

SOLITARIO RESOURCES CORP  
Form DEF 14A  
April 30, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  
 [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to SS240.14a-12

SOLITARIO RESOURCES CORPORATION  
(Name of Registrant as Specified in Its Charter)  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.  
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SOLITARIO RESOURCES CORPORATION  
Notice of Annual Meeting of Shareholders

To the Shareholders:

The Annual Meeting of the Shareholders of Solitario Resources Corporation (the "Company") will be held at 4251 Kipling Street, Suite 390, Wheat Ridge, CO 80033, on Thursday, June 14, 2007 at 10:00 a.m., Mountain Daylight Time (the "Annual Meeting"), for the following purposes:

1. To elect six directors to serve until the next annual meeting of Shareholders or until their successors are elected and qualified; and
2. To consider, and if deemed appropriate, to pass a resolution authorizing certain amendments to the Solitario Resources Corporation 2006 Stock Option Incentive Plan (the "2006 Plan") all as described under the heading "Proposed Amendments to the 2006 Option Plan" in the definitive Proxy Statement of the Company dated April 27, 2007; and
3. To ratify the appointment of Ehrhardt Keefe Steiner & Hottman PC, as Solitario's independent registered public accounting firm for fiscal year 2007; and
4. To transact such other business as may properly come before the meeting and all adjournments thereof.

The Board of Directors has fixed the close of business on April 25, 2007 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. The approximate date of the mailing of this Proxy Statement and the enclosed form of proxy is May 2, 2007. A complete list of stockholders will be available for examination at the Annual Meeting and at our offices at 4251 Kipling Street, Suite 390, Wheat Ridge, CO 80033, for a period of ten days prior to the Annual Meeting.

Your attention is directed to the accompanying Proxy Statement. To constitute a quorum for the conduct of business at the Annual Meeting, it is necessary that holders of a majority of all outstanding shares entitled to vote at the meeting be present in person or be represented by proxy. To assure representation at the Annual Meeting, you are urged to date and sign the enclosed proxy and return it promptly in the enclosed envelope.

By Order of the Board of Directors

James R. Maronick  
Secretary

April 27, 2007  
Wheat Ridge, Colorado

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## PROXY STATEMENT

### Annual Meeting of Shareholders

This Proxy Statement (the "2007 Proxy Statement") is furnished in connection with the solicitation by the Board of Directors of Solitario Resources Corporation, a Colorado corporation ("Solitario" or the "Company"), of proxies in the accompanying form for use at the Annual Meeting of Shareholders to be held on Thursday, June 14, 2007, and any adjournment or postponement of such meeting (the "Annual Meeting"). The Annual Meeting will be held at 10:00 a.m., Mountain Daylight Time, at 4251 Kipling Street, Suite 390, Wheat Ridge, CO 80033.

The 2006 Annual Report (which is not a part of the Company's proxy soliciting materials) is being mailed to the Company's shareholders with this Proxy Statement. Upon written request from any person solicited herein, addressed to the Corporate Secretary of Solitario at its principal offices at 4251 Kipling St. Suite 390, Wheat Ridge, Colorado 80033, Solitario will provide, at no cost, a copy of the Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") for the fiscal year ended December 31, 2006 (the "2006 10-K"), without exhibits. A copy of any or all of the exhibits to the 2006 10-K will be furnished for a fee, which will not exceed the Company's reasonable expenses in furnishing the exhibits.

Proxies are solicited so that each shareholder may have an opportunity to vote. These proxies will enable shareholders to vote on all matters that are scheduled to come before the meeting. When proxies are returned properly executed, the shares represented thereby will be voted in accordance with the shareholders' directions. Shareholders are urged to specify their choices by marking the appropriate boxes on the enclosed proxy card; if no choice has been specified, the shares will be voted as recommended by the Board of Directors of Solitario (the "Board"). Means have been provided whereby a shareholder may withhold his vote for any Director. The proxy cards also confer discretionary authority to vote the shares authorized to be voted thereby on any matter that was not known on the date of the Proxy Statement but may properly be presented for action at the meeting.

You are asked to sign, date, and return the accompanying proxy card regardless of whether or not you plan to attend the meeting. Any shareholder returning a proxy has the power to revoke it at any time before shares represented by the proxy are voted at the meeting. Any shares represented by an unrevoked proxy will be voted unless the shareholder attends the meeting and votes in person. A shareholder's right to revoke his or her proxy is not limited by or subject to compliance with a specified formal procedure, but written notice should be given to the Corporate Secretary of Solitario at or before the meeting.

The expense of printing and mailing proxy material will be borne by Solitario. In addition to the solicitation of proxies by mail, solicitation may be made by certain Directors, officers, and other employees of Solitario in person or by telephone or other means of electronic communication. No additional compensation will be paid for such solicitation.

Arrangements will also be made with brokerage firms and other custodians, nominees, and fiduciaries to forward proxy solicitation material to certain beneficial owners of Solitario's Common Stock and Solitario will reimburse such brokerage firms, custodians, nominees, fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

### Shares Outstanding

The holders of Solitario's \$.01 par value Common Shares (the "Common Stock") at the close of business on April 25, 2007, the record date, are entitled to vote at the Annual Meeting. On April 25, 2007 there were 29,606,992 shares of Common Stock outstanding. Each share of Common Stock entitles its holder to one vote. The presence in

person or by proxy of holders of record of a majority of the outstanding shares of Common Stock is required to constitute a quorum for the transaction of business at the meeting. If a quorum is present at the meeting the six nominees for election as Directors who receive the greatest number of votes cast for election of directors at the meeting by the shares present in person or represented by proxy at the meeting and entitled to vote shall be elected Directors. Shares held by persons who abstain from voting on the election of Directors and broker non-votes will not be counted in the election. Shares held by persons abstaining will be counted in determining whether a quorum is present for the purpose of voting on the proposal but broker non-votes will not be counted for this purpose.

## 1. ELECTION OF DIRECTORS

The Board currently consists of six Directors. The Directors elected at the Annual Meeting will serve until the next Annual Meeting of Shareholders and until their successors are elected and qualified. Unless the vote is withheld by the shareholder, the proxies solicited by the Board will be voted for the re-election of all the current Directors. The six nominees who receive the most votes will be elected. If a shareholder does not vote for a nominee or indicates to "withhold" authority to vote for a nominee on the proxy card, that shareholder's vote will not count either for or against the nominee. Solitario's current nominees for election as Directors are:

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Name	Age	
Steven A. Webster, Chairman	55	Mr. Webster was elected a director of Solitario in June 2006. Mr. Webster has served as Co-Managing Partner of Avista Capital Partners, since he co-founded the firm in 2005, which makes private equity investments in energy, healthcare and medical companies. From 2000 to 2005, Mr. Webster was Chairman of Global Energy Partners, which is affiliated with CSFB Private Equity. He also serves as Chairman of Carrizo Oil & Gas, Inc. (CRZO/NASDAQ), an oil and gas exploration company he co-founded, and Basic Energy Services Inc., (BAS/NYSE), a well services contractor. Mr. Webster is a director of Grey Wolf Inc. (GW/ASE), a land drilling rig contractor, Camden Property Trust (CPT/NYSE), a real estate investment trust, Seaco Holdings, Inc. (CKH/NYSE) a marine transportation and energy service provider, Hercules Offshore, Inc. (HERO/NASDAQ), an offshore drilling contractor, Geokinetics Inc. (GOKN/OTC), a geophysical company, and various private companies. Mr. Webster was the founder, Chairman and CEO of Falcon Drilling Company (FLC/NYSE), President and CEO of its successor, R&B Falcon Corporation (FLC/NYSE), through 1999, and Vice Chairman until the sale of the company to Transocean Inc. in 2001. He is a graduate of Purdue University and holds an MBA from Harvard Business School. Mr. Webster serves on the Dean's Advisory Board of Purdue's Krannert School.
(1)		
Mark E. Jones, III, Vice-chairman	67	Mr. Jones has been a director of Solitario since August 1993 and served as Chairman until June 2006. Mr. Jones was also a director of Crown Resources Corporation since it commenced operations in February 1989. Mr. Jones was a founding partner of Jones, Loyd & Webster, Inc., a Houston-based corporate finance and investment banking firm that specialized in oilfield equipment financing. Mr. Jones also serves as Chairman of Brazauro Resources, a gold exploration company based in Houston, Texas. Mr. Jones attended the University of Texas.
John Hainey	74	Mr. Hainey has been a director of Solitario since 1999. He is a retired mining engineer and spent the last ten years of his career, before his retirement in 1998,

- (1)(2) as a mining analyst in the Canadian investment industry with Dundee Securities Corporation (formerly Eagle & Partners), Yorkton Securities Inc., Loewen, Ondaatje, McCutcheon & Company and Canaccord Capital Corporation. Prior to 1988, Mr. Hainey spent over 30 years working in the mining industry, both in Canada and abroad, which covered engineering, operations, consulting and business development and included 17 years with BP Resources Canada Ltd. Mr. Hainey is a member of the Association of Professional Engineers of Ontario and of the Canadian Institute of Mining and Metallurgy. He is also a Chartered Engineer (U.K.) and a Fellow of the Institute of Materials, Minerals and Mining (U.K.). He holds an A.C.S.M. (Hons.) in Mining Engineering from the Camborne School of Mines in England.
- Leonard Harris 79 Mr. Harris has been a director of Solitario since June 1998. Prior to his retirement from Newmont Mining Corporation, Mr. Harris gained over 50 years experience in the mining industry including serving as General Manager of Minera Yanacocha, South America's largest gold mine, and Vice President and General Manager of Newmont Latin America. Mr. Harris has over 20 years experience in managing mining operations in Latin America that include base metal and gold deposits, underground and open pit mines, gold and base metal processing plants and smelting and refining operations. Mr. Harris currently serves on the boards of Alamos Gold Inc., Aztec Metals Corp., Canarc Resources, Cardero Resources Corp., Endeavour Silver Corp., Indico Resources Ltd., IMA Exploration Inc., Morgain Minerals and Sulliden Exploration Inc. He is a 1949 graduate metallurgist of The Mount Morgan School of Mines (Australia).
- (1)(2)
- Christopher E. Herald 53 Mr. Herald has been a director of Solitario since August 1992. He has also served as Chief Executive Officer since June 1999 and President since August 1993. Mr. Herald also served as a director of Crown since April 1989, as Chief Executive Officer of Crown since June of 1999, President of Crown since November 1990 and was Executive Vice President of Crown from January 1990 to November 1990. Prior to joining Crown, Mr. Herald was a Senior Geologist with Echo Bay Mines and Anaconda Minerals. Mr. Herald has served as a director of TNR Gold Corp. (TNR/V), since 1998; Maestro Ventures, Ltd. (MAP/V), since 2004; and Battle Mountain Gold Exploration Corp. (BMGX/OTC), since 2006. TNR and Maestro are mineral exploration companies and Battle Mountain is a mineral royalty company. Mr. Herald received a M.S. in Geology from the Colorado School of Mines and a B.S. in Geology from the University of Notre Dame.
- Brian Labadie 54 Mr. Labadie has been a director of Solitario since June 2006. He is an independent mining industry consultant. He also was a director of Crown and has over thirty years experience in the mining industry including eight years with Miramar Mining Corporation from 1998 to 2006 as the Executive Vice President, COO. Prior to that, Mr. Labadie spent nine years with Echo Bay Mines, Ltd. as Vice President of Operations, including full operational and management responsibility for the Kettle River Mine in Republic, Washington. Mr. Labadie holds a Bachelor of Science degree in geological engineering from the University of Toronto.
- (1)(2)

1. The Board of Directors has determined this Director/Nominee to be an independent member of the Board of Directors in accordance with the standards of independence as determined by the listing standards of the American Stock Exchange (the "AMEX").
2. Member of the Audit, Compensation and Nominating Committees

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL OF THE NOMINEES LISTED ABOVE.

It is intended that votes will be cast pursuant to the enclosed proxy for the election of Directors from the foregoing nominees. If any nominee shall not be a candidate for election as a Director at the meeting, it is intended that votes will be cast pursuant to the enclosed proxy for such substitute nominees as may be nominated by the existing Directors. No circumstances are presently known which would render any nominee named herein unavailable.

#### Meetings of Board of Directors

During the fiscal year ended December 31, 2006, there were three meetings of the Board. Each of the incumbent Directors attended all of the meetings of the Board held while they served as a Director. Each of the incumbent Directors attended all meetings held by committees of the Board on which they served except Mr. Labadie missed one of the five audit committee meetings held during 2006. All of the references to meetings exclude actions taken by written consent. Board members are not required to attend annual meetings of shareholders. Mr. Herald attended the annual meeting of shareholders held on June 27, 2006.

#### Nominating and Corporate Development Committee

In June of 2006, the Board of Directors approved the charter for and formed the Nominating and Corporate Development Committee of the Board of Directors (the "Nominating Committee"), a current copy of which is available on the Company website at

[www.solitarioresources.com](http://www.solitarioresources.com). The members of the Nominating Committee are all independent members of the Board of Directors in accordance with the definition of the AMEX listing standards. The nominating committee did not meet during 2006, and no director nominations were proposed during 2006. The committee held a meeting on April 19, 2007.

The primary purposes of the Nominating Committee are to (a) identify individuals qualified to become Board members, and select or recommend director nominees; (b) develop and recommend to the Board corporate governance principles applicable to the Corporation; (c) lead the Board in its annual review of the Board's performance; and (d) recommend to the Board director nominees for each committee.

Pursuant to Article II Section 11 of our Bylaws, candidates for election as directors at any meeting of shareholders may be made (a) by, or at the direction of, a majority of the Board of Directors or (b) by any shareholder entitled to vote at such a meeting. The board makes no distinction in evaluating candidates who come to their attention directly or who are nominated by any shareholder. The Nominating Committee does not have specific minimum qualifications that a candidate must possess for consideration. In order to qualify for consideration at a shareholder meeting, shareholder nominations must be in writing addressed to the Secretary of Solitario Resources Corporation not less than 60 days nor more than 90 days prior to the date of a scheduled shareholders' meeting; provided, however, that if less than 70 days notice or prior public disclosure of the scheduled date of such a meeting is given or made, notice of a shareholder nomination must be delivered or received not later than the close of business on the 10<sup>th</sup> day following the earlier of the day on which such notice of the date of the scheduled meeting was mailed or the day on which such public disclosure was made.

Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director and as to the shareholder giving the notice (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of stock of the Company which are beneficially owned by such person of the date of such shareholder notice and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as directors, pursuant to Regulation 14A under the

Securities Exchange Act of 1934, as amended, and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Company's books, of such shareholder and any other shareholders known by such shareholder to be supporting such nominees and (ii) the class and number of shares of stock of the Company which are beneficially owned by such shareholder on the date of such shareholder notice and by any other shareholders known by such shareholder to be supporting such nominees on the date of such shareholder notice.

The Board of Directors may reject any shareholder nomination not timely made in accordance with the requirements of Article II Section 11 of Solitario's Bylaws. Furthermore, if the Board of Directors determines that the information provided in a shareholder's notice does not satisfy the informational requirements of Article II Section 11 of the Bylaws in any material respect, the Secretary will promptly notify such shareholder of the deficiency in the notice. The shareholder will then have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed 5 days from the date such deficiency notice is given to the shareholder, as the Board of Directors shall reasonably determine. If the deficiency is not cured within such time period, or if the Board of Directors reasonably determines that the additional information provided by the shareholder, together with information previously provided, does not satisfy the requirements of Article II Section 11 of the Company's Bylaws in any material respect, then the Board of Directors may reject such shareholder's nomination. The Secretary of the Company shall notify a shareholder in writing whether his or her nomination has been made in accordance with the time and information requirements of the Company's Bylaws. Notwithstanding the procedure set forth above, if the Board of Directors does not make a determination as to the validity of any shareholder

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nominations, the presiding officer of the meeting of the shareholders shall determine and declare at the meeting whether a nomination was made in accordance with the terms of the Company's Bylaws and shall accept or reject the nomination accordingly. Audit Committee

The Audit Committee consists of Mr. Hainey, Mr. Harris and Mr. Labadie, each of whom is independent in accordance with the definition of the AMEX listing standards. The Board of Directors has determined that Mr. Hainey is an audit committee financial expert as defined by the SEC. Following the election of Directors at the Annual meeting, the Board expects to reappoint Mr. Harris, Mr. Hainey and Mr. Labadie to the Audit Committee to serve until the next annual meeting. The Audit Committee acts under a written charter adopted and approved by the Board of Directors on July 26, 2006, a current copy of which is available on the Company website at [www.solitarioresources.com](http://www.solitarioresources.com). The Audit Committee reviews Solitario's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting processes, including the system of internal controls. The audit committee met five times during the year ended December 31, 2006.

#### Audit Committee Report

In performing its duties the Audit Committee reviewed and discussed the audited financial statements contained in the 2006 Annual Report on Form 10-K with management and Solitario's independent registered public accountant, Ehrhardt Keefe Steiner & Hottman PC ("Ehrhardt"). The Audit Committee met with Ehrhardt, and discussed all issues deemed to be significant by Ehrhardt, including any matters required by Rule 2-07 of Regulation S-X, "Communication with Audit Committees" and Statement of Auditing Standard No. 61, as amended, ("Communications with Audit Committees") and without management present, discussed and reviewed the results of the independent auditor's examination of the financial statements. In addition, in accordance with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees" as amended or supplemented, the Audit Committee discussed with Ehrhardt its independence from Solitario and its management, and has received the written disclosures and letter from Ehrhardt that stated it is independent of Solitario within the meaning of US

securities laws.

In reliance on the reviews and discussions outlined above, the Audit Committee recommended to the Board of Directors that Solitario include the audited financial statements in its Annual Report under Form 10-K, filed with the SEC, for the year ended December 31, 2006.

AUDIT COMMITTEE  
John Hainey, Chairman  
Leonard Harris  
Brian Labadie

#### Compensation Committee

On June 27, 2006, the Board of Directors approved the charter for and formed the Compensation and Management Development Committee (the "Compensation Committee"). A current copy of the Compensation Committee charter is available on the Company website at

[www.solitarioresources.com](http://www.solitarioresources.com). Mr. Labadie, Mr. Hainey and Mr. Harris are the members of the Compensation Committee. The Compensation Committee met two times during 2006.

The primary purposes of the Compensation Committee are to a) review from time to time and approve the overall management evaluation and compensation policies of Solitario; b) review and approve goals and objectives relevant to the compensation of the executive officers, including the chief executive officer, of Solitario and evaluate the performance of the Solitario's executive officers of Solitario; c) set the compensation of the executive officers of Solitario, in light of the Compensation Committee's review; d) review, approve and periodically evaluate Solitario's compensation and other benefit plans, including incentive compensation and equity-based plans and programs for non-employee directors, executive officers and senior management, and make recommendations as necessary; e) review and approve any amendments and modifications to any such plan or program requiring approval of the Board of Directors, subject to applicable regulatory and shareholder approval requirements; f) review and approve the granting of options, restricted stock, stock appreciation rights and other equity-based grants to Solitario's non-employee directors, executive officers and senior management consistent with the Corporation's incentive compensation plans and programs and compensation and retention strategy, subject to ratification by the Board of Directors; g) review and approve plans of the Company for management development and senior managerial succession; h) oversee compliance with the applicable compensation reporting requirements of the Securities and Exchange Commission and i) conduct an annual performance self-evaluation of the Committee and prepare an annual report thereon to the Board of Directors. The Compensation Committee has not engaged compensation consultants but has the authority to do so under the Compensation Committee charter.

The scope and authority of the Compensation Committee, including the role of executive officers and compensation consultants in determining or recommending the amount and form of compensation and the ability of the Compensation Committee to delegate authority, are more fully described in the Compensation Discussion and Analysis section of this proxy as well as the Compensation Committee charter.

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#### Compensation Committee Interlocks and Insider Participation

Mr. Labadie, Mr. Hainey and Mr. Harris are the members of the Compensation Committee and are independent in accordance with the definition of the AMEX listing standards. No member of the Compensation Committee is



currently or has ever been an officer or employee of Solitario or had a relationship required to be disclosed with Solitario pursuant to Item 404 of the SEC's regulation S-K. As discussed in "Certain Relationships and Related Transactions," Mr. Labadie was

a member of the Board of Directors of Crown and Solitario from June 26, 2006 until August 31, 2006, when he resigned as a director of Crown upon completion of the Crown-Kinross merger. Mr. Labadie had no interest in any transactions between Crown and Solitario, other than his position as a director of both companies.

#### Compensation Committee Report

The Compensation Committee has reviewed and discussed the section entitled "Compensation Discussion and Analysis" with management and based on such review and discussions has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

#### COMPENSATION COMMITTEE

Brian Labadie, Chairman

Leonard Harris

John Hainey

#### Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires Solitario's Directors and executive officers, and persons who own more than ten percent of a registered class of Solitario's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of Solitario. Officers, Directors, greater than ten percent shareholders are required by SEC regulation to furnish Solitario with copies of all Section 16(a) forms they file. To Solitario's knowledge, based solely on review of the copies of such reports furnished to Solitario and written representations that no other reports were required, during the fiscal year ended December 31, 2005, the following failed to meet Section 16(a) filing requirements applicable to officers, Directors, and greater than ten percent beneficial owners: John Hainey filed two reports late, covering three transactions; Leonard Harris filed one report late covering one transaction; Mark Jones filed three reports late, covering eight transactions; Chris Herald filed one report late covering one transaction; Walter Hunt filed two reports late, covering two transactions; James Maronick filed two reports late covering two transactions.

#### Shareholder Communications

Solitario endeavors to keep all shareholders well informed as to financial performance of the Company, primarily by means of its annual and quarterly reports and by press releases. The Board of Directors and management of Solitario are receptive to shareholder feedback in any form. It is Solitario's policy to receive and respond promptly to shareholder inquiries while being guided by legal requirements as well as the Company's policies with respect to confidentiality and disclosure requirements. Shareholders wishing to send communications to the Board of Directors should write to either the Chairman of the Board of Directors or to the Secretary of the Company at the following address: Solitario Resources Corporation, 4251 Kipling St., Suite 390, Wheat Ridge, CO 80033. All such communication shall state the type and amount of the Company's securities held by the shareholder and shall clearly state the communication is intended to be shared with or directed only to the Board of Directors, or if applicable, with a specific committee of the Board of Directors. The Chairman of the Board of Directors or the Secretary of the Company, as applicable, will forward such communication to the members of the Board of Directors or specific committee of the Board of Directors.

#### Indemnification of Directors

Our Articles of Incorporation authorize our Board of Directors to the fullest extent permitted by Colorado law as now or hereafter in effect, to indemnify any Director of Solitario. The Board of Directors shall be entitled to determine the terms of such indemnification, including advance of expenses, and to give effect thereto through the adoption of Bylaws, approval of agreements, or by any other manner approved by the Board of Directors. Any amendment to or repeal of the authorization of indemnification contained in our Articles of Incorporation shall not adversely affect any right of a Director of Solitario there under with respect to any right to indemnification that arises prior to such amendment.

### Code of Ethics

Solitario adopted the Solitario Resources Corporation Code of Business Conduct and Ethics including its Code of Ethics for the Chief Executive Officer and Senior Financial Officer (the "Code of Ethics") on June 27, 2006, a copy of which may be found on our website at [www.solitarioresources.com](http://www.solitarioresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Any person who wishes to receive a copy of the Code of Ethics may do so at no charge by written request to Investor Relations, Solitario Resources, 4251 Kipling St, Suite 390, Wheat Ridge, CO 80033.

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## 2. COMPENSATION PLANS

### Plans subject to shareholder approval

The Solitario Resources Corporation 2006 Stock Option Incentive Plan (the "2006 Plan") was approved by shareholders and became effective June 27, 2006. Under the terms of the 2006 Plan, up to 2,800,000 shares (which represents 9.5% of the current number of issued and outstanding shares as of April 25, 2007) may be issued pursuant to options granted by the Board of Directors under the 2006 Plan to directors, officers, employees and consultants with an exercise price that is not less than the market price of Solitario's common stock. The 2006 Plan currently defines the market price as the volume weighted average trading price of such shares traded on The Toronto Stock Exchange for the five trading days immediately preceding the date on which the option is granted by the Board.

On March 4, 1994, our Board of Directors adopted the 1994 Stock Option Plan (the "1994 Plan") that authorized the issuance of up to 1,100,000 of our shares under the Plan. The shareholders approved subsequent amendments to the 1994 Plan to increase the authorized shares under the 1994 Plan to 3,736,000 shares. As of April 25, 2007, we have granted options for 110,000 shares that remain unexercised at Cdn\$0.81 per share, which expire August 14, 2008. The 1994 Plan had a ten year life which expired in March 2004 and there are no shares available for grant under the 1994 Plan.

### Equity Compensation Plan Information as of December 31, 2006

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights Cdn\$ (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
2006 Plan: Equity compensation plans approved by security holders	1,637,500	\$2.77	1,145,000

Equity compensation plans not approved by security holders	-	N/A	-
Total	1,637,500	\$2.77	1,145,000
1994 Plan:			
Equity compensation plans approved by security holders	1,027,000	\$0.74	-
Equity compensation plans not approved by security holders	-	N/A	-
Total	1,027,000	\$0.74	-
All Plans:			
Equity compensation plans approved by security holders	2,664,500	\$1.99	1,145,000
Equity compensation plans not approved by security holders	-	N/A	-
Total	2,664,500	\$1.99	1,145,000

The total number of Solitario shares of common stock available for issue from the exercise of all outstanding options from both the 1994 Plan and the 2006 Plan as of April 25, 2007 is 1,705,000 shares, which represents 5.8% of the 29,606,992 shares of Solitario common stock outstanding on that date.

#### Approval of Amendments to the 2006 Option Plan

The 2006 Plan currently has a general amendment provision, allowing the Board of Directors to suspend, terminate or to make amendments to the 2006 Plan, subject to Toronto Stock Exchange (the "TSX") and regulatory approval. Subsequent to the adoption of the 2006 Plan, the TSX announced that by June 30, 2007, each listed issuer should formulate detailed amendment provisions (the "Amendment Provisions") in its security-based compensation arrangements. The Amendment Provisions must clearly distinguish between the type of amendments that require shareholder approval and those which can be made by the board of directors, without shareholder approval. Failing the inclusion of the Amendment Provisions, all future amendments (no matter how immaterial) would require shareholder approval. All amendments would continue to be subject to any required regulatory review or approval.

In addition, the 2006 Plan currently (i) makes no allowance for the expiration of options during a blackout period, (ii) defines the market price as the volume weighted five day average trading price as quoted on the TSX for the five days prior to the date of grant, which is inconsistent with the financial reporting rules of the SEC, (iii) defines a consultant in a way which is inconsistent with the requirements of Form S-8 promulgated by the SEC; and (iv) is ambiguous regarding the ability of the Board of Directors to make certain adjustments in the event of a change in structure or capital of the Company.

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In light of the above, shareholders are being asked to consider and, if thought advisable, to approve the Option Plan Resolution, the text of which is set out below, approving amendments to the 2006 Plan to (i) reflect the new regulatory requirements for the Amendment Provisions; (ii) provide for an automatic ten business day extension after the end of a blackout period if the term of such option would otherwise have expired during a Company-imposed blackout period, (iii) modify the definition of market price to be consistent with the financial reporting rules of the SEC; (iv) modify the definition of a consultant under the 2006 Plan to be consistent with the requirements of Form S-8 promulgated by the SEC by specifically excluding persons from the definition of consultant who provide services in connection with the offer or sale of securities in a capital-raising transaction and persons who directly or indirectly promote or maintain a market for the Company's securities; and (v) clarify and require certain adjustments in the event of a change in structure or capital of the Company. These proposed amendments are subject to shareholder approval

and approval of the TSX. Conditional approval of the TSX for these amendments was obtained on April 27, 2007.

The text of the 2006 Plan in its entirety, prior to these proposed amendments, was attached to Solitario's 2006 Definitive Proxy Statement on Schedule 14A as Appendix A filed with the SEC on May 10, 2006. It may be viewed on the SEC's website at <http://www.sec.gov>.

#### Insertion of Revised Amendment Provisions

The new amendment procedures state the type of modifications to the 2006 Plan that may be made by the Board of Directors without shareholder approval and modifications that must specifically be approved by the holders of a majority of the Common Shares.

Section 10 of the 2006 Plan is proposed to be replaced in its entirety by the following in order to accomplish this goal:

#### 10. Amendment or Discontinuance of 2006 Plan

(a) Subject to regulatory approval, the approval of any stock exchange on which Common Shares are then listed for trading and the limitations set out in subsections 10(b) and (c) hereof, the Board may, by resolution, amend, vary or discontinue the Plan, or any agreement or entitlement subject to the Plan, at any time without notice to or approval of the shareholders of the Company, including, without limitation, for the purpose of:

(i) changing the class of persons who will be eligible to be granted options pursuant to the Plan (other than as provided for in subsection 10(b) hereof) and the authority of the Board in respect of the grant of options under the Plan;

(ii) ensuring continuing compliance with applicable laws and regulations and the requirements or policies of any governmental or regulatory authority, securities commission or stock exchange having authority over the Company or the Plan;

(iii) changes of a clerical, technical or stylistic nature, including, without limitation, eliminating any ambiguity, error or defect, supplying any omission or correcting or supplementing any provision contained in the Plan or in any agreement subject to the Plan which may be incorrect or incompatible with any other provision of the Plan or such agreement;

(iv) changing the method of determining the option price for options granted pursuant to the Plan, provided that the option price shall not in any case be lower than the "market price" of a Common Share, as that term (or any successor term) is interpreted and applied by the TSX;

(v) changing the following terms governing options under the Plan: (A) vesting terms (including the acceleration of vesting); (B) exercise and payment method and frequency; (C) transferability or assignability, other than as provided for in subsection 10(b) hereof; (D) to fairly or properly take into account a Sale, Arrangement or Take-over Bid; (E) adjustments required in the circumstances of one of the events referred to in Section 9 hereof; and (F) the effect of termination (for whatever reason) of the Optionee's employment or service;

- (vi) determining that any of the provisions of the Plan or any agreement subject to the Plan concerning the effect of termination (for whatever reason) of the Optionee's employment, service or consulting agreement/arrangement or cessation of the Optionee's directorship or office, shall not apply for any reason acceptable to the Board;
- (vii) changing the terms and conditions of any financial assistance which may be provided by the Company to the Optionees to facilitate the purchase of Common Shares, or adding or removing any provisions providing for such financial assistance;
- (viii) adding a cashless exercise feature, payable in cash or securities, provided same includes a full deduction of the number of underlying Common Shares from the Plan reserved under Section 5 hereof;
- (ix) providing for the granting of non-equity based kinds of awards under the Plan, including, without limitation, stock-appreciation rights;
- (x) adding or amending provisions necessary for options under the Plan to qualify for favourable tax treatment to Optionees and/or the Company under applicable tax laws;
- (xi) changing any terms relating to the administration of the Plan; and

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- (xii) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules and policies of the TSX and of any other stock exchange or market having authority over the Company or the Plan).
- (b) Subject to regulatory approval, the approval of any stock exchange on which Common Shares are then listed for trading and the limitations set out in subsection 10(c) hereof, the Board may, by resolution, amend, vary or discontinue the Plan, or any agreement or entitlement subject to the Plan, at any time for the following purposes, provided that any such amendment, variance or discontinuance will not become effective unless and until approved by a majority of the votes cast by shareholders of the Company, in person or by proxy, at a meeting of shareholders:
- (i) any increase in the maximum number of Common Shares issuable under the Plan as provided for in Section 5 hereof or any change from a fixed maximum number of Common Shares issuable under the Plan to a fixed maximum percentage;
  - (ii) any reduction in the option price of an outstanding option held by an Insider except for the purpose of maintaining option value in connection with an adjustment provided for under Section 9 hereof (for this purpose, the cancellation or termination of an option of an Optionee prior to expiry of the option term for the purpose of reissuing an option to the same Optionee with a lower exercise price shall be treated as an amendment to reduce the option price of an option);

- (iii) any extension of the option term of an option held by an Insider (except where the date of the expiry of the option term would have fallen within a Blackout Period (as defined in subsection 8(e) hereof));
- (iv) any increase in the maximum percentage of outstanding Common Shares issuable under the Plan to Insiders; and
- (v) any other amendment requiring shareholder approval under applicable law (including, without limitation, under the rules and policies of the TSX and of any other stock exchange or market having authority over the Company or the Plan);

provided further that, in the case of any amendment or variance referred to above, Insiders who directly benefit from such amendment or variance will not have the votes attaching to Common Shares or other securities of the Company held, directly or indirectly, by them counted in respect of the required approval of the shareholders of the Company.

(c) Notwithstanding anything herein to the contrary, no amendment, variance or discontinuance of the Plan, or any agreement or entitlement subject to the Plan, may be made, without the prior written consent of the Optionee, if the Board determines that the effect thereof is to impair, derogate from or otherwise materially and adversely affect any option previously granted to such Optionee under the Plan.

In no event may the Board extend the term of any option beyond 10 years from the date of the granting of such option or extend the period during which options may be granted in accordance with Section 7(a) of the 2006 Plan.

#### Extension to Option Term during Blackout Period

The nature of the Company's business may give rise to periods during which directors, officers, employees are precluded from trading in the securities of the Company in accordance with the Solitario's Insider Trading Policy. These periods are referred to herein as "blackout periods". In accordance with the TSX Staff Notice, the Board has determined that it would be preferable where an option would otherwise expire during a black-out period or within 10 business days thereafter, to allow the option to continue to be exercisable until the 10th business day after the expiry of the blackout period.

Therefore, Section 8(e) of the 2006 Plan is proposed to be replaced in its entirety by the following to accomplish this goal:

(e) Term of Option - The term of the option shall not be for less than one year and not more than 10 years from the date the option is granted, subject always to subsections (f), (g), (h) and (i) of this Section 8; provided that, notwithstanding the foregoing or anything else to the contrary in the Plan, if the term of any option granted under the Plan ends on a day occurring within a Blackout Period (as defined below) or within ten business days thereafter, such option shall continue to be exercisable under the terms of the Plan up to 5:00 p.m. (Toronto time) on the tenth business day following the end of such Blackout Period.

For the purposes hereof, "Blackout Period" means the time period during which Eligible Participants are prohibited from trading in the securities of the Company pursuant to the Company's Insider Trading Policy (or any successor thereto or replacement thereof). For greater certainty, Blackout Period shall not include any period in which there is a prohibition on trading in securities of the Company as a result of a cease trade or other order of any securities commission or regulatory authority. In addition, options issued as Incentive Stock Options to any person who, on the date of

such grant, owns 10% or more of the outstanding Common Shares of the Company shall have a term of not less than one year and not more than five years from the date the option is granted.

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#### Modification of the Term "Market Price"

The 2006 Plan is proposed to be amended by modifying the term "market price" in Section 8(b) to mean the closing market price in Canadian dollars on the TSX on the date of the granting of such option. Previously the market price was the market price in Canadian dollars on the TSX at the time of granting of such option measured as the volume weighted average trading price of the Common Shares, calculated by dividing the total value by the total volume of such shares traded on the TSX for the five trading days immediately preceding the effective date on which the option was granted. The purpose of this change is to conform with financial reporting rules of the SEC to eliminate the possibility of being required to report intrinsic value of options granted under the 2006 Plan in the event that the closing price of our stock as quoted on the TSX on the date of grant is lower than the five-day weighted average of the closing prices.

Therefore, Section 8(b) of the 2006 Plan is proposed to be replaced in its entirety by the following to accomplish this goal:

(b) Option Price - The Board shall fix the option price per Common Share which shall not be less than the closing market price in Canadian dollars on the TSX of the Common Shares on the date of the granting of such option; provided that, if the Board desires that the option be an Incentive Stock Option, and if the Optionee owns, at the time of the grant, shares representing more than ten percent of the voting power of all classes of stock of the Company or any parent or subsidiary thereof, the option price per Common Share shall not be less than 110% of the closing price on the date of the granting of such option. For the purposes of this subparagraph 8(b), "market price" of the Common Shares shall mean the closing price in Canadian dollars on the TSX on the date of the granting of such option and if there be no sale on such trading day, then the average of the closing bid and ask prices on such trading day. If the Common Shares are not then traded on the TSX, "market price" of the Common Shares shall be calculated on the same basis using the closing market price of the Common Shares on such public market on which the Common Shares are then traded, as selected by the Board, in its sole discretion. If the Common Shares are not then traded on any public market, the Board shall determine the "market price" at the time of grant in good faith.

#### Modification of the Definition of "Consultants" to be Consistent with Form S-8 promulgated by SEC

The current definition of "consultant" in the 2006 Plan is not consistent Form S-8 promulgated by the SEC, which does not allow a consultant to be a person who provides services that are in connection with the offer or sale of securities in a capital-raising transaction nor a person who directly or indirectly promotes or maintains a market for the Company's securities.

Therefore, Section 1(e) of the definitions of the 2006 Plan is proposed to be replaced in its entirety by the following to accomplish this goal:

(e) "Consultant" means any natural person, including an advisor, who renders bona fide services to the Company or any parent or subsidiary thereof and is compensated for such services; provided that, such services are not in connection with the offer or sale of securities in a capital-raising transaction

and such person does not directly or indirectly promote or maintain a market for the Company's securities;

#### Clarification of Certain Adjustments in the Event of a Change in Structure of Capital

In addition, the 2006 Plan is proposed to be amended to add clarifying language to Section 9 to make it clear that the 2006 Plan requires the Board to make certain adjustments in the event of a change in the structure or capital of the Company. The language in the 2006 Plan is currently ambiguous and could be interpreted to give the Board of Directors the authority to either make adjustments or not in their sole discretion.

Therefore, Section 9 of the 2006 Plan is proposed to be replaced in its entirety by the following to accomplish this goal:

#### Adjustments in Event of Change in Structure of Capital

Subject to any required action by the shareholders of the Company, the number of Common Shares covered by each outstanding option, and the number of Common Shares which have been authorized for issuance under the 2006 Plan but as to which no options have yet been granted or which have been returned to the 2006 Plan, the exercise or purchase price of each such outstanding option, as well as any other terms that the Board determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Common Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Shares, or (ii) any other increase or decrease in the number of issued Common Shares effected without receipt of consideration by the Company; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration. The Board shall make the appropriate adjustments to (i) the maximum number Common Shares issuable under the 2006 Plan; and (ii) the number of securities and the exercise price per Common Share in effect under each outstanding option in order to prevent the dilution or enlargement of benefits thereunder; provided, however, that the number of Common Shares subject to any option shall always be a whole number and the Board shall make such adjustments as are necessary to ensure any adjustments do not result in the issuance of any fractional Common Shares upon exercise of any option. Such adjustment shall be made by the Board and its determination shall be final, binding and conclusive. Any such adjustments shall be subject to the approval thereof by such stock exchanges on which the Common Shares are then listed for trading.

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#### Title of the 2006 Plan

The title of the 2006 Plan, if the resolution is approved, is proposed to be changed from "The Solitario Resources Corporation 2006 Stock Option Incentive Plan" to "The Solitario Resources Corporation 2006 Stock Option Incentive Plan (as amended)." This will avoid confusion with the existing 2006 Plan.

The full text of the 2006 Plan as amended (if approved) is set out in Appendix A hereto.

#### Recommendation of the Board of Directors

The Board has determined the amendments to the 2006 Plan to be appropriate and in the best interests of the Corporation, as they will enable amendments to the 2006 Plan to be made on a timely and expeditious basis (other



than those requiring shareholder approval) and are consistent with the TSX and SEC regulatory requirements.

The Option Plan Resolution requires the approval of a simple majority of the votes cast at the Meeting, in person or by proxy, in order to be adopted. The amendment must also receive the approval of the TSX in order to be effective.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR, WITH OR WITHOUT VARIATION, THE OPTION PLAN RESOLUTION SET FORTH BELOW UNDER THE CAPTION "TEXT OF THE OPTION PLAN RESOLUTION."

In the absence of instructions to the contrary, the Common Shares represented by a properly executed form of proxy in favor of the persons designated by management of the Corporation will be voted FOR the Option Plan Resolution, as it may be amended or varied at the Meeting.

#### Text of the Option Plan Resolution

Be it Resolved That:

(1) The amendments to the Company's 2006 Plan, all as described under the heading "Approval of Amendments to the 2006 Option Plan" in the definitive Proxy Statement of the Company dated April 27, 2007, are hereby approved; and

(2) any proper officer of the Company is hereby authorized and directed to do and perform all things, including the execution of documents, which may be necessary or desirable to give effect to the foregoing resolution.

### 3. EXECUTIVE AND DIRECTOR COMPENSATION

#### Compensation of Directors

Other than options granted pursuant to the 2006 Plan, our Directors have not been compensated during 2006 in their capacities as Directors.

The following table summarized the compensation paid to non-employee directors for the fiscal year ended December 31, 2006:

Name	Fees earned or paid in cash	Stock Awards	Option Awards (1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non Qualified Deferred Compensation Earnings	All other compensation	Total
	\$	\$	\$	\$	\$	\$	\$
Steven Webster	-	-	245,218	-	-	-	245,218
Mark Jones(2)	160,000	-	245,218	-	-	-	405,218
John Hainey	-	-	153,262	-	-	-	153,262
Leonard Harris	-	-	153,262	-	-	-	153,262
Brian Labadie	-	-	199,240	-	-	-	199,240

(1) The following options were granted to directors on June 27, 2006: Mr. Webster 160,000 shares; Mr. Jones, 160,000 shares; Mr. Labadie, 130,000 shares; Mr. Harris, 100,000 shares; and Mr. Hainey, 100,000 shares. All shares vest 25% on the date of grant and 25% on each anniversary date for the next three years. The fair value of the options is estimated as of the date of grant using a Black-Scholes option pricing model with the following assumptions: A four-year effective life,

a volatility of 76%, a risk free interest rate of 5.2% and an exchange rate of 0.89193 Canadian Dollars per each United States Dollar. The grants had an intrinsic value of \$0.08 per share as a result of the 2006 Plan's requirement that the defined market value being determined by the five-day weighted average of the closing price of Solitario stock as quoted on the Toronto Stock Exchange, which was \$0.08 lower than the closing price on the date of the grant.

(2) On September 1, 2006 Solitario entered into a two-year consulting agreement with Mr. Jones. Under the agreement, Mr. Jones will advise the Company on matters of strategic direction, planning and identification of corporate opportunities. In consideration for his services, Mr. Jones has been paid a one-time lump sum payment of \$160,000 in cash, plus he is entitled to receive, pre-approved, documented expenses incurred in performance of the consulting services. We have charged \$27,000 for consulting expense related to the agreement, which is included in general and administrative expense for the year ended December 31, 2006.

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### Executive Officers

The following biographies describe the business experience of our executive officers (the "Named Executive Officers"):

Christopher E. Herald See Directors biographies above

Walter H. Hunt (56) has been Vice President - Operations and President - South American Operations of Solitario since June 1999. He also served as Vice President - Peru Operations from July 1994 until June 1999. Mr. Hunt has also been Vice President - Operations of Crown since 1994. Mr. Hunt has over 20 years of exploration, development and operational experience with Anaconda Minerals, Noranda and Echo Bay Mines where he served as Superintendent, Technical Services and Chief Geologist at Echo Bay's Kettle River Operations. Mr. Hunt received his M.S. degree in Geology from the Colorado School of Mines and a B.S. degree from Furman University.

James R. Maronick (51) has served as Chief Financial Officer of Solitario and Chief Financial Officer of Crown since June 1999 and served as Vice President - Finance and Secretary/Treasurer and Vice President - Finance and Secretary/Treasurer of Crown since September 1997. Prior to that, Mr. Maronick served as Vice President - Finance and Secretary/Treasurer of Consolidated Nevada Gold Fields Corporation from November 1994 to September 1997. Mr. Maronick graduated with honors from the University of Notre Dame in 1977 with a BA in accounting and received his Masters degree in Finance with highest honors from the University of Denver in 1986.

## 4. COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides information regarding the compensation program for Solitario's Named Executive Officers for 2006.

### Objectives of the Corporation's Compensation Program

The Compensation Committee has responsibility for approving the compensation program for Solitario's Named Executive Officers and acts according to a charter that has been approved by the Board of Directors and is available on the Company website at [www.solitarioresources.com](http://www.solitarioresources.com). The compensation program is designed to attract, retain and reward our executives who contribute to Solitario's long-term success. This in turn will build value for Solitario and its shareholders. The program is based upon three fundamental principles:

A substantial portion of Solitario's Named Executive Officer compensation should be performance and equity-based to achieve alignment with shareholder interests.

This is accomplished in two ways; first, through the award of stock options in an amount and at a price that encourages our Named Executives to promote the long-term growth and performance of Solitario in terms of the value of the Company which is ultimately reflected in the price of our stock as quoted on the TSX and the AMEX. Second, this is also reflected in terms of cash compensation in the form of cash bonuses. These bonuses are entirely set by the Compensation Committee, in their sole discretion, in a range of zero to 100% of base salary. The extent to which bonuses are paid depends entirely on the extent to which the Solitario has met its exploration, budget and shareholder goals, set by the Committee. The Named Executives became employees of Solitario on September 1, 2006 and full-year goals were not set at that time. The full implementation of bonus payments is planned for 2007.

Solitario's compensation program for Named Executive Officers should enable the Company to compete for the best executive talent available.

The Compensation Committee believes shareholders are best served when the Company can attract and retain the highest caliber executives appropriate for a firm of our size and complexity. This is done with competitive and fair compensation packages. Our Named Executive Officers have served Solitario (through the Management Services Agreement with Crown Resources) for many years, however they only became employees of Solitario on September 1, 2006 and the initial compensation was primarily based upon their existing compensation of Crown. The Compensation Committee also reviewed published compensation surveys and the published compensation packages of our peer companies (the "Peer Group Companies") for which Solitario competes for executive talent. These Peer Group Companies included the following companies:

Canyon Resources Corporation  
Royal Gold Corporation  
Great Basin Gold Corporation  
Reunion Gold Corporation

Metallica Resources Corporation  
Pacific Rim Mining Corporation  
Miramar Mining Corporation

Solitario's compensation program for Named Executive Officers should be fair to the executive, the Company and all its employees and perceived as such, both internally and externally.

The Compensation Committee strives to create a compensation program that promotes good corporate practice, encourages our Named Executive Officers and promotes teamwork among our employees. The Compensation Committee takes these goals into consideration by comparison of executive pay in relation to all other Solitario salary costs for internal consistency, and by comparison to both Peer Group Companies and industry salaries for external consistency. In addition, the compensation program is meant to enhance shareholder value and the Compensation Committee strives to provide transparency and full disclosure to all interested parties.

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Key Elements of Executive Compensation

Base Salary

The Compensation Committee provides base salary that is commensurate with that of our Peer Group Companies. The Compensation Committee fixed the Base Salary for 2006 (which commenced on September 1, 2006, when all of the Named Executive Officers became employees of Solitario) during its meeting in the summer of 2006. For the base salary to be paid in 2007 and future years, the base salary was fixed by the Compensation Committee at its meeting in the fall of 2006 and is effective as of January 1 of the following year. Increases or decreases in base

salary are dependent on the Compensation Committee's evaluation of each individual Named Executive Officer performance, the effect of the above Peer group review, and the performance of the entire Company relative to the goals and objectives of the Company discussed above. No Named Executive Officers have minimum base salary payments pursuant to any employment or other agreements. The Compensation Committee has authority from the Board of Directors to set the base salary at any amount it believes is appropriate.

#### Bonuses

The Compensation Committee provided bonuses of 10% of annualized base salary for 2006, which were paid in January of 2007, based upon an analysis of the success of the Company during the year then ended. In the future, the Compensation Committee intends to provide bonuses, in their sole discretion, based upon their evaluation of the individual Named Executive Officer in light of the following parameters:

- (i) Targeted bonuses set at the beginning of the year; and
- (ii) The desire, discussed above, to provide a substantial portion of compensation based on performance; and
- (iii) The relative performance of the company relative to its Peer Group Companies.

In establishing its goals for any particular year, the Compensation Committee strives to ensure that the goals provide both an incentive and an attainable goal that provides shareholders with the opportunity for return on their investment while minimizing corporate and shareholder risk to the extent possible. These specific goals are confidential, but generally include the negotiation and signing of joint ventures on our existing properties, specified exploration success, both on our own and through joint ventures, acquisition of additional exploration properties, training and retaining employees, financial reporting and disclosure, and shareholder return.

#### Equity

The only equity compensation our Named Executive Officers receive is in the form of stock options pursuant to the 2006 Plan, priced at the current market value of our publicly traded stock (as defined) in the 2006 Plan. The Compensation Committee believes that a substantial portion of our Named Executive Officers compensation should be performance based. The Compensation Committee also believes that our compensation policies should be fair to our shareholders, and be focused on our long-term viability. The Compensation Committee believes the granting of stock options from the 2006 Plan aligns the interests of the Named Executive Officers and our shareholders and provides the incentive to manage the Company from the perspective of an owner of the Company. In addition, the Compensation Committee believes the vesting terms of the stock options granted from the 2006 Plan, discussed below, provides a that a significant portion of the compensation will be received at a future date.

The amount of all individual grants and the grant date of the Options are determined each year at the summer meeting of the Compensation Committee, usually after the completion of the annual meeting of shareholders. All grants are as of the date of the approval by the Compensation Committee (or the full Board, if requested by the Compensation Committee) at the market value (as defined) on the date of grant. All grants from the 2006 Plan vest 25% on the date of grant and the remaining options vest at 25% per year on the anniversary of the grant over a three-year period

#### Allocation Between the Key Elements of Compensation

The Compensation Committee has complete discretion in allocating total compensation between the key elements of compensation discussed above. The Compensation Committee has not developed a set formula (such as fair value of equity compensation to equal 50% of base salary) to allocate the elements of compensation to each

individual Named Executive Officer.

#### Employment Agreements

None of our Named Executive Officers have ongoing employment agreements other than individual Change in Control Severance Benefits Agreements, discussed below.

#### Change in Control Agreements

The Compensation Committee and Solitario consider it essential to the best interest of its stockholders to foster the continuous employment of key management personnel. In this regard, the Compensation Committee and Board of Directors recognize that, as is the case with many publicly held corporations and their subsidiaries, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

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Accordingly, on March 14, 2007, the Compensation Committee approved separate Change in Control Severance Benefits Agreements (the "CIC") for Mr. Herald, Mr. Maronick and Mr. Hunt, our Named Executive Officers. Each CIC provides for the payment of severance benefits at any time for a period of three years upon the change in control of Solitario (as defined in the CIC) equal to 2.5 times the base salary of the Named Executive Officer. In addition any unvested stock options held by the Named Executive Officer will vest upon the change in control. The CIC provides an additional gross up for any taxes due as a result of Excise Tax, as defined by Section 4999 of the Internal Revenue Service Code of 1986 (the "Code").

Generally, the CIC defines a "change in control" as (i) a person acquiring more than 50% of the outstanding stock of the Company, (ii) the shareholders of the Company approving a merger or acquisition whereby more than 50% of the outstanding shares held prior to the vote will be held by a new person or corporation, (iii) the shareholders of the Company approving the sale or disposition of substantially all of the company's assets or (iv) the shareholders of the Company approving a plan of liquidation or dissolution of the Company.

The change in control benefits are to be paid after a change in control if the Named Executive Officer terminates his employment for "good reason," or is terminated by the Corporation, other than for "cause," or upon the death of the Named Executive Officer. "Good reason" is generally defined as a reduction in the compensation, level of responsibility or forced relocation, among other things. "Cause" is generally defined in the CIC as the conviction of a felony, gross and willful failure to perform assigned duties, and dishonest conduct that is intentional and materially injurious to the Company.

#### Tax Implications of Executive Compensation

Under Section 162(m) of the Code, the Company generally receives a tax deduction for compensation on payments which total less than \$1,000,000 paid to our Named Executive Officers, unless that compensation is performance based. We do not believe the total non-performance based compensation for any of our Named Executive Officers will exceed \$1,000,000 during 2007 or the foreseeable future.

#### Stock Ownership Guidelines

Solitario has not established formal stock ownership guidelines for our Named Executive Officers. The Company's Insider Trading Policy prohibits the Named Executive Officers, as well as other insiders, who may have access to material inside information, from purchasing, selling, entering into short sale transactions, engaging in hedging or offsetting transactions regarding Solitario's common stock during periods where such persons have access to material inside information.

#### Role of the Chief Executive Officer in Compensation Decisions

The Chief Executive Officer annually reviews the performance of all other Named Executive Officers. The performance of the Chief Executive Officer is reviewed by the Chairman of the Compensation Committee. The conclusions and recommendations, which include salary, bonus and equity grants, if any, are presented to the Compensation Committee, which has absolute discretion in modifying or applying any of the recommendations for the Named Executive Officers. The Compensation Committee presents its conclusions and recommendation the Board of Directors for their input and review.

#### 5. SUMMARY COMPENSATION TABLE

Name and Principal Position	Year(1)	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Award(2) (\$)	Non-equity incentive plan compensation	Change in pension value and non-qualified deferred compensation earnings (\$)	All Other Compensation (\$)(3)	Total (\$)
Mr. Herald, CEO	2006	65,624	-	-	498,100	-	-	7,479	571,203
Mr. Maronick, CFO	2006	46,250	-	-	306,523	-	-	-	352,773
Mr. Hunt, COO	2006	118,333	-	-	306,523	-	-	-	424,856

(1) Mr. Herald and Mr. Maronick became employees of Solitario for the first time on September 1, 2006. Prior to that Solitario's United States-based Named Executive Officers were employees of Crown. Solitario was provided management services from Crown pursuant to the Management Services Agreement, discussed below under "Certain Relationships and Related Transactions." Mr. Hunt was based in Lima, Peru and was paid by Solitario beginning on January 1, 2006 and throughout the entire year ended December 31, 2006.

(2) Mr. Herald, Mr. Maronick and Mr. Hunt were granted 325,000, 200,000 and 200,000 options, respectively on June 27, 2006. The options were granted at the same time and with the same terms as the options described above under "Compensation of Directors."

(3) Mr. Herald received a 401(K) match of \$7,479 during 2006.

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#### 6. 2006 GRANTS OF PLAN BASED AWARDS

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The following table provides information related to equity and non-equity based awards made to Named Executive Officers during the year ended December 31, 2006:

Name and Principal Position	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Underlying Options (#)(1)	Exercise or Base Price of Option Awards (Cdn\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)			
Christopher E. Herald, CEO	6/27/06								325,000	\$2.77
James R. Maronick, CFO	6/27/06								200,000	\$2.77
Walter H. Hunt, COO	6/27/06								200,000	\$2.77

(1) These options were granted to Mr. Herald, Mr. Maronick and Mr. Hunt pursuant to our 2006 Option Plan and had fair values on the date of grant of \$498,000, \$245,000 and \$245,000, respectively. The options were granted with the same terms and conditions as all other options granted on that date and the fair value was determined as described above under "Compensation of Directors."

7. OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Option Awards					Stock Awards			
	Number of exercisable underlying options (#)	Number of unexercisable underlying options (#)	Equity Incentive Plan Awards: Number of Underlying Unexercised Options (#)	Option Exercise Price (Cdn\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Other Rights That Have Not Vested (\$)

Christopher E Herald, CEO	160,000(1)	-	-	\$0.73	3/07/07	-	-	-	-
	325,000(2)	243,750	-	\$2.77	6/27/11	-	-	-	-
James R. Maronick, CFO	115,000(1)	-	-	\$0.73	3/07/07	-	-	-	-
	50,000(3)	-	-	\$0.81	8/14/08	-	-	-	-
	200,000(2)	150,000	-	\$2.77	6/27/11	-	-	-	-
Walter H Hunt, COO	125,000(1)	-	-	\$0.73	3/07/07	-	-	-	-
	200,000(2)	150,000	-	\$2.77	6/27/11	-	-	-	-

(1) Options were 100% vested at December 31, 2006 and were exercised prior to expiration during the first quarter of 2007.

(2) Options were granted on 6/27/06 and vested 25% on date of grant and 25% on each anniversary date for the next three years.

(3) Options were 100% vested at December 31, 2006.

#### 8. OPTION EXERCISES AND STOCK VESTED

The following table sets forth details of all exercises of stock options during the year ended December 31, 2006 by our Named Executive Officers and the financial year-end value of unexercised options on an aggregated basis.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on vesting
	(#)	(\$)	(#)	(\$)
Christopher E Herald, CEO	160,000	161,465	-	-
	25,000	44,020	-	-
James R. Maronick, CFO	115,000	100,807	-	-
	20,000	35,216	-	-
Walter H Hunt, COO	125,000	138,202	-	-
	20,000	36,381	-	-

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#### 9. POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As noted under "Compensation Discussion and Analysis" in this Proxy, the Company entered into certain change in control agreements on March 14, 2007 with the following Named Executive Officers: Christopher E. Herald, James R. Maronick and Walter H. Hunt. The terms of the change in control agreements are more fully described under "Change In Control Agreements in the "Compensation Discussion and Analysis" section of this Proxy. Described below are the potential payments to each Named Executive Officer in the event of a change in control as defined in the CIC.



Name	Salary	Tax gross up	Total
	(\$)	(2)	(\$)
	(1)		
Christopher E. Herald, CEO	525,000	-	525,000
James R. Maronick, CFO	375,000	-	375,000
Walter H. Hunt, COO	375,000	-	375,000

(1) Two and one half times base salary as of April 25, 2007. Paid as a lump sum payment.

(2) The change in control provides for a gross-up for taxes in the event the combined salary and all other compensation, triggered by a change in control, results in Excise Tax, as defined by Section 4999 of the Code. The CIC provide for additional cash compensation to pay for the Excise Tax, which is 20% of all compensation when the total payments, including the fair value from acceleration of vesting for unvested options, under the CIC exceed three times base salary. Accordingly, if the fair value of the acceleration of vesting for unvested options cause the total compensation to exceed three times base salary, then the Company will reimburse the Named Executive Officer an amount to offset the 20% Excise Tax. Until a change in control is triggered and additional compensation, if any, from acceleration of vesting of outstanding options is determined, the amount of tax gross up, if any, cannot be determined.

#### 10. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

On March 8, 2002, Crown filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy") in the United States Bankruptcy Court for the District of Colorado (the "Court"). As part of the Bankruptcy, Crown filed a Plan of Reorganization with the Court which was confirmed by the Court on May 30, 2002 and became effective June 11, 2002. Mr. Herald and Mr. Jones were officers and directors of Crown and Mr. Maronick and Mr. Hunt were officers of Crown prior to the filing of the Bankruptcy and since the filing of the Bankruptcy until August 31, 2006 when Crown was acquired by Kinross Gold Corporation.

#### 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

To our knowledge, as of April 25, 2007, no person beneficially owns, directly or indirectly, or exercises control or direction over, more than five percent of our issued and outstanding common stock with the exception of Newmont Mining Corporation of Canada Limited ("Newmont") and Sprott Securities, Inc., which directly own 2,700,000 and 4,486,800 shares respectively, representing 9.1 percent and 15.2 percent, respectively, of our issued and outstanding common stock.

The following table sets forth, as of April 25, 2006, the beneficial ownership of our outstanding common stock by each of our shareholders owning more than five percent, our Directors, nominees for Director, each Named Executive Officer and all of our executive officers and Directors as a group. Unless otherwise indicated, the persons listed in the table below have sole voting and investment powers with respect to the shares indicated.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (9)	Percent of Class
John Hainey, Director	133,700	*
Leonard Harris, Director	240,000	*

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Christopher E. Herald, CEO and Director	(5)	922,762	3.1%
Mark E. Jones, III, Director	(1)	468,000	1.6%
	(2)	153,810	*
Brian Labadie, Director	(3)	1,201,764	4.0%
Steven A. Webster, Director	(6)		
James R. Maronick, CFO		679,239	2.3%
	(7)		
Walter H. Hunt, VP Operations		514,962	1.7%
	(8)		
All directors and executive officers as a group		4,314,237	13.9%
Sprott Securities, Inc Suite 3450 South Tower Royal Bank Plaza Toronto, ON M5J 2J2		4,777,700	16.1%
Newmont Mining Corporation of Canada  20 Eglinton Ave West, Suite 1900  Toronto, Ontario M4R 1K8		2,700,000	9.1%

\* Indicates holdings of less than 1%.

(1) Includes 325,000 shares that he has the right to acquire under options granted pursuant to the 2006 PI