

*Experienced Gold, PGM
and Base Metal
Exploration*

**2002 Annual Report
Solitario Resources**



Highlights of 2002

Anglo American Platinum Corporation, the largest producer of platinum in the world, agreed to fund exploration and development on Solitario's Pedra Branca platinum-palladium project in Brazil.

Anglo Platinum can earn a 51% interest in Pedra Branca by funding US\$7.0* million on exploration and development work over a four-year period. Anglo Platinum can earn a further 14% interest by completing a bankable feasibility study and arranging 100% project financing.

Drilling on the advanced Pedra Branca exploration project continues to produce favorable results. Completion of 4,200 meters (13,800 feet) of drilling is planned by mid-2003. Preliminary metallurgical studies are also planned.

In Peru, Solitario joint ventured the drill-ready La Pampa gold project with Bear Creek Exploration. Bear Creek can earn a 65% interest in La Pampa by spending \$4.5 million over five years and completing a bankable feasibility study.

Newmont Mining will conduct an airborne geophysical survey to identify future drilling targets over Solitario's Yanacocha Royalty property as part of Newmont's \$20 million district-wide Yanacocha exploration program.

Solitario invested \$400,000 in early 2003 in Crown Resources Corporation's \$2.7 million Convertible Note financing. With this investment, Solitario maintains its 14% equity interest in Crown on a fully diluted basis.

Crown Resources reported intersecting high-grade gold mineralization in 34 out of 41 drill holes as part of an infill drilling campaign in the important Southwest Zone of the Buckhorn Mtn. gold project. Permitting and feasibility work is progressing rapidly on the project.

* Throughout this report, all monetary numbers are in U.S. dollars.

MESSAGE TO SHAREHOLDERS

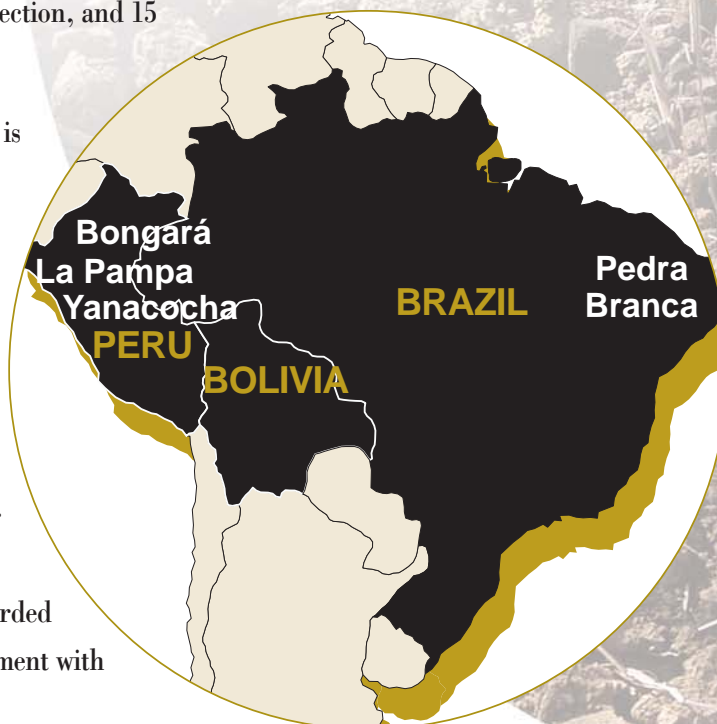
Solitario signed significant new joint ventures with work commitments totaling \$11.5 million in 2002 and early 2003 on two of its exploration properties, the Pedra Branca platinum-palladium (“PGM”) project in Brazil and the La Pampa gold project in Peru. It also maintained its exposure to the advanced high-grade Buckhorn Mtn. underground gold project in the United States. We were very careful to fund only those projects and investments that have sound economics at today’s commodity prices.

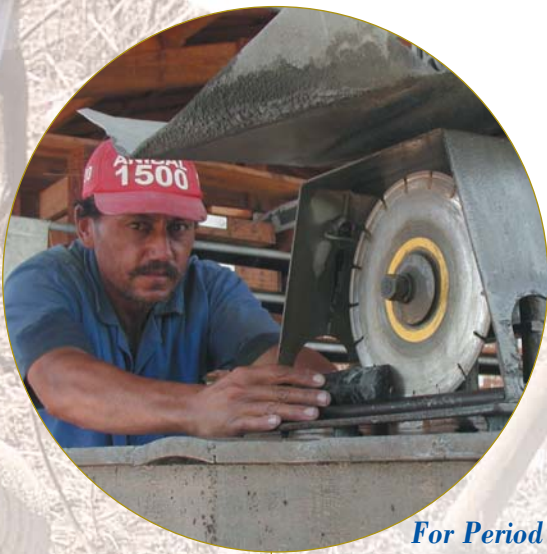
Solitario significantly advanced the Pedra Branca PGM project in northeastern Brazil during 2002. At Pedra Branca, Solitario announced significant drilling results on new, previously undrilled prospects in early 2002 that resulted in exciting new geologic potential for the property. This drilling program was instrumental in attracting Anglo Platinum to joint venture the project.

PEDRA BRANCA PROJECT

Pedra Branca is more than a single deposit or area of mineralization. Solitario believes that Pedra Branca may host a series of PGM deposits that, in aggregate, could constitute a significant new source of PGM production. This district currently extends over 50 kilometers in a north-south direction, and 15 kilometers in an east-west direction.

The 85,400-hectare Pedra Branca project area is situated in the state of Ceara in northeastern Brazil. Solitario currently controls a 100% interest in the property, except for 10,000 hectares, where Solitario is earning a 70% interest. Because of Solitario’s confidence in the long-term potential of the project, Pedra Branca was the focus of nearly all of Solitario’s exploration efforts during 2002. Our belief in the project’s potential and the perseverance of our exploration team was rewarded in early 2003 with the signing of a Letter Agreement with Anglo Platinum.





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Anglo Platinum Agreement

The Letter Agreement signed with Anglo Platinum in early 2003 represents a milestone for Solitario and the exciting Pedra Branca PGM project. Terms of the agreement call for Anglo Platinum to fund the following work programs to earn its interests:

<i>For Period</i>	<i>Expenditure Commitment Period</i>	<i>Anglo's Earned Interest At End Of Period</i>
First six months	\$ 500,000 – firm	0%
Second six months	\$ 500,000 – optional	0%
Second year	\$1,250,000 – optional	15%
Third year	\$1,750,000 – optional	30%
Fourth year	\$3,000,000 – optional	51%
Total Expenditure	\$7,000,000	

Solitario will act as project manager for the newly formed venture during the first three years, sharply reducing Solitario's overall expenditures. Upon completion of the staged \$7.0 million work commitment, Anglo Platinum will have the right to earn an additional 9% interest (to 60% total interest) by completing a bankable feasibility study within 18 months of earning its 51% interest. Anglo Platinum can earn a further 5% interest (to 65% total interest) by arranging 100% of the project financing necessary to place the project into commercial production.

Defining Drill Targets: Magnetic Surveys

Ground magnetic surveys are the primary exploration tool Solitario utilizes to detect shallowly buried ultramafic bodies that host PGM mineralization at Pedra Branca. During the past 18-months, Solitario has collected magnetic data over a vast area on the property. Although not all magnetic anomalies are caused by ultramafic bodies, drilling has now proven the utility of ground magnetics to discover and define shallowly buried ultramafic bodies. Many magnetic anomalies remain untested by drilling and will be tested in the future.

Drilling: Late 2001 to Present

Drilling at Pedra Branca occurred in four phases from late 2001 to early 2003. During this period, 54 drill holes were completed on eight different prospects scattered along the 50-kilometer long Pedra Branca PGM trend. Mineralization was

intersected in 30 of the drill holes, or 55% of all holes drilled. Significant mineralization was encountered in six out of the eight drill-tested prospects. (See Table 1: Pedra Branca Drilling Results)

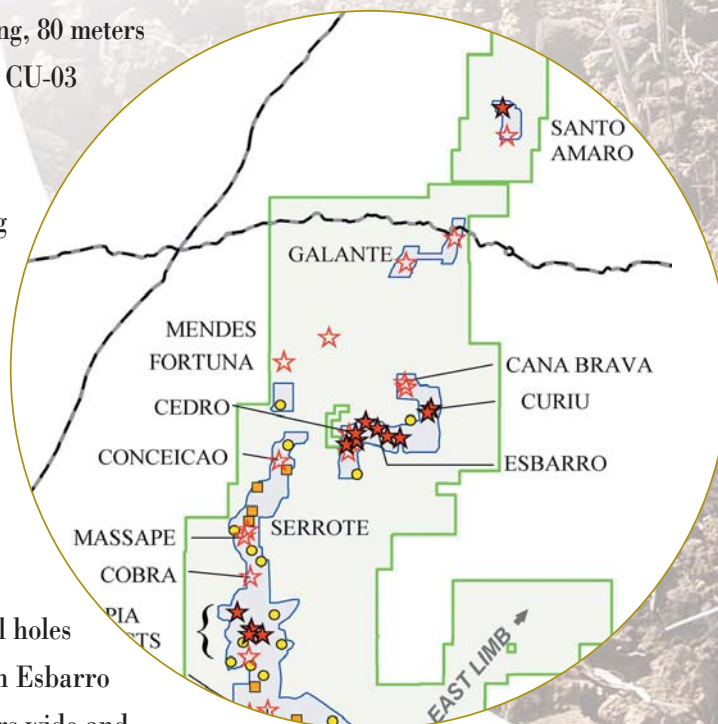
By mid-2003, we hope to have the Esbarro and Curiu prospects drilled on 50 and 25-meter centers to better define the contained resources for each. In addition, preliminary metallurgical studies will also be undertaken to investigate potential PGM recoveries.

The following summarizes the status of Pedra Branca's major prospects:

Cedro Prospects (100%-owned): The Cedro area consists of a cluster of six neighboring prospects within a zone measuring 2.5 kilometers long and up to 1.0 kilometer wide situated about 3.0 kilometers west of the more extensively drilled Esbarro deposit. Strong mineralization has been intersected at Cedro I and II, with anomalous mineralization encountered at Cedro III and IV. Nine of the 17 holes drilled by Solitario have intersected mineralization. Additional drilling will be required to more fully evaluate the potential of this large prospective area.

Curiu (100%-owned): This prospect is situated three kilometers northeast of Esbarro. Six of nine holes drilled at Curiu have intersected significant grades and thicknesses of PGM-mineralization. This high-grade shallow zone has now been traced over an area measuring 175 meters long, 80 meters wide and averages 5 to 30 meters thick. Drill hole CU-03 appears to have intersected a separate lens of mineralization situated approximately 100 meters southwest of the main Curiu deposit. With drilling results averaging well above 3.0 grams per tonne (g/t) PGM, Curiu is the highest-grade area of mineralization yet discovered at Pedra Branca.

Esbarro (100%-owned): The Esbarro deposit is the most advanced Pedra Branca prospect. A total of 80 drill holes have been completed at Esbarro, with 56 of the holes intersecting mineralization. In 2003, all six of Solitario's drill holes intersected strong PGM-mineralization. The main Esbarro deposit is nearly 500 meters long, up to 200 meters wide and



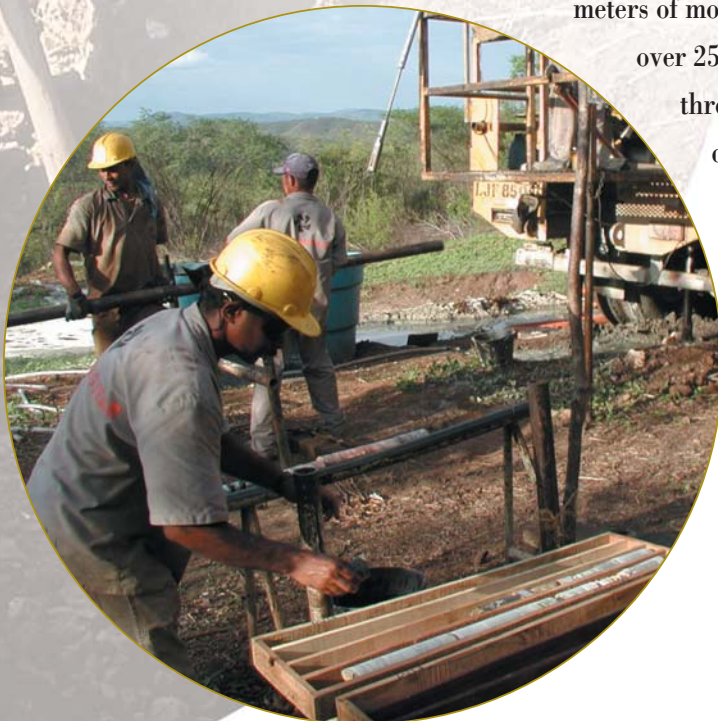
generally 5 to 50 meters in thickness, with an average grade of approximately 2.0 g/t PGM. A second smaller lens of mineralization is located 150 meters northwest of the main deposit. Additional drilling is required to develop a resource estimate at Esbarro.

Massape (earning 70%): Solitario drilled the first hole at Massape in early 2003 and intersected nearly 5 meters of mineralization in excess of 2.2 g/t PGM. The Massape magnetic anomaly is at least several hundred meters long and over 100 meters wide, suggesting good tonnage potential.

Santo Amaro (100%-owned): Discovered by Solitario in the summer of 2001, this prospect is situated approximately 18 kilometers north of the northernmost portion of the main Pedra Branca trend. The discovery of Santo Amaro demonstrates that numerous additional mineralized ultramafic bodies may yet be discovered. Of the seven holes drilled at Santo Amaro, five are well mineralized. The Santo Amaro zone now stands at 200 meters long and is open along strike to the east. It is characterized by thick (+30 meter) intervals of mineralization at moderate grades (1.2 to 1.8 g/t PGM).

Trapia 1 (earning 70%): Solitario's two drill holes, combined with previous drilling, trace impressive, thick intersections ranging from 10 to 45 meters of moderate-grade (1.5 g/t PGM) mineralization for over 250 meters down-dip. With mineralization open in three directions, the potential to add tonnage is considered excellent.

Trapia West (earning 70%): One of four holes at Trapia West intersected strong PGM values. Drilling at Trapia West, including seven previously drilled holes, indicates a moderate-grade (1.5 g/t PGM) zone with limited expansion potential.



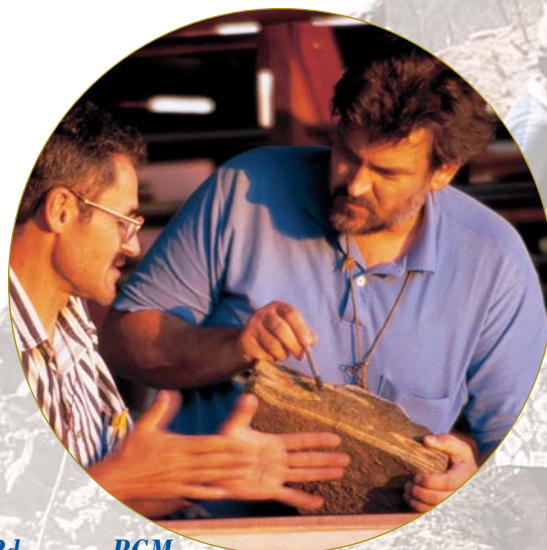


TABLE I: PEDRA BRANCA DRILLING RESULTS

<i>Hole Number</i>	<i>From - To meters</i>	<i>Interval</i>		<i>Pt g/t</i>	<i>Pd g/t</i>	<i>PGM (+gold)</i>
		<i>meters</i>	<i>feet</i>			
<i>Cedro</i>						
CD-01	16.0 - 17.9	1.9	6.2	0.82	0.83	1.73
CD-03	4.9 - 14.0	9.1	29.8	1.22	2.48	3.71
	45.7 - 63.9	18.2	59.7	0.47	0.95	1.52
CD-04	20.3 - 25.5	5.2	16.9	1.15	3.38	4.55
CD-05	60.0 - 64.0	4.0	13.1	0.30	0.75	1.06
	82.5 -111.4	28.9	94.8	0.38	0.90	1.32
incl.	82.5 - 86.5	4.0	13.0	1.07	1.35	2.43
CD-06	39.7 - 42.0	2.3	7.5	0.42	1.36	1.78
CD-09	13.0 - 15.0	2.0	6.6	1.77	8.34	10.13
	30.0 - 36.0	6.0	19.7	0.37	0.72	1.09
CD-12	51.8 - 52.9	1.1	3.4	1.26	1.77	3.04
incl.	67.0 - 71.5	4.5	14.8	0.65	1.13	1.79
CD-13	46.3 - 53.2	6.9	22.6	0.41	0.73	1.18
CD-16	57.2 - 65.2	8.0	26.2	0.39	0.43	0.82
CD-17	23.8 - 26.8	3.0	9.8	1.42	2.87	4.30
<i>Curiu</i>						
CU-01	14.7 - 24.8	10.1	33.1	2.24	3.04	5.46
CU-03	13.2 - 32.0	18.8	61.7	1.02	1.28	2.30
incl.	13.2 - 14.5	1.3	4.3	9.23	9.59	18.88
CU-04	3.0 - 11.7	8.7	28.4	1.32	1.10	2.47
CU-05	34.2 - 38.9	4.7	15.4	0.39	0.59	0.98
CU-07	12.4 - 42.8	30.4	99.7	1.25	2.20	3.52
incl.	17.0 - 23.5	6.5	21.3	4.15	7.75	12.13
<i>Esbarro</i>						
ES-09	21.6 - 29.6	8.0	26.2	0.46	1.08	1.58
incl.	24.4 - 26.6	2.2	7.2	0.91	1.84	2.77
ES-10	14.0 - 22.0	8.0	26.2	0.60	0.62	1.23
incl.	14.0 - 17.4	3.4	11.2	1.04	0.87	1.91
ES-11	0.0 - 54.0	54.0	177.2	0.38	0.65	1.07
incl.	0.0 - 17.7	17.7	58.1	0.67	1.04	1.76
ES-12	0.0 - 58.3	58.3	191.3	0.28	0.69	1.00
incl.	0.0 - 10.0	10.0	32.8	0.51	1.33	1.87
ES-13	0.0 - 21.7	21.7	71.0	0.31	1.03	1.40
incl.	0.0 - 8.1	8.1	26.4	0.48	1.87	2.47
ES-14	34.6 - 40.0	5.4	17.7	0.35	0.95	1.31

Solitario believes that Pedra Branca may host a series of PGM deposits that, in aggregate, could constitute a significant new source of PGM production.

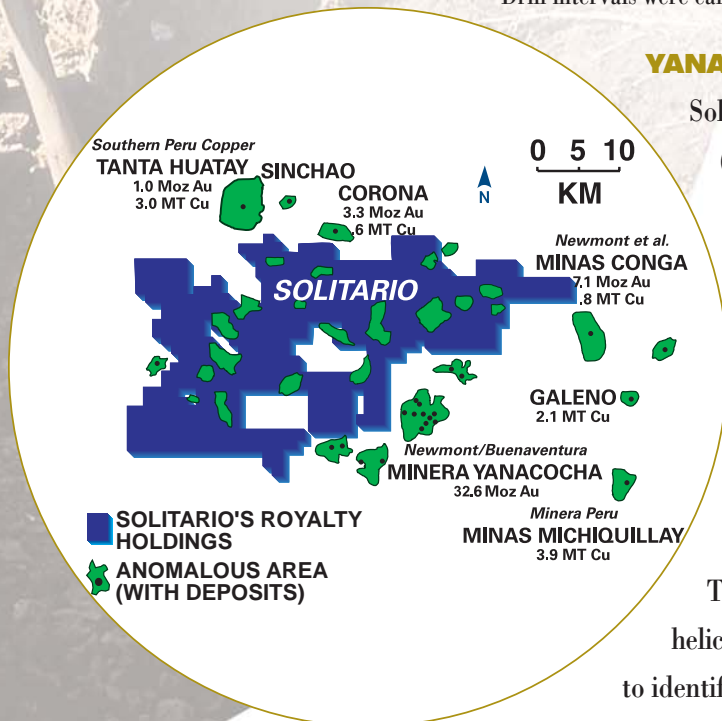
<i>Hole Number</i>	<i>From - To meters</i>	<i>Interval</i>		<i>Pt g/t</i>	<i>Pd g/t</i>	<i>PGM (+gold)</i>
		<i>meters</i>	<i>feet</i>			
<i>Santo Amaro North</i>						
SA-01	11.0 - 40.5	29.5	96.8	0.67	1.14	1.84
incl.	11.0 - 16.0	5.0	16.4	1.98	1.77	3.78
SA-02	1.8 - 40.9	39.1	128.2	0.69	0.86	1.57
incl.	27.5 - 39.4	12.4	39.3	1.15	1.51	2.71
SA-04	40.4 - 51.5	11.1	36.4	0.80	0.59	1.39
SA-05	3.2 - 3.8	0.6	1.8	0.78	3.29	4.20
	46.7 - 48.9	2.2	7.2	1.00	2.21	3.35
SA-06	6.8 - 7.5	0.7	2.3	1.28	0.42	1.70
	23.8 - 56.6	32.8	107.5	0.51	0.68	1.21
incl.	53.4 - 56.6	3.2	10.4	0.62	1.54	2.21
<i>Massape</i>						
MS-01	52.1 - 57.0	4.9	15.9	0.38	1.74	2.22
<i>Trapia I</i>						
TU-02	64.1 -112.0	47.9	157.1	0.37	1.09	1.53
incl.	84.2 - 86.1	1.9	6.2	0.87	2.68	3.58
	120.0 -124.0	4.0	13.1	0.44	0.78	1.24
	154.0 -157.8	3.8	12.5	0.81	0.67	1.50
TU-03	116.4 -126.0	9.6	31.5	0.91	1.63	2.57
	116.4 -118.0	1.6	5.2	3.45	7.02	10.54
	136.0 -138.0	2.0	6.6	0.47	0.57	1.07
<i>Trapia West</i>						
TW-10	16.0 - 43.6	27.6	90.5	0.57	0.77	1.41
incl.	34.9 - 38.8	3.9	12.8	0.69	1.89	2.86
incl.	42.3 - 43.6	1.3	4.3	0.72	3.04	3.88
	50.9 - 56.0	5.1	16.7	0.20	0.77	1.01

Drill intervals were calculated utilizing a 0.7 g/t PGM+gold cutoff.

YANACOCHA ROYALTY, PERU

Solitario controls an exceptional net smelter return (“NSR”) royalty on a strategically located 60,000-hectare property position within the largest gold producing district in South America – the Yanacocha district. Although Solitario currently receives no income from this royalty, Minera Yanacocha (51%-owned by Newmont Mining Corporation), manager of Solitario’s royalty property, has earmarked over \$20 million for district-wide exploration.

This spring, Newmont will be using its proprietary helicopter-borne electro-magnetic geophysical system to identify future prospective drilling targets. Newmont paid Solitario \$6.0 million in 2000 to buy a 100% interest in the





property which is subject to Solitario’s NSR-royalty schedule shown in the table below. There is no cap on payments Solitario could receive on this royalty and no deductions for mining or leaching costs.

<u>Gold Price</u>	<u>NSR Royalty</u>
less than \$320/ounce	2%
\$320 to \$360/ounce	3%
\$360 to \$400/ounce	4%
more than \$400/ounce	5%
<u>Silver Production:</u>	<u>3%</u>
<u>Copper Production:</u>	<u>2%</u>

LA PAMPA (GOLD), PERU

In August 2002, Solitario signed a Letter of Intent giving Bear Creek Mining Company the option to explore and acquire 51% of Solitario’s La Pampa gold project in Peru by expending \$4.5 million over a five-year period. The 1,900-hectare La Pampa project, located near the port city of Chiclayo in northwestern Peru, hosts significant gold mineralization at surface but has never been drill tested.

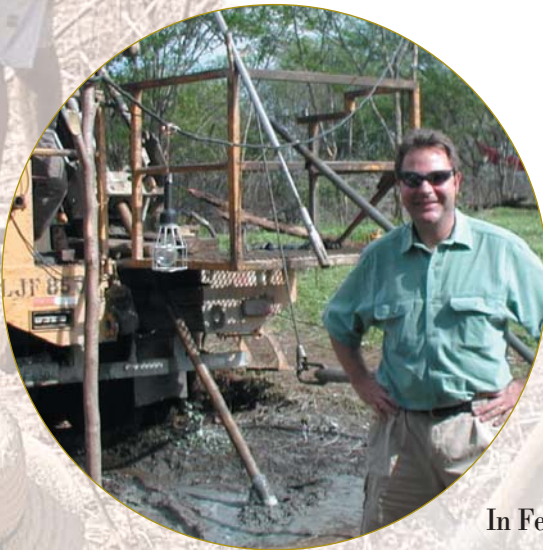
Terms of the agreement include a firm commitment to spend \$100,000 during the first year including 1,000 meters of drilling. Further optional expenditures include \$300,000 in year two, \$700,000 in year three, \$1.3 million in year four and \$2.1 million in year five to earn a 51% interest in the project. Upon earning its 51% initial interest, Bear Creek may elect to earn an additional 14% interest (65% total) by completing a bankable feasibility study.

Solitario discovered the La Pampa prospect through a grass roots exploration program. Strongly anomalous gold mineralization occurs in silicified volcanic rocks over an area nearly three kilometers in length and over one kilometer wide.

BONGARÁ (ZINC), PERU

The 100%-owned Bongará zinc project located in Peru continued on a care and maintenance status for 2002. With the current price of zinc at \$0.36 per pound, we do not believe it would be prudent to seek a joint venture partner for this advanced-staged zinc project at this time. We plan on continuing the care and maintenance program until zinc prices improve.

Solitario controls an exceptional net smelter return (“NSR”) royalty on a strategically located 60,000-hectare property position within the largest gold producing district in South America - the Yanacocha district.



With the \$11.5 million in joint venture work commitments signed with Anglo Platinum and Bear Creek Mining, Solitario has once again demonstrated its ability to generate and identify high potential projects that other mining companies are seeking to invest in.

INVESTMENT IN CROWN RESOURCES

In October 2001, Solitario invested \$1.0 million in a \$3.6 million 10% Convertible Secured Note financing issued by Crown Resources Corporation. The Secured Notes are fully secured by all the assets of Crown, primarily consisting of its 100% interest in the high-grade Buckhorn Mtn. gold project (formerly called the Crown Jewel project) and 9.6 million shares of Solitario.

In February 2003, Solitario invested a further \$400,000 in a \$2.7 million 10% Convertible Subordinated Note Series B issued by Crown and due in October 2006. The Notes are substantially the same as Crown's existing \$4.0 million Subordinated Notes. With this latest investment, Solitario maintains its 14% equity interest in Crown on a fully diluted basis.

Crown reported impressive new high-grade drilling results from a 41-hole infill-drilling program conducted in late 2002. A revised Plan of Operations for a low-impact underground mining plan is expected to be filed with state and federal regulatory agencies in April 2003.

SUMMARY

Solitario fulfilled the major objectives it laid out at the beginning of 2002. Namely, secure a financially and technically strong partner for the Pedra Branca PGM project and increase our exposure to gold assets. With the \$11.5 million in joint venture work commitments signed with Anglo Platinum and Bear Creek Mining, Solitario has once again demonstrated its ability to generate and identify high potential projects that other mining companies are seeking to invest in.

Solitario is well positioned to take advantage of the strong PGM commodity market that exists today and that is expected to grow substantially over the next decade. We also have taken significant positions in high-quality gold projects that are funded by other companies. During 2003, we look forward to keeping you, our shareholders, informed of new developments concerning these and other projects throughout the year.

Sincerely,

Christopher E. Herald
President & Chief Executive Officer

Mark E. Jones, III
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of Solitario Resources Corporation ("Solitario") for the years ended December 31, 2002, 2001 and 2000, included elsewhere in this report. Solitario'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.

Results of Operations

Solitario had a loss of \$1,670,000 or \$0.07 per share in 2002 compared with a loss of \$3,657,000 or \$0.16 per share in 2001 and net income of \$4,285,000 or \$0.24 per share in 2000.

During 2002 Solitario continued its exploration program in Brazil on its Pedra Branca platinum group metals project. In 2001, Solitario conducted exploration activities on Pedra Branca as well as Tocantinzinho in Brazil and Rincon del Tigre in Bolivia. This resulted in a decrease in exploration expense and general and administrative expenses for travel, legal, and exploration support during 2002 compared to 2001. During 2002, Solitario recorded \$30,000 in exploration consulting fees paid to the former president of Altoro for assistance with Brazilian and Bolivian activities compared to \$120,000 in consulting fees in 2001 and \$30,000 in 2000. During 2001, Solitario wrote down its Tocantinzinho and Rincon del Tigre properties with a charge of \$1,274,000 to property abandonment compared to no write-downs in 2002 and 2000.

In April 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 and a sliding scale net smelter return royalty ("NSR") that varies with the price of gold. The cash consideration was \$5,600,000 with \$400,000 deferred and recorded as a long-term note receivable due over a four-year period, pending release of certain contingent liabilities. Solitario received payments of \$109,000 and \$106,000 of the deferred proceeds, including interest in April 2002 and 2001, respectively. Solitario recorded a gain on the sale of the Yanacocha property of \$5,809,000 during the second quarter of 2000.

In October 2000, Solitario completed a Plan of Arrangement (the "Plan of Arrangement") with Altoro Gold Corp. of Vancouver, Canada ("Altoro"), whereby Altoro became a wholly owned subsidiary of Solitario. In connection with the Plan of Arrangement, Solitario issued an aggregate of 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. During 2000, Solitario issued 261,232 shares upon the exercise of the above warrants and 302,898 of the warrants expired unexercised. The remaining 261,111 warrants expired unexercised during 2001. Primarily as a result of the issuance of Solitario shares in connection with the Plan of Arrangement, Crown Resources Corporation's ("Crown") indirect ownership percentage of Solitario was reduced from 57.2% (immediately prior to the transaction) to 41.2% at December 31, 2002.

Interest income was \$137,000, \$236,000, and \$360,000 in 2002, 2001 and 2000, respectively. The change in interest income was primarily the result of larger cash balances related to the Yanacocha sale during 2000, compared to 2002 and 2001.

Exploration expense was \$ 907,000 in 2002 compared to \$1,464,000 in 2001 and \$1,182,000 in 2000. The increase in 2001 was primarily 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 subsequent to the 2000 Altoro acquisition. The

increased exploration during 2001 included two separate drilling programs at Pedra Branca in Brazil as well as a drilling program at Rincon del Tigre in Bolivia. Additionally, field geology, including trenching and sampling, was conducted at Tocantinzinho during 2001. During 2002 Solitario limited its exploration activities to Pedra Branca that resulted in the lower costs.

During the year ended December 31, 2002, Solitario incurred \$372,000 of general and administrative expenses compared with \$511,000 in 2001, and \$372,000 in 2000. General and administrative expenses consist of administrative (office rent, payroll, insurance, banking and automobile) legal, accounting and auditing, travel and shareholder-related costs. The increased activities in Brazil and Bolivia and increases in accounting and shareholder costs accounted for the increase in general and administrative expenses during 2001 compared to 2000 and 2002.

Crown provides management and technical services to Solitario under a management agreement originally signed in 1994 and modified in April 1999, in December 2000 and July 2002. The modified agreement, which has a three year term, provides for reimbursement to Crown of direct out-of-pocket costs; payment of between twenty-five percent and 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 Crown 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 Crown. Management service fees paid to Crown by Solitario in 2002, 2001 and 2000 were \$449,000, \$590,000 and \$414,000, respectively. Net amounts due to Crown as of December 31, 2002 and 2001 were \$73,000 and \$62,000, respectively, related to the management services and fee.

Depreciation, depletion, and amortization expense was \$40,000 in 2002 compared to \$49,000 in 2001 and \$18,000 in 2000. The increase in depreciation expenses during 2001 related to additions to property, plant and equipment related to the Altoro transaction being depreciated for the entire year as well as certain additional equipment purchased during 2001. Certain equipment was retired and sold during 2002 as Solitario narrowed its focus of exploration to the Pedra Branca project during 2002.

Solitario 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 \$1,274,000 in 2001. There were no property write-downs in 2002 and 2000. Solitario wrote-down \$636,000, representing the investment in the Rincon del Tigre property in Bolivia and \$638,000, representing the investment in the Tocantinzinho property in Brazil, after exploration programs performed during 2000 and 2001 failed to identify economic deposits on those properties. Both of these properties were acquired from Altoro during 2000.

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. Solitario 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, Solitario expects to continue to use similar financing techniques, however there is no assurance that such financing will be available to Solitario on acceptable terms, if at all.

As a result of the Altoro transaction, Solitario's acquisition and exploration programs since October 2000 have been devoted to properties in Brazil and Bolivia as well as Peru. During 2002, Solitario concentrated this exploration effort on its Pedra Branca project in Brazil. Solitario also has approximately \$3,000 of assets in Canada, consisting primarily of marketable equity securities. Total foreign assets, as reported in the consolidated balance sheet as of December 31, 2002, amounted to \$3,797,000. Solitario 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 2002 were \$50,000, primarily for property and lease payments on Pedra Branca and Bongará, compared to \$52,000 during 2001 and \$4,820,000 during 2000. The additions during 2000 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. Solitario expenses all exploration costs on properties without proven and probable reserves. There were no capitalized exploration costs during 2002, 2001 and 2000.

During 2000, Solitario received \$6,000,000 from the sale of its Yanacocha property to Newmont. The cash consideration was \$5,600,000 with \$400,000 deferred and recorded as a long-term note receivable due over a four-year period, pending release of certain contingent liabilities. Solitario received payments of \$109,000 and \$106,000 of the deferred proceeds, including interest in April 2002 and 2001, respectively. Solitario recorded a gain on the sale of the Yanacocha property of \$5,809,000 during the second quarter of 2000.

Solitario recorded property acquisition costs of \$42,000 and \$4,705,000 from the issuance of its shares during 2001 and 2000 respectively. The additions recorded during 2000 were in connection with the acquisition of Altoro. No other shares were issued in 2002, 2001 or 2000. Primarily as a result of the issuance of shares in connection with the acquisition of Altoro, Crown's indirect ownership percentage has been reduced from 57.2% (prior to the Altoro transaction) to 41.2% as of December 31, 2002.

Cash and cash equivalents amounted to \$1,405,000 at December 31, 2002. These funds are generally invested in short-term interest-bearing deposits and securities, pending investment in current and future projects. The note receivable from Newmont amounted to \$222,000 at December 31, 2002, including \$111,000 in other (long-term) assets. Working capital at December 31, 2002 was \$1,853,000.

Solitario believes that its existing funds are sufficient to meet its currently planned operating activities and mandatory property payments through 2003. Solitario 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.

Related party transactions

Crown, through its wholly owned subsidiary, Crown Resource Corp. of Colorado owns 41.2% of Solitario. Crown provides management and technical services to Solitario under a management and technical services agreement originally signed in April 1994 and modified in April 1999, December 2000 and July 2002. Under the modified agreement Solitario reimburses Crown for direct out-of-pocket

expenses; payment of between 25% and 75% of executive and administrative salaries and benefits, rent, insurance and investor relations costs and payment of certain indirect costs and expenses paid by Crown on behalf of Solitario. Management service fees paid by Solitario to Crown were \$449,000 for 2002, \$590,000 for 2001 and \$414,000 for 2000.

In October 2001, Solitario invested in two 10% convertible secured promissory notes, ("Senior Notes") totaling \$1,000,000 of the \$3,600,000 Secured Notes issued by Crown. The proceeds from the first Senior Note, (the "Solitario Note"), of \$350,000 were delivered to Crown. The proceeds from the second Senior Note, of \$650,000 were placed in escrow pending the outcome of Crown's voluntary petition for bankruptcy, filed in United States Bankruptcy Court, which was filed on March 8, 2002 (the "Bankruptcy"). In March 2002 an additional \$200,000 was advanced to Crown out of escrow of which Solitario's share of the advance was \$56,000. Crown's plan was confirmed on May 30, 2002 and the remaining balance of the proceeds plus interest was released to Crown on the Effective Date. The independent Board members of both Crown and Solitario approved the transaction. The terms of the transaction on the Escrowed Notes were the same as given to other senior lenders of Crown (the "Senior Lenders") and, with regard to the terms of the \$350,000 Solitario Note, the terms were negotiated with and approved by the other Senior Lenders. During 2002, Solitario was paid 182,440 Crown shares as interest under the Senior Notes.

Solitario entered into a Voting Agreement dated as of April 15, 2002 among Zoloto Investor's, LP ("Zoloto") and Crown. Solitario and Zoloto are both shareholders of Crown (the "Signing Shareholders"). Pursuant to the Voting Agreement, Solitario and Zoloto agree that they will each vote their owned shares during the term of the Voting Agreement for the election of three designees of Zoloto and one designee of Solitario (the "Designee Directors") to the Board of Directors of Crown. The Signing Shareholders agreed that any shares received by either Signing Shareholder would be subject to the Voting Agreement during its term and any successor, assignee or transferee of shares from either Signing Shareholder would be subject to the terms of the Voting Agreement during its term. The Voting Agreement terminates on the third anniversary from the date of the first annual meeting of shareholders after the date of the Voting Agreement. As of December 31, 2002, the Signing Shareholders collectively held 523,418 shares or approximately 13.6% of the outstanding shares of Crown. As of December 31, 2002, Solitario owns 182,440 shares of Crown common stock, received as interest on its Senior Notes, has warrants to acquire 3,057,143 shares of Crown common stock at between \$0.60 and \$0.75 per share and could also acquire up to 3,057,143 additional shares of Crown common stock through conversion of its Senior Notes.

On June 26, 2001, Solitario agreed to acquire 200,000 shares of Canyon Resources Corporation common stock from Crown at its fair market value of \$200,000 at that date. Solitario sold the shares for \$245,000 in February 2002, the fair market value at that date. The transaction provided additional working capital to Crown, and was approved by independent Board members of both Crown and Solitario.

On February 21, 2003, Solitario invested \$400,000 in Crown's 10% convertible subordinated promissory notes due 2006 Series B (The "Subordinated B Notes"). The issuance of up to \$3 million of the Subordinated B Notes was authorized by Crown on February 7, 2003 by Crown's Board of Directors. On February 21, 2003, Crown closed the financing by issuing \$2.7 million of the Subordinated B Notes. The Subordinated B Notes are convertible into common stock of Crown at \$0.75 per share. The Subordinated B Notes pay interest at

10% in stock or cash at Crown's option, and mature on October 19, 2006, the same date as Crown's Senior Notes. Solitario's investment was on the same terms as all other investors.

Joint Ventures

Solitario acquired the Pedra Branca platinum-palladium ("PGM") Project located in Ceará State, Brazil, as part of the Altoro acquisition in October 2000. Altoro signed an agreement in 1999, which was modified in 2000, with Eldorado Gold Corporation ("Eldorado") whereby Solitario can earn a 70% interest in concessions covering approximately 10,000 hectares, by spending \$2,000,000 on exploration by August 2003. Solitario can earn an additional 20% (90% total) by spending an extra \$1,000,000 by August 2005. Should Eldorado be diluted to 10%, Eldorado may convert its interest to a 2% NSR. Additionally, Solitario controls concessions in its own name covering approximately 75,000 hectares for a total of 85,000 hectares at the Pedra Branca Project. In February 2000, Altoro signed a letter of intent, which was subsequently assigned to Rockwell Ventures, Inc., of Vancouver Canada ("Rockwell"), granting Rockwell an option to earn a 60% interest in Altoro's share of the Pedra Branca Project. Under the terms of the agreement, Rockwell was required to spend \$7,000,000 on exploration within four years from July 2000, with a minimum expenditure of \$1,000,000 during the first year. In addition, Rockwell issued to Solitario a total of 125,433 shares and \$50,000 in cash in May 2000 upon regulatory approval of the agreement. In June of 2001, Rockwell terminated its option under the agreement. At December 31, 2002, Solitario owns 100% of the Pedra Branca project, subject to the Eldorado Lease above and the Anglo Platinum agreement discussed below.

On January 28, 2003 Solitario entered into an agreement with Anglo American Platinum Corporation, Ltd. ("Anglo Platinum") whereby Anglo Platinum may earn a 51% interest in the Pedra Branca Project, by spending \$7 million on exploration at Pedra Branca over a four-year period. Anglo agreed to a minimum expenditure of \$500,000 during the first six months of the agreement. Anglo can earn an additional 9% interest in Pedra Branca (for a total of 60%) by completing a bankable feasibility study. Anglo can also earn an additional 5% interest in Pedra Branca (for a total of 65%) by arranging for financing to put the project into commercial production.

In July 2002, Solitario signed an agreement with Bear Creek Mining Company ("Bear Creek") whereby Bear Creek can earn 51% interest in the La Pampa property by expending \$4.5 million on exploration of La Pampa over a five-year period. As part of the agreement, Bear Creek will pay all costs to maintain the concessions. As part of the agreement Bear Creek must complete a minimum of 1,000 meters of drilling on the property. Bear Creek may earn an additional 14% interest (for a total of 65%) by completing a bankable feasibility study on the property within two years of earning its 51% interest.

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 (among other things) spending a minimum of \$17,000,000 over a five-year period from January 2000 forward. Cominco paid Solitario \$118,000, including value added taxes of 18% in January 2000 and 1999. In February 2001, Cominco terminated their option to acquire an interest in the Bongará project. Solitario currently holds a 100% interest in the project covering approximately 28,500 hectares and may seek a new joint venture partner to explore and develop this property.

Solitario's exploration and development activities, funding opportunities and joint ventures may be materially affected by commodity prices and fluctuations. Commodity market prices are

determined in world markets and are affected by numerous factors beyond Solitario'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, Solitario 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 2003 mineral property rental and option payments to be approximately \$77,000 of which Solitario's portion is estimated to be approximately \$52,000.

Solitario charged operations \$907,000 during 2002 compared to \$1,464,000 during 2001 and \$1,182,000 in 2000 for exploration expenditures on mineral properties. The increase in the expenditures in 2001 is related specifically to drilling programs at both the Pedra Branca property in Brazil and the Rincon del Tigre property in Bolivia as well as a general expansion of the focus of Solitario's exploration activities to include platinum group metals related to Altoro which increased the number and scope of properties to be evaluated and the number and cost of exploration personnel. Exploration charged to operations is exclusive of amounts spent on its properties by third parties.

Solitario has budgeted \$120,000 for exploration expenditures, to be charged to operations, during 2003 which would be in addition to any expenditures by joint venture partners.

New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS No. 148"). SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Solitario will continue to account for stock based compensation using the methods detailed in the stock-based compensation accounting policy.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 eliminates inconsistencies between the accounting for sale-leaseback transactions and the required accounting for certain lease modifications. This statement requires that gains and losses from debt extinguishment should be classified as extraordinary items only if they meet the

criteria of Accounting Principles Board Opinion 30. This Statement also amends existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their meanings under changed conditions. Solitario has adopted SFAS 145 as of January 1, 2003. The adoption of this Statement has not had a material effect on its financial position or results of operations.

In June of 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with these costs and generally requires that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. SFAS does not apply to costs associated with the retirement of long-lived assets covered by FASB Statement No. 143. SFAS 146 will be applied prospectively and is effective for exit or disposal activities initiated after December 31, 2002.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations". Under SFAS 143, the fair value of a liability for an asset retirement obligation covered under the scope of SFAS 143 would be recognized in the period in which the liability is incurred, with an offsetting increase in the carrying amount of the related long-lived asset. Over time, the liability would be accreted to its present value, and the capitalized cost would be depreciated over the useful life of the related asset. Upon settlement of the liability, an entity would either settle the obligation for its recorded amount or incur a gain or loss upon settlement. Solitario is still studying this newly-issued standard to determine, among other things, whether it has any asset retirement obligations, which are covered, under the scope of SFAS 143. Solitario has adopted Statement 143 as of January 1, 2003. The effect to Solitario of adopting this standard is not material.

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 Solitario's financial statements, are summarized in Note 10 to the audited financial statements included elsewhere in this report.

Risks

Solitario's mineral properties are located in South America and consist primarily of mineral concessions granted by national governmental agencies and are held 100% by Solitario or under lease or option or purchase agreements. The properties are located in Peru and Brazil. Solitario acts as operator on all of its properties that are not held in joint ventures. The success of projects held under joint ventures that are not operated by Solitario is substantially dependent on the joint venture partner.

Properties held by Solitario are subject to the laws of Peru and Brazil, where it operates. These countries have, from time to time, experienced periods of political and economic instability. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, exchange controls, currency fluctuations, taxation and laws or policies as well as, bylaws and policies of the United States affecting foreign trade, investment and taxation. Certain other regions in which Solitario may conduct operations have also been subject to political and economic instability, creating uncertainty and the potential for a loss of resources located in these regions.

The capital required for exploration and development of properties is substantial. Solitario has financed operations through utilization of joint venture arrangements with third parties (generally providing that the third party will obtain a specified percentage of Solitario's interest in a certain property in exchange for the expenditure of a specified amount), the sale by Solitario of interests in properties or other assets, and the issuance of debt and common stock. Solitario will need to raise additional cash, or enter into a joint venture arrangement, in order to fund the development and initial operation of any property it desires to develop. New financing or acceptable joint venture partners may or may not be available on a basis that is acceptable to Solitario. Accordingly, there is no assurance that Solitario will be successful in its attempt to develop any projects it now has or may discover in the future.

A large number of companies are engaged in the exploration and development of mineral properties, many of which have substantially greater technical and financial resources than Solitario. Therefore, Solitario may be at a disadvantage with respect to many of its competitors in the acquisition, exploration and development of mining properties. The marketing of minerals is affected by numerous factors, many of which are beyond the control of Solitario. These include the price of the raw or refined minerals in the marketplace, imports of minerals from other countries, the availability of adequate milling and smelting facilities, the price of fuel, the availability and the cost of labor, and the market price of competitive minerals.

In connection with the acquisition of Solitario's properties, Solitario conducts limited reviews of title and related matters, and obtains certain representations regarding ownership. Although Solitario believes it has conducted reasonable investigations (in accordance with standard mining practice) of the validity of ownership, there can be no assurance that it holds good and marketable title to all of its properties.

The development, production and sale of minerals is subject to federal, state, provincial and local regulation in a variety of ways, including environmental regulation and taxation. Federal, state, and local environmental regulations generally have a significant effect on all companies, including Solitario, engaged in mining or other extractive activities, particularly with respect to the permitting requirements imposed on such companies, the possibilities of project delays, and the increased expense required to comply with such regulations. Solitario believes it is in substantial compliance with all such regulations in all the jurisdictions in which it operates.

Future legislation and regulations are expected to continue to emphasize the protection of the environment and, as a consequence, the activities of Solitario may be more closely regulated to further the cause of environmental protection. Such legislation and regulations, as well as future interpretation of existing laws, may require substantial increases in capital and operating costs to Solitario and delays, interruptions, or a termination of operations, the extent of which cannot be predicted.

The mining industry is subject to risks of human injury, environmental liability and loss of assets. Solitario maintains insurance coverage consistent with industry practice, but can give no assurance that this level of insurance can cover all risks of harm to Solitario associated with being involved in the mining business.

**INDEPENDENT AUDITORS' REPORT AND COMMENTS BY INDEPENDENT
AUDITORS FOR CANADIAN READERS ON U.S.- CANADA REPORTING CONFLICT**

***To the Board of Directors and Stockholders of Solitario Resources Corporation
Wheat Ridge, Colorado***

We have audited the consolidated balance sheets of Solitario Resources Corporation and subsidiaries (Solitario) as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of Solitario'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 as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 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, 2002 includes land and leasehold costs of \$3,743,000. 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 Solitario to obtain the necessary permits and financing to successfully place the properties into production, and upon future profitable operations.

Deloitte & Touche us

Deloitte & Touche LLP
Denver, Colorado
March 24, 2003

***To the Board of Directors and Stockholders of Solitario Resources Corporation
Wheat Ridge, 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 24, 2003 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 us

Deloitte & Touche LLP
Denver, Colorado
March 24, 2003

CONSOLIDATED BALANCE SHEETS

	<i>December 31,</i>	
	2002	2001
<i>(in thousands of U.S. Dollars, except per share amounts)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,405	\$ 2,723
Note receivable	111	108
Investments in marketable equity securities, at fair value	409	268
Prepaid expenses and other	27	69
Total current assets	1,952	3,168
Mineral properties, net	3,743	3,693
Note receivable from Crown, net of discount	915	893
Other assets	293	349
	\$ 6,903	\$ 8,103
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 26	\$ 44
Due to Crown	73	62
Total current liabilities	99	106
Commitments and contingencies (Notes 2 and 4)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 10,000,000 (none issued and outstanding December 31, 2002 and 2001)	-	-
Common stock, \$0.01 par value, authorized, 50,000,000 (23,407,134 issued and outstanding at December 31, 2002 and 2001)	234	234
Additional paid-in capital	21,189	21,189
Accumulated deficit	(14,837)	(13,167)
Accumulated other comprehensive income (loss)	218	(259)
Total liabilities and stockholders' equity	\$ 6,903	\$ 8,103

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>Years ended December 31,</i>		
<i>(in thousands of U.S. dollars except per share amounts)</i>	2002	2001	2000
Revenues:			
Mineral property option proceeds	\$ —	\$ —	\$ 100
Gain on sale of assets	—	—	5,811
Interest income	137	236	360
	137	236	6,271
Costs and expenses:			
Exploration expense	907	1,464	1,182
Depreciation, depletion and amortization	40	49	18
General and administrative	372	511	372
Management fees	449	590	414
Asset write-downs	—	1,274	—
Loss on sale of assets	39	—	—
Other (net)	—	5	—
	1,807	3,893	1,986
Net loss	\$ (1,670)	\$ (3,657)	\$ 4,285
Earnings (loss) per common share:			
Basic	\$ (0.07)	\$ (0.16)	\$ 0.24
Diluted	\$ (0.07)	\$ (0.16)	\$ 0.23
Weighted average shares outstanding:			
Basic	23,407	23,387	18,163
Diluted	23,407	23,387	18,350

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<i>(in thousands of U.S. dollars, except per share amounts),</i>	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total
	<u>Shares</u>	<u>Amount</u>				
Balance at						
January 1, 2000	16,854,521	\$ 169	\$ 16,507	\$ (13,795)	\$ (131)	\$ 2,750
Comprehensive income (loss):						
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
Balance at						
December 31, 2000	23,344,647	234	21,147	(9,510)	(62)	11,809
Shares issued:						
For mineral property	62,487	-	42	-	-	42
Comprehensive loss:						
Net loss	-	-	-	(3,657)	-	(3,657)
Net unrealized loss on marketable equity securities	-	-	-	-	(197)	(197)
Comprehensive income	-	-	-	-	-	(3,854)
Balance at						
December 31, 2001	23,407,134	234	21,189	(13,167)	(259)	7,997
Net loss	-	-	-	(1,670)	-	(1,670)
Net unrealized gain on marketable equity securities	-	-	-	-	477	477
Comprehensive income	-	-	-	-	-	(1,193)
Balance at						
December 31, 2002	23,407,134	\$ 234	\$ 21,189	\$ (14,837)	\$ 218	\$ 6,804

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of U.S. dollars)</i>	<i>Years ended December 31,</i>		
	2002	2001	2000
Operating activities:			
Net income (loss)	\$ (1,670)	\$ (3,657)	\$ 4,285
Adjustments:			
Depreciation, depletion and amortization	40	49	18
Asset write-downs	-	1,274	-
(Gain) loss on asset sales	39	-	(5,811)
Interest income received in stock	(74)	-	-
Other	-	2	99
Changes in operating assets and liabilities, excluding effects of acquisition:			
Prepaid expenses and other current assets	18	(38)	(77)
Accounts payable	(18)	(26)	(73)
Due to CRCC	11	(19)	42
Net cash used in operating activities	(1,654)	(2,415)	(1,517)
Investing activities:			
Payments for acquisition, net of cash acquired	-	-	(374)
Investment in Crown promissory notes and warrants	-	(1,000)	-
Additions to mineral properties and other	(50)	(52)	(55)
Proceeds from asset and mineral property sales	407	13	5,715
Proceeds from note receivable	109	106	-
Purchase of securities	(130)	(200)	-
Other assets	-	(63)	-
Net cash provided by (used in) investing activities	336	(1,196)	5,286
Financing activities:			
Issuance of common stock	-	-	179
Net cash provided by financing activities	-	-	179
Net increase (decrease) in cash and cash equivalents	(1,318)	(3,611)	3,948
Cash and cash equivalents, beginning of year	2,723	6,334	2,386
Cash and cash equivalents, end of year	\$ 1,405	\$ 2,723	\$ 6,334
Supplemental disclosure of cash flow information:			
Issuance of stock for property acquisitions	-	42	4,705

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Business and Summary of Significant Accounting Policies:*

Business and company formation

Solitario Resources Corporation (“Solitario”) engages principally in the acquisition, exploration, and development of mineral properties. Solitario’s mineral properties are located in Brazil and Peru. Solitario was incorporated in the state of Colorado on November 15, 1984 as a wholly owned subsidiary of Crown Resource Corp. of Colorado (“CRCC”). In October 2000 Solitario completed a Plan of Arrangement (“the Plan”) whereby Solitario issued 6,228,894 shares of its common stock to the shareholders of Altoro Gold Corp. (“Altoro”) in exchange for 100% of the outstanding shares of Altoro. Primarily as a result of the issuance of shares in connection with the Plan, CRCC’s ownership of Solitario’s shares was reduced from 57.3% (just prior to the transaction) to 41.2% as of December 31, 2002. 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 10 for differences between Canadian and U.S. generally accepted accounting principles.

In performing its activities, Solitario 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 Solitario 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 and the differences could be material.

Cash equivalents

Cash equivalents include investment in highly-liquid debt securities with maturities of three months or less when purchased.

Note receivable

Note receivable consists of \$200,000, plus interest, held by Newmont Mining Company and due Solitario in two annual payments, pending the release of certain contingent liabilities, see Note 2. The long-term portion of the note receivable, of \$100,000, plus interest, is included in other assets.

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.

Solitario records the proceeds from the sale of property interests to joint ventures as a reduction of the related property’s capitalized cost. Proceeds that exceed the capitalized cost of property are recognized as revenue over the period that the joint venture remains active as a result of the payment. 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.

Solitario expenses all exploration costs incurred on properties other than acquisition costs prior to the establishment of proven and probable reserves. Solitario 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 discounted future net cash flows from the asset or upon the determination that certain exploration properties do not have sufficient potential for economic mineralization.

Write-downs relating to mineral properties were to \$1,274,000 in 2001. There were no mineral property write-downs in 2002 or 2000. The write-down for 2001 related to the Rincon del Tigre Property located in Bolivia and the Tocantinzinho property located in Brazil. At December 31, 2002 and 2001, Solitario’s capitalized costs of \$3,743,000 and \$3,693,000, respectively, related to the land, leasehold and acquisition costs, as Solitario has not yet identified any proven and probable reserves on its mineral properties. The recoverability of these costs is dependent on, among other things, the successful identification of proven and probable reserves, and permitting and development of the properties.

Marketable equity securities

Solitario’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 Solitario’s foreign subsidiaries. Although Solitario’s exploration activities have been conducted primarily in Brazil, Bolivia and Peru, substantially all of the land, leasehold, and exploration agreements of Solitario are denominated in United States dollars. Solitario 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, 2002, 2001 and 2000. The calculation of diluted earnings per share includes the effect of common stock equivalents, which include employee stock options and warrants, unless inclusion would be anti-dilutive. The potentially dilutive securities, stock options, were 3,372,000, 2,282,000 and 1,615,000 at December 31, 2002, 2001 and 2000, respectively. Diluted earnings per share for the year ended December 31, 2000 included 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 was no change to the income available to common shareholders as a result of the assumption of conversion of dilutive common stock equivalents. The effects of these securities are not included in the computation of diluted earnings per share in 2002 or 2001 as their inclusion would be anti-dilutive.

Employee stock compensation plans

Solitario follows Accounting Principles Board Opinion ("APBO") No. 25, "Accounting for Stock Issued to Employees". Under Solitario'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, Solitario 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.

Pro forma information has been computed as if Solitario 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 2002, 2001 and 2000, respectively: risk-free interest rate of 4.34%, 4.74% and 6.10%; dividend yield of 0 percent; volatility factor of the expected market price of Solitario's common stock of 60%, 65% and 65%; and a weighted average expected life of the options of 4.3 years, 4.4 years and 4.0 year. The weighted average fair value of the options granted is estimated at \$0.25, \$0.34 and \$0.48 per share in 2002, 2001 and 2000, respectively.

Had Solitario 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)

	2002	2001	2000
Net income (loss)			
As reported	\$(1,670)	\$(3,659)	\$4,285
Pro forma	(1,902)	(3,984)	4,264
Net income (loss) per share			
As reported	\$ (0.07)	\$ (0.16)	\$ 0.23
Pro forma	\$ (0.08)	\$ (0.17)	\$ 0.23

Segment reporting

Solitario operates in one segment, minerals exploration. All of Solitario's operations are located in South America as further described in note 2 to these financial statements. Solitario's United States assets consist primarily of cash and cash equivalents at December 31, 2002 of \$1,385,000. Solitario conducts certain administrative functions in the United States. Solitario holds certain Canadian and South American assets through its Canadian wholly owned subsidiary, Altoro.

New accounting pronouncements

In December 2002, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS No. 148"). SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Solitario will continue to account for stock based compensation using the methods detailed in the stock-based compensation accounting policy.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 eliminates inconsistencies between the accounting for sale-leaseback transactions and the required accounting for certain lease modifications. This statement requires that gains and losses from debt extinguishment should be classified as extraordinary items only if they meet the criteria of Accounting Principles Board Opinion 30. This Statement also amends existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their meanings under changed conditions. Solitario has adopted SFAS 145 as of January 1, 2003. The adoption of this Statement has not had a material effect on its financial position or results of operations.

In June of 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with these costs and generally requires that a liability for a cost associated

with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. SFAS does not apply to costs associated with the retirement of long-lived assets covered by FASB Statement No. 143. SFAS 146 will be applied prospectively and is effective for exit or disposal activities initiated after December 31, 2002.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations". Under SFAS 143, the fair value of a liability for an asset retirement obligation covered under the scope of SFAS 143 would be recognized in the period in which the liability is incurred, with an offsetting increase in the carrying amount of the related long-lived asset. Over time, the liability would be accreted to its present value, and the capitalized cost would be depreciated over the useful life of the related asset. Upon settlement of the liability, an entity would either settle the obligation for its recorded amount or incur a gain or loss upon settlement. Solitario is still studying this newly-issued standard to determine, among other things, whether it has any asset retirement obligations, which are covered, under the scope of SFAS 143. Solitario has adopted Statement 143 as of January 1, 2003. The effect to Solitario of adopting this standard is not material.

2. Mineral Properties:

Peru

Solitario holds exploration concessions or has filed applications for concessions covering approximately 26,000 acres in Peru. These applications are subject to normal administrative approvals and the properties are subject to an annual rental of \$3.00 per hectare (approximately 2.477 acres per hectare) in June of each year.

Bongará: Solitario acquired the initial Bongará exploration concessions in 1993. The current landholdings consist of concessions covering approximately 16,000 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. Cominco paid Solitario \$118,000, including value added taxes of 18%, in January 2000. In February 2001 Cominco terminated their option to acquire an interest in the Bongará project. 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. Newmont retained \$400,000 of the \$6 million purchase price to be paid in four annual installments plus interest pending release of certain contingent liabilities. Solitario received the first two payments of \$109,000 and \$106,000 (including interest) in April 2002 and 2001, respectively. Solitario recorded a gain on the sale of the Yanacocha property of \$5.8 million during

the second quarter of 2000. The NSR royalty applies to exploration concessions covering approximately 150,000 acres.

La Pampa: Solitario holds concessions comprising approximately 4,700 acres on the La Pampa exploration property. In July 2002, Solitario signed an agreement with Bear Creek Mining Company ("Bear Creek") whereby Bear Creek can earn 51% interest in the La Pampa property by expending \$4.5 million on exploration of La Pampa over a five-year period. As part of the agreement, Bear Creek will pay all costs to maintain the concessions. As part of the agreement Bear Creek must complete a minimum of 1,000 meters of drilling on the property. Bear Creek may earn an additional 14% interest (for a total of 65%) by completing a bankable feasibility study on the property within two years of earning its 51% interest.

Other Peruvian properties: Solitario holds concessions comprising approximately 4,400 acres on the Sapalache exploration property. Solitario will conduct limited exploration activities while it seeks joint venture partners to explore and develop this property.

Brazil

Pedra Branca: Solitario acquired the Pedra Branca platinum-palladium (PGM) Project located in Ceará State, Brazil, as part of the Altoro acquisition in October 2000. 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 controls concessions in its own name covering approximately 185,000 acres for a total of 209,000 acres at the Pedra Branca Project.

In February 2000, Altoro signed a letter of intent, which was subsequently assigned to Rockwell Ventures, Inc., of Vancouver, Canada ("Rockwell"), granting Rockwell an option to earn a 60% interest in Altoro's share of the Pedra Branca Project. Under the terms of the agreement, Rockwell was required to spend \$7 million on exploration within four years from July 2000, with a minimum expenditure of \$1 million during the first year. In addition, Rockwell issued to Solitario a total of 125,433 shares and \$50,000 in cash in May 2000 upon regulatory approval of the agreement. In June of 2001, Rockwell terminated its option under the agreement. At December 31, 2002, Solitario owns 100% of the Pedra Branca project subject to the Eldorado Lease discussed above.

On January 28, 2003 Solitario entered into an agreement with Anglo American Platinum Corporation, Ltd. ("Anglo Platinum") whereby Anglo Platinum may earn a 51% interest in the Pedra Branca Project, by spending \$7 million on exploration at Pedra Branca over a four-year period. Anglo agreed to a minimum expenditure of \$500,000 during the first six months of the agreement. Anglo can earn an additional 9% interest in Pedra Branca (for a total of 60%) by completing a bankable feasibility study. Anglo can also earn an additional 5% interest in Pedra Branca (for a total of 65%) by arranging for financing to put the project into commercial production.

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 covered washing licenses for approximately 10,000 acres located in the Para State in Brazil. Solitario terminated the agreement in December of 2001 and recorded a property-write down of \$639,000.

Bolivia

Rincon del Tigre: Since April 1999 Altoro entered into a series of agreements that 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, Bolivia. The agreements required 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 were to be issued as 233,333 shares of Solitario. Solitario issued 70,834 shares under these agreements during 2001. In December 2001, Solitario terminated these agreements, made a cash payment to the owner of the Rincon del Tigre concessions of \$35,000 and recorded a mineral property write-down of \$636,000. Solitario's remaining share payment requirements were canceled upon termination.

Land and leasehold and exploration costs

Mineral property costs for all Solitario's properties are comprised of land and leasehold costs at December 31, 2002 and 2001. The following items comprised the additions to exploration costs:

<i>(in thousands)</i>	<i>Exploration Expense</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
Geologic, drilling and assay	\$ 335	\$ 707	\$ 284
Field expenses	164	243	394
Administrative	408	514	504
Total exploration costs	\$ 907	\$1,464	\$1,182

Included in the consolidated balance sheet at December 31, 2002 are total assets of \$3,797,000 related to Solitario's foreign operations. Assets totaling \$3,794,000 are located in South America in Brazil and Peru. Assets totaling \$3,000 are located in Canada.

3. Acquisitions:

As described in Note 9, in October 2000, 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 purchase cost of mineral properties acquired was \$4,466,000. This amount was allocated as follows: Pedra Branca in Brazil, \$3,573,000; Tocantinzinho in Brazil, \$447,000; and Rincon del Tigre in Bolivia, \$447,000. The fair value of the remaining assets acquired was \$666,000 and the fair value of the liabilities assumed was \$136,000. The pro forma results, assuming the transaction occurred as of January 1, 2000 are as follows:

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

4. Related party transactions:

Crown, through its wholly owned subsidiary, Crown Resource Corp. of Colorado owns 41.2% of Solitario. Crown provides management and technical services to Solitario under a management and technical services agreement originally signed in April 1994 and modified in April 1999, December 2000 and July 2002. Under the modified agreement Solitario reimburses Crown for direct out-of-pocket expenses; payment of between 25% and 75% of executive and administrative salaries and benefits, rent, insurance and investor relations costs and payment of certain indirect costs and expenses paid by Crown on behalf of Solitario. Management service fees paid by Solitario to Crown were \$449,000 for 2002, \$590,000 for 2001 and \$414,000 for 2000.

In October 2001, Solitario invested in two 10% convertible secured promissory notes, ("Senior Notes") totaling \$1,000,000 of the \$3,600,000 Secured Notes issued by Crown. The proceeds from the first Senior Note, (the "Solitario Note"), of \$350,000 were delivered to Crown. The proceeds from the second Senior Note, of \$650,000 were placed in escrow pending the outcome of the Crown's voluntary petition for bankruptcy, filed in United States Bankruptcy Court, which was filed on March 8, 2002 (the "Bankruptcy"). In March 2002 an additional \$200,000 was advanced to Crown out of escrow of which Solitario's share of the advance was \$56,000. Crown's plan was confirmed on May 30, 2002 and the remaining balance of the proceeds plus interest was released to Crown on the Effective Date. The independent Board members of both Crown and Solitario approved the transaction. The terms of the transaction on the escrowed Senior Notes were the same as given to other senior lenders of Crown (the "Senior Lenders") and, with regard to the terms of the \$350,000 Solitario Note, the terms were negotiated with and approved by the other Senior Lenders. During 2002, Solitario was paid 182,440 Crown shares as interest under the Senior Notes.

Solitario entered into a Voting Agreement dated as of April 15, 2002 among Zoloto Investor's, LP ("Zoloto") and Crown. Solitario and Zoloto are both stockholders of Crown (the "Signing Shareholders"). Pursuant to the Voting Agreement, Solitario and Zoloto agree that they will each vote their owned shares during the term of the Voting Agreement for the election of three designees of Zoloto and one designee of Solitario (the "Designee Directors") to the Board of Directors of Crown. The Signing Shareholders agreed that any shares received by either Signing Shareholder would be subject to the Voting Agreement during its term and any successor, assignee or transferee of shares from either Signing Shareholder would be subject to the terms of the Voting Agreement during its term. The Voting Agreement terminates on the third anniversary from the date of the first annual meeting of shareholders after the date of the Voting Agreement. As of December 31, 2002, the Signing Shareholders collectively held 523,418 shares or approximately 13.6% of the

outstanding shares of Crown. As of December 31, 2002, Solitario owns 182,440 shares of Crown common stock, received as interest on its Senior Notes, has warrants to acquire 3,057,143 shares of Crown common stock at between \$0.60 and \$0.75 per share and could also acquire up to 3,057,143 additional shares of Crown common stock through conversion of its Senior Notes.

On June 26, 2001, Solitario agreed to acquire 200,000 shares of Canyon Resources Corporation common stock from Crown at its fair market value of \$200,000 at that date. Solitario sold the shares for \$245,000 in February 2002, the fair market value at that date. The transaction provided additional working capital to Crown, and was approved by independent Board members of both Crown and Solitario.

On February 21, 2003, Solitario invested \$400,000 in Crown's 10% convertible subordinated promissory notes due 2006 Series B (The "Subordinated B Notes"). The issuance of up to \$3 million of the Subordinated B Notes was authorized by Crown on February 7, 2003 by Crown's Board of Directors. On February 21, 2003, Crown closed the financing by issuing \$2.7 million of the Subordinated B Notes. The Subordinated B Notes are convertible into common stock of Crown at \$0.75 per share. The Subordinated B Notes pay interest at 10% in stock or cash at Crown's option, and mature on October 19, 2006, the same date as Crown's Senior Notes. Solitario's investment was on the same terms as all other investors.

5. Income Taxes:

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

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Deferred			
U.S.	\$ 286	\$ (359)	\$ -
Foreign	(3)	(312)	(347)
Operating loss and credit carryovers:			
U.S.	(286)	359	-
Foreign	3	312	347
Income tax benefit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Consolidated loss before income taxes includes losses from foreign operations of \$1,063,000, \$3,057,000 and \$1,275,000 in 2002, 2001 and 2000, respectively.

The net deferred tax assets/liabilities in the December 31, 2002 and 2001 balance sheets include the following components:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>
Deferred tax assets:		
Net operating loss (NOL) carryovers	\$ 3,848	\$ 3,464
Capital loss carryovers	622	622
Royalty	1,560	1,560
Other	(105)	91
Valuation allowance	(4,678)	(4,792)
Deferred tax assets	<u>1,247</u>	<u>945</u>
Deferred tax liabilities:		
Exploration and development costs	<u>1,247</u>	<u>945</u>
Net deferred tax assets/liabilities	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of expected federal income taxes on income (loss) from operations at statutory rates, with the expense (benefit) for income taxes is as follows:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Expected income tax (benefit)	\$ (568)	\$ (1,243)	\$ 1,457
Non-deductible foreign expenses	495	93	109
Disposition of investment in Peru	-	-	1,818
Foreign tax rate differences	(14)	(7)	12
State income tax	12	(76)	351
Valuation allowance	73	1,221	(3,727)
Other	2	12	(20)
Income tax benefit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2002, Solitario has unused U.S. Net Operating Loss ("NOL") and capital loss carryovers of \$3,715,000 and \$1,594,000, respectively, which begin to expire commencing 2008 and 2004, respectively. Solitario also has foreign NOL carryovers at December 31, 2002 of \$6,978,000 that begin to expire four years after the first year in which taxable income arises.

6. Fair Value of Financial Instruments:

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

The fair value of the Secured Notes is estimated at December 31, 2002 and 2001 to be 1,250,000 and 1,000,000, per quoted market prices. The fair value of the Crown warrants held by Solitario is \$153,000 per quoted market prices as of December 31, 2002. The valuation credit for the fair value is included as other comprehensive income in stockholders' equity as of December 31, 2002. The valuation allowance was calculated as \$47,000 as of December 31, 2001 utilizing a Black-Scholes model and was charged to other comprehensive loss in stockholders' equity as of December 31, 2001.

7. Commitments and Contingencies:

In acquiring its interests in mineral claims and leases, Solitario has entered into lease 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. See Note 2. Solitario estimates its 2003 mineral property rental and option payments to be \$77,000 of which Solitario's portion is estimated to be approximately \$52,000.

8. Stock Option Plan:

On March 4, 1994, Solitario's Board of Directors (the "Board") adopted the 1994 Stock Option Plan (the "Plan"). Up to 1,100,000 shares of Solitario's common stock were authorized for issuance under the Plan. The Board voted for, and shareholders approved, amendments that have increased the authorized shares under the Plan to 3,736,000 as of June 2002.

All options have been granted at exercise prices that 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, 2002 is as follows:

	2002		2001		2000	
	Options	Weighted Average Price (Cdn\$) ¹	Options	Weighted Average Price (Cdn\$) ¹	Options	Weighted Average Price (Cdn\$) ¹
Outstanding, beginning of year	2,282,000	1.10	1,724,750	1.22	1,704,750	1.23
Granted	1,140,000	0.73	980,000	0.94	45,000	1.30
Forfeited	-	-	-	-	(25,000)	1.17
Expired	(50,000)	1.16	(422,750)	1.31	-	-
Outstanding, end of year	3,372,000	0.96	2,282,000	1.08	1,724,750	1.22
Exercisable, end of year	2,742,000	1.00	1,812,500	1.10	1,472,750	1.22

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

The options outstanding at December 31, 2002 have a range of exercise prices of between Cdn\$1.30 and Cdn\$0.94 and a weighted average remaining contractual life of 3.06 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 2002, 2001 or 2000 as a result of variable accounting for the repriced options.

The following table summarizes Solitario's stock options as of December 31, 2002

Exercise Price Cdn\$	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price Cdn\$	Number Exercisable	Weighted Average Exercise Price Cdn\$
\$0.73	1,140,000	3.3	\$0.73	742,500	\$0.73
\$0.94	980,000	2.3	\$0.94	755,000	\$0.94
\$1.16	747,000	1.3	\$1.16	747,000	\$1.16
\$1.19 to \$1.22	395,000	1.5	\$1.22	395,000	\$1.22
\$1.30	110,000	1.9	\$1.30	102,500	\$1.30
Total	<u>3,372,000</u>			<u>2,742,000</u>	

9. Stockholders' Equity:

In October 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. During 2000, Solitario issued 261,232 shares upon the exercise of the above warrants and 302,898 of the warrants expired unexercised. The remaining 261,111 warrants expired unexercised during 2001. 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% (prior to the transaction) to 41.2% at December 31, 2002.

10. 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 Solitario’s financial statements, are summarized below:

Marketable equity securities - Under Canadian GAAP, investments in marketable securities are valued at cost, unless a decline in value is considered to be other than a temporary impairment.

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

<i>(in thousands)</i>	<u>2002</u>		<u>2001</u>	
Marketable equity securities	\$	234	\$	527
Other assets	\$	110	\$	349
Total assets	\$	6,685	\$	8,362
Accumulated other comprehensive income	\$	-	\$	-
Total stockholders’ equity	\$	6,586	\$	8,256
Total liabilities and stockholders’ equity	\$	6,685	\$	8,362

11. Selected Quarterly Financial Data (Unaudited):

<i>(in thousands)</i>	<u>2002</u>				<u>2001</u>			
	<u>March 31,</u>	<u>June 30,</u>	<u>Sept. 30,</u>	<u>Dec. 31,</u>	<u>March 31,</u>	<u>June 30,</u>	<u>Sept. 30,</u>	<u>Dec. 31,</u>
Revenues	\$ 31	\$ 25	\$ 44	\$ 37	\$ 87	\$ 63	\$ 47	\$ 39
Net income (loss)	\$ (483)	\$ (430)	\$ (442)	\$ (315)	\$ (535)	\$ (590)	\$ (1,863)	\$ (669)
Basic and fully diluted earnings (loss) per common and common equivalent share:	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.08)	\$(0.03)

The information set forth includes “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor created by those sections. Factors that could cause results to differ materially from those projected in the forward-looking statements include, but are not limited to, the timing of receipt of necessary governmental permits, the results of judicial proceedings, commodity prices, results of current exploration activities and other risks as described in greater detail in the Company’s 2002 Annual Information Form.

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Corporate Offices

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Wheat Ridge, Colorado 80033
Telephone: 303-534-1030
Fax: 303-534-1809

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

Website

www.solitarioresources.com

Notice of Annual Meeting

The Annual Meeting of Shareholders will be at 10 a.m. MDT on June 18, 2003 at the Company's corporate offices.

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

Christopher E. Herald

President and Chief Executive Officer

Walter H. Hunt

Vice President – 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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**Toronto Stock
Exchange: SLR**

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