Altoro.

#### **Bolivia**

##### ***Rincon del Tigre***

Since April 1999 Altoro entered into a series of agreements which allow Solitario to earn a 100% interest in concessions covering 127,000 acres at the Rincon del Tigre PGM property located in Santa Cruz state in southeastern Bolivia. The agreements require Solitario to spend \$3.15 million on exploration over six years and to issue 800,000 shares of Altoro, 100,000 shares of which were issued in 1999 and 2000. The remaining 700,000 shares of Altoro will be issued as 233,333 shares of Solitario, with 45,833 shares due in 2001, 58,333 due in 2002, 70,834 shares due in 2003, 37,500 shares due in 2004 and 20,833 due in 2005. Solitario's share payments are cancelable if Solitario elects not to exercise its purchase option. The owner of the Rincon del Tigre concessions retains a 2% NSR on the concessions, which can be purchased for \$2 million at any time subject to regulatory approval. Annual payments are required by the Bolivian government in order to keep the claims in good standing. Solitario has estimated these payments to be approximately \$25,000 for 2001.

In October 2000, Solitario recorded \$558,000 in mineral property additions for the Rincon del Tigre property in connection with the acquisition of Altoro.

#### **Land and leasehold and exploration costs**

Mineral property costs for all the Company's properties are comprised of land and leasehold costs at December 31, 2000 and 1999. Mineral property costs at December 31, 1998 include land and leasehold costs as well as exploration costs 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:

<i>(in thousands)</i>	Expensed		Capitalized
	2000	1999	1998
Geologic, drilling, and assay	\$ 284	\$ 179	\$ 240
Field expenses	394	76	400
Administrative	504	411	237
Total exploration costs	\$1,182	\$ 666	\$ 877

Included in the consolidated balance sheet at December 31, 2000 are total assets of \$5,124,000 related to the Company's foreign operations. Assets totaling \$5,037,000 are located in South America in Brazil, Bolivia, and Peru. Assets totaling \$87,000 are located in Canada.

#### 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 the Company recorded write-downs to exploration properties of \$63,000 and \$403,000 in 1999 and 1998 respectively. There were no write-downs to exploration properties in 2000.

### 3. Acquisitions:

As described in Note 9, Solitario acquired 100% of the outstanding common stock of Altoro (the "Transaction"). Solitario accounted for the Transaction using the purchase method of accounting. The purchase price was \$4,996,000 which included the issuance of 6,228,884 shares valued at \$4,526,000. The fair value of assets acquired was \$666,000 and the fair value of the liabilities assumed was \$136,000. The excess purchase cost of \$4,466,000 was allocated to mineral properties acquired as follows: Pedra Branca in Brazil, \$3,573,000; Tocantinzinho in Brazil, \$447,000; and Rincon del Tigre in Bolivia, \$447,000. The pro forma results, assuming the transaction occurred as of January 1, 1999 are as follows:

<i>(in thousands)</i>	Year ended December 31,	
	2000	1999
Revenues	\$ 6,278	\$ 280
Net income (loss)	\$ 3,410	\$(8,495)
Basic and diluted income (loss) per share	\$ 0.15	\$(0.37)

### 4. Related Party Transactions:

CRCC provides management and technical services to Solitario under a management agreement originally signed in 1994 and modified in April 1999 and again in December 2000. The modified agreement, which has a three year term, provides for reimbursement to CRCC of direct out-of-pocket costs; payment of seventy-five percent of executive and administrative salaries and benefits, rent, insurance and investor relations costs ("Administrative Costs") and payment of certain allocated indirect costs and expenses paid by CRCC on behalf of Solitario. Prior to

December 2000, Administrative Costs were reimbursed at fifty percent and a management fee of 2% was charged on direct Solitario expenses paid by CRCC. Prior to April 1999, the agreement reimbursed CRCC direct out-of-pocket costs; for certain allocated indirect costs; and payment of a service fee equal to 7% of expenditures. Management service fees paid to CRCC by Solitario in 2000, 1999 and 1998 were \$414,000, \$333,000 and \$89,000, respectively. Net advances due to CRCC as of December 31, 2000 and 1999 were \$81,000 and \$39,000, respectively, related to the management services and fee.

### 5. Income Taxes:

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

<i>(in thousands)</i>	2000	1999	1998
Deferred			
U.S.	\$ -	\$ -	\$ 105
Foreign	(347)	1	85
Operating loss and credit carryovers:			
U.S.	-	-	(105)
Foreign	347	(1)	(85)
Income tax benefit	\$ -	\$ -	\$ -

Consolidated income (loss) before income taxes includes losses from foreign operations of \$1,275,000, \$664,000, and \$441,000 in 2000, 1999 and 1998, 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.

The net deferred tax assets/liabilities in the December 31, 2000 and 1999 balance sheets include the following components:

<i>(in thousands)</i>	2000	1999
Deferred tax assets:		
Net operating loss (NOL) carryovers	\$ 2,791	\$ 2,596
Capital loss carryovers	711	1,874
Investment in Peru	-	2,722
Royalty	1,560	-
Other	32	63
Valuation allowance	(3,510)	(7,255)
Deferred tax assets	1,584	-
Deferred tax liabilities:		
Exploration and development costs	1,584	-
Other	-	-
Deferred tax liabilities	1,584	-
Net deferred tax assets/liabilities	\$ -	\$ -

The change in accounting principle discussed in Note 2 had the effect of increasing the 1999 valuation allowance offset to deferred tax assets

and decreasing the exploration and development costs deferred tax liability by \$1,642,000

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

<i>(in thousands)</i>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Expected income tax	\$ 1,457	\$ (309)	\$ (138)
Non-deductible foreign expenses	109	32	26
Deconsolidation of Argentine NOL	-	-	,480
Disposition of investment in Peru	1,818	(2,373)	-
Foreign tax rate differences	12	21	9
State income tax	351	(363)	(4)
Valuation allowance	(3,727)	2,992	(2,374)
Other	(20)	-	1
Income tax benefit	\$ -	\$ -	\$ -

At December 31, 2000, the Company has unused U.S. Net Operating Loss ("NOL") and capital loss carryovers of \$2,248,000 and \$1,822,000, respectively, which begin to expire commencing 2008 and 2004, respectively. The Company also has Foreign NOL carryovers at December 31, 2000 of \$5,539,000 which begin to expire four years after the first year in which taxable income arises.

## 6. 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.

## 7. 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 2001 mineral property rental and option payments to be approximately \$168,000. Based upon existing joint venture or leasing arrangements, the Company's share of these costs is approximately \$108,000.

## 8. 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. The Board of Directors voted for, and shareholders approved, amendments that have increased the authorized shares under the Plan to 2,336,000 as of June 2000.

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, 2000 is as follows:

	<b>2000</b>		<b>1999</b>		<b>1998</b>	
	<b>Options</b>	<b>Weighted Average Price (Cdn\$)</b>	<b>Options</b>	<b>Weighted Average Price (Cdn\$)<sup>1</sup></b>	<b>Options</b>	<b>Weighted Average Price (Cdn\$)</b>
Outstanding, beginning of year	1,704,750	1.23	1,263,750	2.51	1,203,750	2.49
Granted	45,000	1.30	1,162,000	1.19	60,000	3.00
Exercised	-	-	-	-	-	-
Forfeited	(25,000)	1.17	(15,000)	2.25	-	-
Expired	-	-	(706,000)	2.41	-	-
Outstanding, end of year	1,724,750	1.22	1,704,750	1.22	1,263,750	2.51
Exercisable, end of year	1,472,750	1.22	1,231,750	1.23	1,181,250	2.48



<sup>1</sup> In March 1999, the shareholders of the Company approved a repricing of existing options for current employees, officers and directors to Cdn\$1.16 per share, which was the market price of the Company's stock.

The options outstanding at December 31, 2000 have a range of exercise prices of between Cdn\$1.16 and Cdn\$1.30 and a weighted average remaining contractual life of 2.7 years.

As a result of the repricing of existing options in 1999, Solitario began to account for the awards as variable as of July 1, 2000, in accordance with FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" (an interpretation of APB 25). Accordingly, an increase in the current market price of Solitario common stock above the higher of the option strike price and the market price of Solitario's common stock as of July 1, 2000, multiplied by vested options outstanding will be recorded as compensation expense in the period of the price increase. A subsequent reduction in the current market price, to the extent of previously recorded compensation expense will be credited as a reduction of compensation expense. There was no compensation expense recorded during 2000 as a result of variable accounting for the repriced options.

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 2000, 1999 and 1998, respectively: risk-free interest rate of 6.1%, 5.31% and 5.52%; dividend yield of 0 percent; volatility factor of the expected market price of the Company's common stock of 65%, 68% and 75%; and a weighted average expected life of the options of 4.0 years, 3.6 years and 4.0 years. The weighted average fair value of the options granted is estimated at \$0.48, \$0.40 and \$1.36 per share in 2000, 1999 and 1998, 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)*

	<b>2000</b>	<b>1999</b>	<b>1998</b>
Net income (loss)			
As reported	\$ 4,285	\$ (6,003)	\$ (405)
Pro forma	4,306	(6,661)	(459)
Net income (loss) per share			
As reported	\$ (0.24)	\$ (0.36)	\$ (0.02)
Pro forma	(0.24)	(0.40)	(0.03)

## **9. Stockholders' Equity:**

On October 18, 2000, Solitario, completed a Plan of Arrangement ("the Plan") with Altoro Gold Corp. of Vancouver, Canada ("Altoro"), whereby Altoro became a wholly-owned subsidiary of Solitario. In connection with the Plan, Solitario issued 6,228,894 shares to Altoro shareholders and option holders. Solitario also reserved 825,241 Solitario shares for issuance upon the exercise of 825,241 warrants issued in exchange for Altoro warrants. On October 24, 2000, Solitario issued 261,232 shares upon the exercise of the above warrants and 286,231 of the warrants expired unexercised. An additional 16,667 warrants expired unexercised in December 2000. As of December 31, 2000, warrants to purchase 261,111 shares of Solitario shares were outstanding including warrants to purchase 100,000 shares at Cdn\$1.05 per share expiring on July 27, 2001 and warrants to purchase 161,111 shares at Cdn\$1.80 expiring on May 9, 2001. After the issuance of the shares in connection with the Arrangement and exercise of the warrants discussed above, Solitario has 23,344,647 shares outstanding as of December 31, 2000 of which CRCC owns 9,633,585 shares. These transactions reduced CRCC's ownership of Solitario from 57.2% prior to the transactions to 41.3% at December 31, 2000.

## **10. Earnings Per Share:**

Diluted earnings per share for the year ended December 31, 2000 include the effect of stock options which are dilutive. The proceeds from the issuance of shares are assumed to be used to purchase common stock in accordance with the treasury stock method. Weighted average number of shares outstanding increased from 18,162,549 to 18,350,069 as a result of the assumption of the exercise of options which are dilutive common stock equivalents. There is no change to the income available to common shareholders as a result of the assumption of conversion of dilutive common stock equivalents. Basic and diluted earnings per share were the same for the years ended December 31, 1999 and 1998 as the conversions of common stock equivalents would be anti-dilutive.

## **11. 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:

Change in accounting principle - Under Canadian GAAP the change in accounting principle, as described in Note 2, requires restatement of prior periods.  
 Marketable equity securities - Under Canadian GAAP, marketable equity securities are valued at cost, unless a decline in the value of the securities is permanent.

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

<b>(in thousands, except per share amounts)</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Net income (loss) under U.S. GAAP	\$ 4,285	\$(6,003)	\$ (405)
Effect of change in accounting principle:			
Mineral property option proceeds	-	-	300
Exploration	-	-	(896)
Reduction in asset write-downs	-	-	78
Cumulative effect of change in accounting principle	-	5,094	-
Net income (loss) under Canadian GAAP	\$ 4,285	\$ (909)	\$ (923)
Income (loss) per share under Canadian GAAP:			
Basic	\$ 0.24	\$ (0.05)	\$(0.05)
Diluted	\$ 0.23	\$ (0.05)	\$(0.05)

As a result of the above, under Canadian GAAP, the following line items in the consolidated balance sheets would be presented as follows:

<b>(in thousands)</b>	<b>2000</b>	<b>1999</b>
Mineral properties, net	\$ 4,873	\$ 53
Marketable equity securities	\$ 282	\$ 234
Total assets	\$ 12,022	\$ 2,927
Additional paid-in capital	\$ 21,147	\$ 16,972
Accumulated deficit	\$ (9,510)	\$(14,260)
Accumulated other comprehensive income	\$ -	\$ -
Total stockholders' equity	\$ 11,871	\$ 2,881
Total liabilities and stockholders' equity	\$ 12,022	\$ 2,927

As a result of the above, under Canadian GAAP, the following line items in the consolidated statements of cash flows would be presented as follows:

<b>Operating Activities:</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Net income (loss)	\$ 4,285	\$ (909)	\$ (923)
Asset write-downs	\$ -	\$ 63	\$ 325
Cumulative effect of change in accounting principle	\$ -	\$ -	\$ -
Net cash used in operating activities	\$ (1,517)	\$ (819)	\$ (633)
Investing activities:			
Additions to mineral properties	\$ (55)	\$ -	\$ (95)
Receipts on mineral property transactions	\$ -	\$ -	\$ 134
Net cash provided by/(used in) investing activities	\$ 5,286	\$ (40)	\$ 28

## 12. Selected Quarterly Financial Data (Unaudited):

<b>(in thousands)</b>	<b>2000</b>			<b>1999</b>		
	<b>March 31,</b>	<b>June 30,</b>	<b>Sept. 30,</b>	<b>March 31,</b>	<b>June 30,</b>	<b>Sept. 30,</b>
Revenues	\$ 129	\$5,905	\$ 135	\$ 137	\$ 36	\$ 35
Net income (loss)	\$ (272)	\$5,470	\$ (199)	\$ (46)	\$ (294)	\$ (251)
Earnings (loss) per common and common equivalent share:						
Basic	\$(0.02)	\$ 0.33	\$(0.01)	\$(0.00)	\$(0.02)	\$(0.02)
Fully diluted	\$(0.02)	\$ 0.32	\$(0.01)	\$(0.00)	\$(0.02)	\$(0.02)

The above quarterly data do not reflect any pro forma adjustments to give effect to acquisition of Altoro as disclosed in Notes 9 and 3. During the fourth quarter of 1999, Solitario changed its method of accounting for exploration costs as described in Note 2. This change in accounting principle was applied retroactively to January 1, 1999. The above quarterly financial data for 1999 are the amounts as reported during 2000 to reflect the restatement of the amounts previously reported during 1999.

# Solitario *Corporate* Information

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## Resources

### Legal Counsel

**Solomon, Pearl, Blum  
Heymann & Stich, LLP**  
Denver, Colorado

**Fogler, Rubinoff**  
Toronto, Ontario

### Auditors

**Deloitte & Touche LLP**  
Denver, Colorado

### Transfer Agents

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800.663.9097

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### Investor Relations

Questions and requests for information should be directed to Debbie W. Mino, Vice President-Investor Relations at 800.229.6827 or via email at [dwmino@solitarioresources.com](mailto:dwmino@solitarioresources.com)

### Internet

Visit our website at [www.solitarioresources.com](http://www.solitarioresources.com)

### Notice of Annual Meeting

The Annual Meeting of Shareholders will be at 8:30a.m. (MDT) on Tuesday, June 26, 2001 at 1625 Broadway, Suite 850, 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 and Directors

#### **Christopher E. Herald**

Chief Executive Officer

#### **Walter H. Hunt**

President – South American Operations

#### **James R. Maronick**

Chief Financial Officer

#### **Debbie W. Mino**

Vice President – Investor Relations

#### **Mark E. Jones, III**

Chairman

#### **John Hainey**

Director

#### **Leonard Harris**

Director

#### **Dan Leonard**

Director



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