SOLITARIO RESOURCES CORP
Form 10-K
February 28, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
X Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from_____to
Commission file number **0-50602**

SOLITARIO RESOURCES CORPORATION
(Exact name of registrant as specified in charter)

Colorado	84-1285791
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.
4251 Kipling St. Suite 390, Wheat Ridge, CO	80033
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(303) 534-1030

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES [ ] NO [X]

The aggregate market value (based upon the closing price of our stock on June 30, 2006) of common stock held by non-affiliates of the registrant as of June 30, 2006 was approximately $49,914,000.

There were 28,839,992 shares of common stock, $0.01 par value, outstanding on February 21, 2007.

DOCUMENTS TO BE INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Registrant's Annual Meeting of Shareholders which is expected to be filed by April 30, 2007 have been incorporated by reference into Part III of this Annual Report on Form 10K.

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PART I

This Annual Report on Form 10-K contains statements that constitute "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. These statements can be identified by the fact that they do not relate strictly to historical information and include the words "expects", "believes", "anticipates", "plans", "may", "will", "intend", "estimate", "continue" or other similar expressions. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those currently anticipated. These risks and uncertainties include, but are not limited to, items discussed below in Item 1A "Risk Factors" in this Form 10-K. Forward-looking statements speak only as of the date made. We undertake no obligation to publicly release or update forward-looking statements, whether as a result of new information, future events or otherwise. You are, however, advised to consult any further disclosures we make on related subjects in our quarterly reports on Form 10-Q and any reports made on Form 8-K to the Securities and Exchange Commission.

Item 1. Business

The Company

We are an exploration stage company with a focus on the acquisition of precious and base metal properties with exploration potential. We acquire and hold a portfolio of exploration properties for future sale or joint venture prior to the establishment of proven and probable reserves. Although our mineral properties may be developed in the future through a joint venture, we have never developed a mineral property and we do not anticipate developing any currently owned mineral properties on our own in the future. We were incorporated in the state of Colorado on November 15, 1984 as a wholly owned subsidiary of Crown Resources Corporation ("Crown"). We have been actively involved in this business since 1993 and have in the past recorded revenues from joint venture payments and the sale of properties on an infrequent basis, with the last significant revenues recorded in 2000 upon the sale of our Yanacocha property for $6,000,000. We expect that future revenues from joint venture payments or the sale of properties, if any, would also occur on an infrequent basis. At December 31, 2006 we had nine exploration properties in Peru, Bolivia, Mexico and Brazil. We are conducting exploration activities in all of those countries. On July 26, 2004, Crown completed a spin-off of its holdings of our shares to its shareholders, whereby each Crown shareholder received 0.2169 shares of our common stock for each Crown share they owned. Crown was acquired by Kinross Gold Corporation of Toronto, Canada ("Kinross") upon the completion of a merger on August 31, 2006 whereby Kinross acquired all of the outstanding shares of Crown common stock for 0.32 shares of Kinross common stock per share of Crown common stock (the "Crown - Kinross merger"). Kinross currently owns less than one percent of our outstanding common stock.

Our corporate structure is as follows [jurisdiction of incorporation] - all of the subsidiaries are 100%-owned.

Solitario Resources Corporation [Colorado]
- Altoro Gold Corp. [British Columbia, Canada]
    - Altoro Gold (BVI) Corp. [British Virgin Islands]
        - Minera Altoro (BVI) Ltd. [British Virgin Islands]
        - Minera Andes (BVI) Corp. [British Virgin Islands]
            - Compania Minera Andes del Sur S.A. [Bolivia]
        - Minera Altoro Brazil (BVI) Corp. [British Virgin Islands]
            - Altoro Mineracao, Ltda. [Brazil]
- Minera Solitario Peru, S.A. [Peru]
- Minera Bongará, S.A. [Peru]
- Minera Soloco, S.A. [Peru]
- Mineracao Solitario Brazil, Ltd [Brazil]

General

Our principal expertise is in identifying mineral properties with promising mineral potential, acquiring these mineral properties and exploring them to enable us to sell or joint venture these properties prior to the establishment of proven and probable reserves. Currently we have no mineral properties with reserves and we have no mineral properties in development. We do not anticipate developing any currently owned properties on our own in the future. We currently own nine mineral properties under exploration and we own our Yanacocha royalty interest. Our goal is to discover economic deposits on our mineral properties and advance these deposits, either on our own or through joint ventures, up to the development stage (development activities include, among other things, the completion of a feasibility study, the identification of proven and probable reserves, as well as permitting and preparing a deposit for mining). At that point we would attempt to either sell our mineral properties or pursue their development through a joint venture with a partner that has expertise in mining operations.

In analyzing our activities, the most significant aspect relates to results of our exploration activities and those of our joint venture partners on a property-by-property basis. When our exploration activities, including drilling, sampling and geologic testing indicate a project may not be economic or contain sufficient geologic or economic potential we may impair or completely write-off the property. Another significant factor in the success or failure of our activities is the price of

commodities. For example, when the price of gold is up, the value of gold-bearing mineral properties increases, however, it also becomes more difficult and expensive to locate and acquire new gold-bearing mineral properties with potential to have economic deposits.

The potential sale, joint venture or development through a joint venture of our mineral properties will occur, if at all, on an infrequent basis. Accordingly, while we conduct exploration activities, we need to maintain and replenish our capital resources. We have met our need for capital in the past through (i) sale of properties, which last occurred in 2000 with the sale of our Yanacocha property for $6,000,000; (ii) joint venture payments, which last occurred during the years from 1996 through 2000; (iii) investment in Kinross (previously Crown); (iv) issuance of common stock, including exercise of options, and through private placements; (v) and more recently as part of a strategic alliance with major mining companies. We have reduced our exposure to the costs of our exploration activities through the use of joint ventures. We anticipate these practices will continue for the foreseeable future although we expect that our primary funds for the next year will come from the sale of our investment in Kinross.

We operate in one segment, mining geology and mineral exploration. We currently conduct exploration in Peru, Brazil, Mexico, and, to a limited extent, Bolivia. As of February 21, 2006, we had four full-time employees, located in the United States and ten full-time employees, located in South America. We extensively utilize contract employees and laborers to assist us in the exploration on most of our projects.

Prior to August 31, 2006, Crown provided management and technical services to us under a management agreement (the "Management Agreement") originally signed in 1994 and modified in April 1999, in December 2000 and July 2002. The agreement was terminated on August 31, 2006 upon the completion of the Crown-Kinross merger. The modified agreement, which had a three year term, provided 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 our behalf. Management service fees paid to Crown by us in 2006, 2005 and 2004 were $232,000, $423,000, and $390,000, respectively. Net amounts due to Crown as of December 31, 2005 were $45,000, related to the Management Agreement. We now directly pay all administrative expenses.

Investment in Kinross

We have a significant investment in Kinross at December 31, 2006, which consists of 1,742,920 shares of Kinross common stock. Solitario received 1,942,920 shares in exchange for 6,071,626 shares of Crown common stock it owned on the date of the Crown - Kinross merger. On September 15, 2006, subsequent to the Crown - Kinross merger, we sold 100,000 Kinross common shares for net proceeds of $1,206,000. We sold an additional 100,000 shares of Kinross common stock for net proceeds of $1,236,000 on October 24, 2006. Subsequent to December 31, 2006, we sold 100,000 shares for net proceeds of $1,274,000 and as of February 21, 2007, we own 1,642,920 shares of Kinross common stock which have a value of approximately $22.2 million based upon the market price of $13.51 per Kinross share. Any significant fluctuation in the market value of Kinross common shares could have a material impact on our liquidity and capital resources.

Mineral properties - General

We have been involved in the exploration for minerals in Latin America, focusing on precious and base metals, including gold, silver, platinum, palladium, copper, lead and zinc. We have held concessions in Peru since 1993, in Argentina from 1993 to 1998, and in Bolivia and Brazil since 2000. During 2004, we began a reconnaissance exploration program in Mexico and acquired mineral interests there in 2005. We also acquired certain mineral properties in the state of Nevada during 2004, which we dropped in 2005 and no longer own any mineral interests or conduct any exploration activities in Nevada.

Financial information about geographic areas

Included in the consolidated balance sheet at December 31, 2006 and 2005 are total assets of $2,854,000 and $2,944,000, respectively, related to Solitario's foreign operations, located in Brazil, Peru Mexico and Bolivia. Included in mineral properties in the consolidated balance sheet at December 31, 2006 and 2005 are net capitalized costs related to the Pedra Branca Property, located in Brazil, of $2,607,000.

Strategic Alliance

On January 18, 2005, we signed a Strategic Alliance Agreement with Newmont Overseas Exploration Limited ("Newmont Exploration"), to explore for gold in South America. Prior to the definitive agreement, we had signed a Letter of Intent on November 17, 2004, with Newmont Exploration. Concurrent with the signing of the Alliance Agreement, Newmont Mining Corporation of Canada ("Newmont Canada") purchased 2.7 million shares of Solitario for Cdn$4,590,000 or $3,780,000. As part of the Alliance Agreement we are committed to spend $3,773,000 over the four years from the date of the Alliance Agreement on gold exploration in regions ("Alliance Project Areas") that are mutually agreed upon with Newmont Exploration. As of December 31, 2006, we have spent approximately $807,000 of this commitment. If we acquire properties within Alliance Project Areas and meet certain minimum exploration expenditures, Newmont Exploration will have the right to joint venture acquired properties and earn up to a 75% interest by taking the project through feasibility and financing Solitario's retained 25% interest into production. Newmont Exploration may elect to earn a lesser interest or no interest at all,

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in which case it would retain a 2% net smelter return royalty. Newmont Exploration also has a right of first offer on any non-alliance Solitario property, acquired after the signing of the Alliance Agreement and for two years following termination of the Alliance Agreement, that we may elect to sell an interest in, or joint venture with a third party.

Item 1A. Risk Factors

In addition to considering the other information in this Form 10-K, you should consider carefully the following factors. The risks described below are not the only ones facing our company. Additional risks not presently known to us or risks that we currently consider immaterial may also adversely affect our business. We have attempted to identify the major factors under this heading that could cause differences between actual and planned or expected results.

Our mineral exploration activities involve a high degree of risk; our business model envisions the sale or joint venture of mineral property, prior to the establishment of reserves. If we are unable to sell or joint venture our properties, the money spent on exploration may never be recovered and we could incur a write down on our investments in our projects.

The exploration for mineral deposits involves significant financial and other risks over an extended period of time. Few properties that are explored are ultimately developed into producing mines. Major expenses are required to determine if any of our mineral properties may have the potential to be commercially viable and be salable or joint ventured. We have never established reserves on any of our properties. Significant additional expense and risks, including drilling and determining the feasibility of a project, are required prior to the establishment of reserves. These additional costs potentially diminish the value of our properties for sale or joint venture. It is impossible to ensure that the current or proposed exploration programs on properties in which we have an interest will be commercially viable or that we will be able to sell or joint venture our properties. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of gold or other minerals, and environmental protection.

Even if our exploration activities determine that a project is commercially viable, it is impossible to ensure that such determination will result in a profitable sale of the project or development by a joint venture in the future and that such project will result in profitable commercial mining operations. If we determine that capitalized costs associated with any of our mineral interests are not likely to be recovered, we would incur an impairment of our investment in such property interest. All of these factors may result in losses in relation to amounts spent, which are not recoverable. We have experienced losses of this type from time to time including during 2006, when we wrote down our investment in the Libertad and Pillune projects in Peru, our Pozos project in Mexico and our Pau d'Arco project in Brazil recording mineral property write-downs of $35,000.

We have a significant investment in Kinross common stock. We have no control over fluctuations in the price of Kinross common stock and reductions in the value of this investment could have a negative impact on the market price of our common stock.

We have a significant investment in Kinross as of February 21, 2007, which consists of 1,642,920 shares of Kinross common stock which have a value of approximately $22.2 million based on the market price of $13.51 per Kinross share. A significant fluctuation in the market value of Kinross common shares could have a material impact on our investment in Kinross, the market price of our common stock and our liquidity and capital resources.

The market for shares of our common stock has limited liquidity and the market price of our common stock has fluctuated and may decline.

An investment in our common shares involves a high degree of risk. The liquidity of our shares, or ability of the shareholder to buy or sell our common stock, may be significantly limited for various unforeseeable periods. The average combined daily volume of our shares traded on the Toronto Stock Exchange during 2006 and the American Stock Exchange (since our listing on August 11, 2006) was approximately 26,000 shares, with no shares traded on many days. The market price of our shares has historically fluctuated in a large range. Please see Item 5 - "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities." The price of our common

stock may be affected by many factors, including adverse change in our business, a decline in gold or other commodity prices, and general economic trends.

Our mineral exploration activities are inherently dangerous and could cause us to incur significant unexpected costs including legal liability for loss of life, damage to property and environmental damage; any of which could materially adversely affect our financial position or results of operations.

Our operations are subject to the hazards and risks normally incident to exploration of a mineral deposit including mapping and sampling, drilling, road building, trenching, assaying and analyzing rock samples transportation over primitive roads or via small contract aircraft or helicopters, any of which could result in damage to life or property, environmental damage and possible legal liability for such damage. Any of these risks could cause us to incur significant unexpected costs that could have a material adverse effect on our financial condition and ability to finance our exploration activities.

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We have a history of losses and if we do not operate profitably in the future it could have a material adverse affect on our financial position or results of operations and the trading price of our common shares would likely decline.

We have reported losses in 11 of our 13 years of operations. We reported losses of $3,183,000, $2,080,000, and $2,925,000 for the years ended December 31, 2006, 2005 and 2004, respectively. We can provide no assurance that we will be able to operate profitably in the future. We have had net income in only two years in our history, during 2003, as a result of a $5,438,000 gain on derivative instrument related to our investment in certain Crown warrants and during 2000, when we sold our Yanacocha property. We cannot predict when, if ever, we will be profitable again. If we do not operate profitably, the trading price of our common shares will likely decline.

Our operations outside of the US may be adversely affected by factors outside our control, such as changing political, local and economic conditions; any of which could materially adversely affect our financial position or results of operations.

Our mineral properties located in Latin America consist primarily of mineral concessions granted by national governmental agencies and are held 100% by us or under lease, option or purchase agreements. The mineral properties are located in Peru, Bolivia, Mexico and Brazil. We act as operator on all of our mineral properties that are not held in joint ventures. The success of projects held under joint ventures that are not operated by us is substantially dependent on the joint venture partner.

Our exploration activities and mineral properties located outside of the US are subject to the laws of Peru, Bolivia, Brazil and Mexico, where we operate. Exploration and development activities in these countries are potentially subject to political and economic risks, including:

- cancellation or renegotiation of contracts;
- disadvantages of competing against companies from countries that are not subject to US laws and regulations including the Foreign Corrupt Practices Act;
- changes in foreign laws or regulations;
- changes in tax laws;
- royalty and tax increases or claims by governmental entities, including retroactive claims;
- expropriation or nationalization of property;
- currency fluctuations (particularly in countries with high inflation);

foreign exchange controls;
restrictions on the ability for us to hold US dollars or other foreign currencies in offshore bank accounts;
import and export regulations;
environmental controls;
risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism; and
other risks arising out of foreign sovereignty over the areas in which our exploration activities are conducted.

During 2006, the government of Bolivia took steps to nationalize its oil and gas industry by unilaterally increasing taxes payable by private owners of oil and gas properties. The government has not taken similar steps against privately held mining concessions, but it has stated that it plans to nationalize certain segments of the mining industry and could implement such a plan at any time. It is not known if such nationalization, if it were to occur, would affect our properties. We have significantly reduced our activities in Bolivia, while monitoring this situation. Our capitalized costs in Bolivia are approximately $30,000.

Consequently, our current exploration activities outside of the US may be substantially affected by factors beyond our control, any of which could materially adversely affect our financial position or results of operations. Furthermore, in the event of a dispute arising from such activities, we may be subject to the exclusive jurisdiction of courts outside of the US or may not be successful in subjecting persons to the jurisdictions of the courts in the US, which could adversely affect the outcome of a dispute.

We may not have sufficient funding for exploration; which may impair our profitability and growth.

The capital required for exploration of mineral properties is substantial. We have financed operations through utilization of joint venture arrangements with third parties (generally providing that the third party will obtain a specified percentage of our interest in a certain property in exchange for the expenditure of a specified amount), the sale of interests in properties or other assets, strategic investments in other companies such as Crown and the issuance of common stock. We will need to raise additional cash, or enter into joint venture arrangements, in order to fund the exploration activities required to determine whether mineral deposits on our projects are commercially viable. New financing or acceptable joint venture partners may or may not be available on a basis that is acceptable to us. Inability to obtain new financing or joint venture partners on acceptable terms may prohibit us from continued exploration of such mineral properties. Without successful sale or future development of our mineral properties through joint venture we will not be able to realize any profit from our interests in such properties, which could have a material adverse effect on our financial position and results of operations.

A large number of companies are engaged in the exploration of mineral properties, many of which have substantially greater technical and financial resources than us and, accordingly, we may be unable to compete effectively in the mining industry which could have a material adverse effect on our financial position or results of operations.

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We may be at a disadvantage with respect to many of our competitors in the acquisition and exploration of mining projects. The marketing of mineral properties is affected by numerous factors, many of which are beyond our control. 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 number and quality of other mineral properties that may be for sale or are being explored. Our competitors with greater financial resources than us will be better able to withstand the uncertainties and fluctuations associated with the marketing of exploration projects. In addition, we compete with other mining companies to attract and retain key executives and other employees with technical skills and experience in the mineral exploration business. We also compete with other mineral exploration and development companies for rights to explore projects. There can be no assurance that we will continue to attract and retain skilled and experienced employees or to acquire additional rights to explore projects. The realization of any of

these risks from competitors could have a material adverse affect on our financial position or results of operations.

The title to our mineral properties may be defective or challenged which could have a material adverse effect on our financial position or results of operations.

In connection with the acquisition of our mineral properties, we conduct limited reviews of title and related matters, and obtain certain representations regarding ownership. These limited reviews do not necessarily preclude third parties from challenging our title and, furthermore, our title may be defective. Consequently, there can be no assurance that we hold good and marketable title to all of our mineral interests. If any of our mineral interests were challenged, we could incur significant costs in defending such a challenge. These costs or an adverse ruling with regards to any challenge of our titles could have a material adverse effect on our financial position or results of operations.

We have no reported mineral reserves and if we are unsuccessful in identifying mineral reserves in the future, we may not be able to realize any profit from our property interests

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We are an exploration stage company and have no reported mineral reserves. Any mineral reserves will only come from extensive additional exploration, engineering and evaluation of existing or future mineral properties. The lack of reserves on our mineral properties could prohibit us from sale or joint venture of our mineral properties. If we are unable to sell or joint venture for development our mineral properties, we will not be able to realize any profit from our interests in such mineral properties, which could materially adversely affect our financial position or results of operations. Additionally, if we or partners to whom we may joint venture our mineral properties are unable to develop reserves on our mineral properties we may be unable to realize any profit from our interests in such properties, which could have a material adverse effect on our financial position or results of operations.

Our operations could be negatively affected by existing as well as potential changes in laws and regulatory requirements that we are subject to, including regulation of mineral exploration and land ownership, environmental regulations and taxation.

The exploration of mineral properties is subject to federal, state, provincial and local laws and regulations in the countries in which we operate in a variety of ways, including regulation of mineral exploration and land ownership, environmental regulation and taxation. These laws and regulations, as well as future interpretation of or changes to existing laws and regulations may require substantial increases in capital and operating costs to us and delays, interruptions, or a termination of operations.

In the countries in which we operate, in order to obtain a permit for exploration, environmental regulations generally require a description of the existing environment, both natural and socio-economic, at the project site and in the region; an interpretation of the nature and magnitude of potential environmental impacts that might result from project activities; and a description and evaluation of the effectiveness of the operational measures planned to mitigate the environmental impacts. Currently the expenditures to obtain exploration permits to conduct our exploration activities are not material to our total exploration cost.

The laws and regulations in all the countries in which we operate are continually changing and are generally becoming more restrictive, especially environmental laws and regulations. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but we cannot predict the amount of such future expenditures. The regulatory environment in which we operate could change in ways that would substantially increase our costs to achieve compliance. Delays in obtaining or failure to obtain government permits and approvals or significant changes in regulation could have a material adverse effect on our exploration activities, our ability to locate economic mineral deposits, and our potential to sell, joint venture or eventually develop our properties, which could have a material adverse effect on our financial position or results of operations.

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Occurrence of events for which we are not insured may materially adversely affect our business.

Mineral exploration is subject to risks of human injury, environmental liability and loss of assets. We maintain insurance to protect ourselves against certain risks related to our operations, however, we may elect not to have insurance for certain risks because of the high premiums associated with insuring those risks or for various other reasons; in other cases, insurance may not be available for certain risks. There are additional risks in connection with investments in parts of the world where civil unrest, war, nationalist movements, political violence or economic crisis are possible. These countries may also pose heightened risks of expropriation of assets, business interruption, increased taxation and a unilateral modification of concessions and contracts. We do not maintain insurance against political risk. Occurrence of events for which we are not insured could have a material adverse effect on our financial position or results of operations.

Severe weather or violent storms could materially affect our operations due to damage or delays caused by such weather.

Our exploration activities in Peru, Bolivia, Brazil and Mexico are subject to normal seasonal weather conditions that often hamper and may temporarily prevent exploration activities. There is a risk that unexpectedly harsh weather or violent storms could affect areas where we conduct exploration activities. Delays or damage caused by severe weather could materially affect our operations or our financial position.

Our business is extremely dependent on gold, commodity prices and currency exchange rates over which we have no control.

Our operations will be significantly affected by changes in the market price of gold and other commodities since the evaluation of whether a mineral deposit is commercially viable is heavily dependent upon the market price of gold and other commodities. The price of commodities also affects the value of exploration projects we own or may wish to acquire. These prices of commodities fluctuate on a daily basis and are affected by numerous factors beyond our control. The supply and demand for gold and other commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of these commodities, including governmental reserves, and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Currency exchange rates relative to the US dollar can affect the cost of doing business in a foreign country and the revenues received from production. For instance, the Brazilian Real has appreciated approximately 35% relative to the US dollar during the past three years. Consequently, the cost of conducting exploration in Brazil has significantly increased during this time period. We currently do not hedge against currency fluctuations. The prices of commodities have fluctuated widely and future serious price declines could have a material adverse effect on our financial position or results of operations.

Our business is dependent on key executives and the loss of any of our key executives could adversely affect our business, future operations and financial condition.

We are dependent on the services of key executives, including our Chief Executive Officer, Christopher E. Herald, our Chief Financial Officer, James R. Maronick, and our Vice President of Operations, Walter H. Hunt. All of the above named officers have many years of experience and an extensive background in Solitario and the mining industry in general. We may not be able to replace that experience and knowledge with other individuals. The loss of these persons or our inability to attract and retain additional highly skilled employees may adversely affect our business, future operations and financial condition.

In the future, we may look to joint venture with another mining company to develop and or operate one of our projects, therefore, in the future, our results may become subject to risks associated with development and production of mining projects in general.

We are not currently involved in mining development or operating activities at any of our properties. In order to realize a profit from our mineral interests we either have to: (1) sell such properties outright at a profit; (2) form a joint venture for the project with a larger mining company with more appropriate resources, both technical and financial, to further develop and/or operate the project at a profit; or (3) develop and operate such projects at a profit on our own. However, we have never developed a mineral property and we do not anticipate developing any currently owned mineral properties on our own in the future. In the future, if our exploration activities show sufficient promise in a project, we may either look to form a joint venture with another mining company to develop and or operate the project, or sell the property outright and retain partial ownership or a retained royalty based on the success of such project. Therefore, in the future, our results may become subject to the additional risks associated with development and production of mining projects in general.

We have identified deficiencies in disclosure controls and procedures and deficiencies in internal control over financial reporting that we may not be able to mitigate or entirely eliminate.

As further discussed in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operation," we have identified deficiencies in disclosure controls and procedures and deficiencies in internal control over financial reporting. With our limited staff and resources we believe it may not be economically feasible to hire additional staff and or outside accounting and legal firms to mitigate or entirely eliminate all deficiencies in disclosure controls and procedures or all deficiencies in internal controls over financial reporting. The continued existence of these deficiencies may cause our financial information to be materially misstated as reported and, if so determined, could require us to restate financial

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information in the future. The potential misstatement of our reported financial information as well as the potential restatement of our reported financial information could have a negative impact on the market price of our stock and our financial condition and results of operations.

Item 2.

Properties

Peru

Newmont Alliance

On January 18, 2005, Solitario signed an agreement (the "Alliance Agreement") to form a strategic alliance (the "Strategic Alliance") with Newmont Exploration, a wholly-owned subsidiary of Newmont Mining Corporation, the world's second largest gold producer, to explore for gold in South America. Concurrent with the Strategic Alliance, Newmont Canada purchased 2.7 million shares of Solitario (representing approximately a 9.4% interest in Solitario as of December 31, 2006) for Cdn$4.59 million or $3.78 million pursuant to a private placement agreement (the "Private Placement"). We have now worked in two Alliance Project Areas located in southern Peru. These areas total approximately 10,000 square kilometers in size. Upon reaching agreement with Newmont, we plan to begin work on a third Alliance Project Area by the end of the first quarter 2007. If we acquire properties within Alliance Project Areas and meet certain minimum exploration expenditures, Newmont Exploration will have the right to joint venture acquired properties and earn up to a 75% interest by taking the project through feasibility and financing Solitario's

retained 25% interest into production. Newmont Exploration may elect to earn a lesser interest or no interest at all, in which case it would retain a 2% net smelter return royalty. Newmont Exploration also has a right of first offer on any non-Alliance Solitario property acquired in South America after the signing of the definitive Alliance Agreement and for two years following termination of the Alliance Agreement, that we may elect to sell an interest in, or joint venture with a third party.

As of December 31, 2006 we have no active Alliance properties. However, two properties have been acquired within an Alliance Project Area, Libertad and Pillune, both of which have been abandoned, as discussed below.

Bongara Zinc Project, Peru

1. Property Description and Location

The Bongara project consists of 6 concessions comprising 4,100 hectares of mineral rights granted to or under option to Minera Bongara S.A., a subsidiary of ours incorporated in Peru. The property is located in the Department of Amazonas. On August 15, 2006 Solitario signed a Letter Agreement with Votorantim Metais Cajamarquilla, S.A., a wholly owned subsidiary of Votorantim Metais (both companies referred to as "Votorantim"), on Solitario's 100%-owned Bongara zinc project in northern Peru. We anticipate signing a definitive agreement, "Framework Agreement for the Exploration and Potential Development of Mining Properties," with Votorantim during the first quarter of 2007.

The definitive agreement calls for a firm commitment by Votorantim to fund a one-year, $1.0 million exploration program which began in late-October 2006. Votorantim can earn up to a 70% interest in the project by funding the $1.0 million exploration program, by completing future annual exploration and development expenditures, and by making cash payments of $100,000 on the first anniversary of signing the Letter Agreement and $200,000 on all subsequent anniversaries until a production decision is made or the agreement is terminated. The option to earn the 70% interest can be exercised by Votorantim any time after the first year commitment by committing to place the project into production based upon a feasibility study. Additionally, Votorantim, in its sole discretion, may elect to terminate the option to earn the 70% interest at any time after the first year commitment. The agreement calls for Votorantim to have minimum annual exploration and development expenditures of $1.5 million in each of years two and three, and $2.5 million in all subsequent years until a minimum of $18.0 million has been expended by Votorantim. Votorantim will act as project operator. Once Votorantim has fully funded its $18.0 million work commitment, it has further agreed to finance Solitario's 30% participating interest through production. Solitario will repay the loan facility through 50% of Solitario's cash flow distributions.

According to Peruvian law, concessions may be held indefinitely, subject only to payment of annual fees to the government. Each year a payment of $3.00 per hectare must be made by the last day of June to keep the claims in good standing. Because some of the Bongara concessions are more than 10 years old beginning in 2005, there is a $6.00 surcharge per hectare, if less than $100 per hectare is invested in exploration and development of the claim. Land payments made in 2006 and 2005 were $17,000 and $35,000, respectively. Peru also imposes a 1% net smelter return royalty on all base metal production. We have a surface rights agreement with the local community, which controls the surface of the primary area of interest. This agreement provides for an annual payment of $5,000 in return for the right to perform exploration work including road building and drilling.

An environmental permit is required for advanced exploration projects in Peru. The requisite environmental and archeological studies have been completed and the permit has been granted for future exploration activities subject to approval of amendments describing annual planned work.

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2. Accessibility, Climate, Local Resources, Infrastructure and Physiology

The Bongara property is accessed by the paved Carretera Marginal road, which provides access from the coastal city of Chiclayo. The area of the majority of past drilling and the most prospective mineralization, Florida Canyon, is currently inaccessible by road, the work to date having been done by either foot or helicopter access. The nearest town is Pedro Ruiz on the Carretera Marginal approximately eight kilometers from the property. Votorantim maintains the project field office in Pedro Ruiz. The climate is tropical and the terrain is mountainous and jungle covered. Seasonal rains hamper exploration work for four to five months of the year by limiting access. Several small villages are located within five kilometers of the drilling area.

3. History

We discovered the Florida Canyon mineralized zone of the Bongara Project in 1996. Subsequently, we optioned the property in December 1996 to Cominco. Cominco withdrew from the joint venture in February 2001. We maintained the most important claims from 2001 to 2006, until the Votorantim Letter Agreement was signed. All of the significant work on the property has been conducted by Cominco, and more recently by Votorantim, and is described below in section 5, Prior Exploration.

4. Geological Setting

The geology of the Bongara area is relatively simple consisting of a sequence of Jurassic and Triassic clastic and carbonate rocks which are gently deformed. The Mississippi Valley type mineralization occurs in the carbonate faces, the Chambara (rock) Formation, of this sedimentary sequence referred to as the Pucura Group.

5. Prior Exploration

We conducted a regional stream sediment survey and reconnaissance geological surveys leading to the discovery of the Florida Canyon area. The discovered outcropping mineralization is located in two deeply incised canyons within the limestone stratigraphy.

Subsequent to our initial work, Cominco conducted extensive mapping, soil and rock sampling, stream sediment surveys and drilling. This work was designed to determine the extent and grade of the zinc-lead mineralization and the controls of deposition. All work performed by us, Cominco or Votorantim was done by direct employees of the respective companies with the exception of the drilling which was performed by Bradley Drilling Co.

6. Mineralization

Mineralization occurs as massive to semi-massive replacements of sphalerite and galena localized by specific sedimentary facies within the limestone stratigraphy and by structural feeders and karst breccias. A total of eleven preferred beds for replacement mineralization have been located within the middle unit of the Chambara Formation. Mineralization is associated with the conversion of limestone to dolomite, which creates porosity and permeability within the rock formations, promoting the passage of mineralizing fluids through the rock formations forming stratigraphically controlled manto deposits. Karst features are localized along faults, in particular the Sam Fault, which cuts the Chambara formation in a north-northeasterly direction. Mineralized karst structures are up to fifty meters in width. The stratigraphically controlled mineralization is typically one to several meters in thickness but locally attains thicknesses of eight to ten meters. Generally the stratigraphic mineralization, while thinner, is of higher grade.

The middle unit of the Chambara formation, where mineralized, is commonly dolomitized within the zone of highest sedimentary-induced permeability. Dolomitization reaches stratigraphic thicknesses in excess of 100 meters locally. This alteration is thought to be related to the mineralizing event in some cases and is an important exploration tool. Continuity of the mineralization is thought to be demonstrable in areas of highest drilling density by correlation of mineralization within characteristic sedimentary facies typical of specific stratigraphic intervals.

7. Drilling

A total of 80 diamond drill holes (HQ and NQ size) were completed by Cominco from 1997-2000 and 26 holes by Votorantim in late 2006 at the Florida Canyon Prospect. These holes vary in depth up to 610 meters. The geologic targets that these holes test are nearly evenly divided between near-vertical karst hosted targets and near-horizontal stratigraphically-controlled mineralization. The mineralized area that has been drilled measures approximately two by two kilometers. All drilling was done by a LF-70 core-drilling rig.

Drilling on stratigraphic targets has shown that certain coarser bioclastic or pseudo-breccia facies of the stratigraphy are the best hosts for mineralization. Although the mineralization intersected in adjacent holes within the same stratigraphic unit often appears to be continuous, the drill spacing of 100 to 300 meters is insufficient to define a reserve in Mississippi Valley type deposits. The recently completed drill program conducted by Votorantim has tested a small part this target type at a closer spacing in order to develop resources and confirm continuity. Similarly, the drilling on the karst style of mineralization is of insufficient density to define a resource.

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8. Sampling and Analysis

Rock samples taken were composited from mineralization or alteration within an outcrop. The samples were pulverized and analyzed by Inductively Coupled Plasma (ICP) for a variety of elements including zinc and lead. Soil samples were screened to - minus 80 mesh prior to pulverization and analysis by ICP.

Core samples were transported from the drill by helicopter in sealed boxes to the processing facility in Pedro Ruiz where they were split by a diamond saw. Half of the core was taken of intervals selected according to geologic criteria under the supervision of the geologist in charge and shipped in sealed bags by land. Cominco used SGS Laboratories and Votorantim used ALS-Chemex, both in Lima, Peru, where all samples were analyzed by ICP. Any samples that contained greater than 1% zinc were then analyzed by wet chemistry assay for zinc and lead to provide a more accurate analysis of grade.

The following is a summary of samples taken and analyzed for which results have been received according to type within the Florida Canyon area.

Sample Type	Number of Samples
Core	1,970
Rocks	3,326
Stream Sediments	217
Soils	7,733

It was found that ICP systematically underestimated the true grade in high-grade samples in excess of 1% zinc. This systematic error varies according to grade with the higher samples having the largest error. The average error of all reported core results for ICP was approximately 10% below the true grade. All grades reported to the public have been based on assay rather than geochemical techniques in order to represent the most accurate data possible.

9. Security of Samples

As described above the geologist in charge supervised the control of the core sample handling from the drill to the sample preparation facility and in the preparation itself. Sealed containers were used for shipping the samples to the laboratory. No breaches of security of samples are known to have occurred.

10. Mineral Resource and Mineral Reserve Estimations

There are no reported mineral reserves or resources.

11. Mining Operations

No mining operations have occurred on the project.

12. Planned Exploration

Votorantim is currently planning to conduct a core drilling program to better define mineralized areas in 2007. The scope of the drilling program is completely at Votorantim's discretion.

Yanacocha Royalty Property, Peru

1. Property Description and Location

The Yanacocha royalty property consists of 69 concessions totaling approximately 61,000 hectares in northern Peru 25 kilometers north of the city of Cajamarca. The property position consists of a rectangular-shaped contiguous block of concessions nearly 50 kilometers long in an east-west direction and 25 kilometers wide in a north-south direction. The southern boundary of the royalty property abuts Newmont Mining Corporation's Minera Yanacocha mining operation, a large gold mine currently in operation.

We held the concessions until April 2000, at which time we signed an agreement with Newmont Peru, Ltd., a wholly-owned subsidiary of Newmont Mining Corporation (both companies referred to as "Newmont"), whereby we sold our Yanacocha Property to Newmont for $6,000,000 and a sliding scale net smelter return royalty ("NSR-Royalty") that varied from two to five percent, depending on the price of gold. Newmont has not reported reserves on our NSR-Royalty property and we have not received any royalty income from Newmont.

In 2004, the Peruvian government implemented a national net smelter return royalty on gold that ranges from 1 to 3 percent, depending upon the total annual revenue from an operation. The top royalty rate applies to operations that produce in excess of US$120 million in annual revenues. Operations producing between US$60 million to US$120 million in annual revenues will have a 2 percent royalty, while a 1 percent royalty will be imposed on smaller operations of less than US$60 million in annual revenues.

In January 2005, we signed an Amended and Restated Royalty Grant with Minera Los Tapados S.A., a subsidiary of Newmont Peru Limited, Minera Yanacocha S.R.L., and Minera Chaupiloma Dos de Cajamarca, S.R.L. (affiliates of Newmont Peru, Ltd., collectively "Newmont Peru") to modify the NSR-Royalty schedule that recognizes the impact that Peru's national NSR-Royalty has on the exploration and development of new mining operations. The modified royalty structure is classified into several categories, depending on the type of process used to recover each metal, gold and copper prices, as well as any government royalty burden imposed by Peru on the project ores. The following summarizes the revised royalty structure:

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Heap leach ores:

For gold recovered by heap leach processing, the lesser of the sliding scale royalty set out below (the "Base Rate"), or a royalty such that the royalty to Solitario plus any government royalty required to be paid in Peru is no more than 5.25% NSR unless the gold price is greater than $500 per ounce, in which case then a royalty such that the royalty to Solitario plus any royalty due to the government is no more than 5.75% NSR.

Base Rate

:

Gold price/oz.	2%
NSR Royalty	3%
Less than $320	4%
Equal to or greater than $320 and less than $360	5%
Equal to or greater than $360 and less than $400	
Equal to or greater than $400	

Dore end-product, non-flotation mill ores:

For gold recovered as doré in a non-flotation mill, the lesser of the Base Rate, or a royalty such that the royalty to Solitario plus any government royalty required to be paid in Peru is no more than 4.5% NSR unless the gold price is greater than $500 per ounce, in which case then a royalty such that the royalty to Solitario plus any royalty due to the government is no more than 5% NSR.

Concentrate-producing, Cu-Au flotation mill ores:

For gold and copper recovered in a concentrate producing, copper-gold flotation mill, the lesser of the Base Rate, or a royalty such that the royalty to Solitario plus any government royalty required to be paid in Peru is no more than 3.5% NSR unless the gold price is greater than $500 per ounce and the copper price is greater than a PPI-indexed price of $1.50 per pound, in which case then a royalty such that the royalty to Solitario plus any royalty due to the government is no more than 4% NSR.

Silver:

For silver, the lesser of 3% NSR, or a royalty such that the royalty to Solitario plus any government royalty required to be paid Peru is no more than 4.5% NSR unless the gold price is greater than $500 per ounce, in which case then a royalty such that the royalty to Solitario plus any royalty due to the government is no more than 5% NSR.

As part of the NSR-Royalty modification, Newmont Peru, through its subsidiaries and/or affiliates, agreed to spend an aggregate of $4.0 million on Solitario's royalty property during the next eight years. Details of the newly established work commitment calls for the following expenditure schedule:

Period	Amount	Cumulative
Between 1/1/05 to 12/31/06	$1,000,000	$1,000,000
Between 1/1/07 to 12/31/08	$1,000,000	$2,000,000
Between 1/1/09 to 12/31/10	$1,000,000	$3,000,000
Between 1/1/11 to 12/31/12	$1,000,000	$4,000,000

2. Accessibility, Climate, Local Resources, Infrastructure and Physiology

The property is easily accessed within an hour by paved and improved gravel roads from the city of Cajamarca, a regional hub for commerce and government administration. The terrain ranges from gently rolling to mountainous and varies in altitude from 2,800 to over 4,200 meters. A rainy season of approximately four months hampers exploration and access, but year-round work can be done. Vegetation in the area consists of alpine tundra type conditions.

3. History

The majority of concessions were acquired in 1993, with several concessions added in 1994 and 1995. We conducted regional surface exploration on the property in 1994 and 1995, which included a limited core-drilling program on two gold targets. At various times between 1995 and 1999, we joint ventured the property with three major mining companies, Barrick Gold Corporation, Rio Tinto, Ltd., and Placer Dome, Inc. All three companies conducted limited surface exploration programs and each elected to terminate its respective option to earn an interest in the property. Barrick Gold Corporation was the only company to conduct exploration drilling on the property. Newmont Peru purchased the property, subject to our NSR-Royalty, in April 2000.

4. Geological Setting

The property is situated within a northwest trending belt of Tertiary-aged volcanic and associated intrusive rocks that overlie and intrude Cretaceous-aged sedimentary rocks. The Cretaceous sediments are strongly deformed and consist of a lower sequence of sandstones, shales and quartzites and an upper sequence of carbonate rocks. Approximately half the property is underlain by Tertiary volcanic rocks consisting mainly of older andesitic to dacitic flows and tuffs. Locally these older volcanics are covered by a younger rhyo-dacitic tuff unit. Mineralization usually is hosted in the older volcanic unit.

5. Prior Exploration

We have independently, and through the efforts of our various joint venture partners, collected rock, soil and stream sediment samples on the surface. Geologic mapping has revealed 15 medium-to-large areas of hydrothermal alteration contained within both the volcanic and sedimentary rock units. Three gold targets were tested by us and our joint venture partner Barrick Gold prior to Newmont Peru purchasing the project in 2000. We conducted a large-scale helicopter-bourn geophysical program in 1994 that identified a number of magnetic anomalies. Newmont Peru conducted a more detailed and comprehensive helicopter-bourn geophysical program in 2003. During the past seven years Newmont Peru has conducted extensive surface sampling in the central portion of our NSR-Royalty property, from our southern BORDER=0=0 to the northern BORDER=0, and has conducted a limited amount of drilling. The results of these Newmont Peru program are made available to us for review on an annual basis as part of Newmont Peru's work commitment obligations.

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6. Mineralization

Gold mineralization has been identified in at least 15 separate areas within altered volcanic and sedimentary rocks. Alteration generally consists of silicification (addition of quartz to the host rock) and argillization (destruction of feldspar minerals to clay). Rock chip sampling within these altered areas often contains anomalous values of gold, silver, mercury, arsenic or antimony. Alteration appears to be partially controlled by fault structures in the underlying rock formations or proximity to intrusive rocks.

7. Drilling

Twenty-one core-holes totaling approximately 2,700 meters were drilled on three gold targets prior to Newmont Peru purchasing the project in 2000. We drilled eight holes on the Los Negritos prospect and Barrick Gold drilled nine holes at the Shuito prospect and four holes at the Chaluaquero prospect. Anomalous to low-grade gold, silver and base metal mineralization has been intersected in some of the drill holes conducted by us, Barrick Gold and Newmont. However, the tenor of mineralization and the lack of detailed drill hole spacing does not allow for an estimate of reserves.

8. Sampling and Analysis

Newmont is responsible for all sampling and analysis conducted on our royalty property and has been responsible for this activity for the past seven years. We review the results of Newmont's sampling and analysis activities on an annual basis.

9. Security of Samples

Newmont has been responsible for the security of samples for the past seven years.

10. Mineral Resource and Mineral Reserve Estimations

No resources or reserves have been delineated on the property.

11. Mining Operations

No mining is conducted on the property.

12. Planned Exploration

We own our NSR-Royalty in the property and have no participating interest or control over future exploration activities. Newmont Peru has informed us that it may conduct drilling on Solitario's royalty property in 2007. However, Newmont Peru may elect, in its sole discretion, to defer the program entirely into 2008.

Brazil

Pedra Branca Platinum Group Metals Project, Brazil

1. Property Description and Location

We are exploring the Pedra Branca property for platinum and palladium mineralization (platinum group metals, or "PGM"). We hold a 100% interest in 47 exploration concessions in Ceará State, Brazil comprising the Pedra Branca Project at December 31, 2006, totaling approximately 45,365 hectares. We have applied to convert two exploration concessions to mining concessions and plan to apply for conversion of four additional claims in 2007 totaling approximately 7,500 hectares. Pedra Branca Do Mineracao S.A., a subsidiary of ours incorporated in Brazil, holds all concessions. Eldorado Gold Corporation is entitled to a 2% NSR royalty on 10 of the concessions totaling 10,000 hectares.

On January 28, 2003, we entered into an agreement with 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 Platinum agreed to a minimum expenditure of $500,000 during the first six months of the agreement.

Anglo Platinum can earn an additional 9% interest in Pedra Branca (for a total of 60%) by completing a bankable feasibility study, or spending an additional $10 million on exploration and development, whichever occurs first. Anglo Platinum 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.

The Letter Agreement was amended four times between July 2004 and April 2006, generally to extend various work commitment deadlines mandated in the Letter Agreement. On July 14, 2006, we signed the Pedra Branca Framework Agreement with Anglo Platinum that specified actions we and Anglo Platinum would take to establish and govern Pedra Branca Do Mineracao S.A., the corporate entity that would hold 100% title to all the assets of the Pedra Branca project, and the mechanics for Anglo Platinum's continued funding of Pedra Branca exploration. We and Anglo Platinum will own shares in Pedra Branca Do Mineracao S.A, in proportion to our respective participating interests as specified in the Framework Agreement. Anglo Platinum has funded approximately $1.24 million in exploration and property maintenance costs since signing the Letter Agreement. Solitario and Anglo Platinum have completed drafting of a definitive operating agreement (or Shareholders Agreement) and we anticipate signing the definitive agreement before the end of the 2007 first quarter, upon approval of several regulatory filings within Brazil. Current plans call for approximately $1.0 million in exploration expenditures for the ten month period ending October 31, 2007. Upon the completion of the aforementioned expenditures, Anglo Platinum will have earned a 15% interest in the joint operating company holding Pedra Branca mineral rights, with Solitario retaining an 85% interest.

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Land payments for 2007 are projected to be approximately $31,000. This amount may change due to the reduction or addition of properties, or a change in the currency exchange rate.

The mineral interests currently held by us are subject to the mining regulations of Brazil. The mineral interest will be held through Pedra Branca Do Mineracao S.A, upon its formation. These rights are granted by the Brazilian government and administered by the National Department of Mineral Production ("DNPM"). To obtain mineral concessions from the DNPM, we must provide the DNPM with work plans and pay an initial fee of approximately $203 depending upon the Brazil-U.S. exchange rate. To keep the concessions in good standing, we must continue to pay regular annual fee of $0.75 per hectare for the first three years and approximately $1.03 per hectare after the first three years and provide the DNPM with annual progress reports. We are subject to yearly inspections by the DNPM for compliance with reported plans and environmental regulations.

Exploration concessions are granted by the DNPM for a maximum period of three years with the right of the applicant to apply for an extension which may be granted for up to an additional three years. Upon expiration of the exploration concession the concessionaire must apply for conversion of the claim to a mining concession or abandon the property. We have applied for the conversion of two claims to mining concessions. Unlike exploration concessions, mining concessions do not expire but do have requirements for advancing feasibility and development work toward production. Approval of the conversion is at the discretion of the DNPM and we can give no assurance that the conversion of the concessions will be granted.

Prior to mining on the claims we must reach an agreement with the surface rights owners of the affected land. Additionally, we must pay a royalty to governmental agencies based on the materials produced. This amount is 0.2% of the sales for precious metals excluding gold, which is subject to a 3% royalty.

We currently hold no surface rights to the property but have entered into short-term agreements with the surface rights owners to compensate for exploration activities.

A number of prospects have been located on the project, which have undergone surface, and in some cases, drill exploration. A total of 15 prospects have been located throughout the property with surface showings of significant geochemical values. Drilling has intersected significant mineralization on six of these prospects.

2. Accessibility, Climate, Local Resources, Infrastructure and Physiology

Access to the project is by paved road from the state capital of Fortaleza in Ceará State and by local farm roads. Local access is constructed where necessary. The largest towns in the immediate vicinity of the project are Pedra Branca and Boa Viagem. A field camp is located at the small community of Capitao Mor. The climate is warm and dry for eight months of the year with a warm wet season prevailing for the remaining four months. Year-round operation can be conducted. The topography is rolling to flat and vegetation is sparse to heavy brush. The elevation ranges from 500 to 800 meters.

3. History

In the 1980's Rio Tinto Ltd., ("Rio Tinto") and Gencore, Ltd. ("Gencore") performed exploration work on part of the project now operated by us. Both companies did surface exploration and drilling, including 42 diamond drill holes by Rio Tinto and 8 diamond drill holes by Gencore on the former Eldorado lease. In October 2000, we completed a plan of arrangement (the "Plan of Arrangement") whereby we acquired Altoro Gold Corp. ("Altoro"). In 1999, Altoro had acquired concessions from the government over some of the property previously held by Rio Tinto. We acquired additional concessions in 2000 and 2001, through our subsidiary Altoro Mineracao, Ltda. to cover extensions of the mineralized trend.

Altoro, prior to the Plan of Arrangement with us, conducted surface work, drilled 18 diamond drill holes and entered into a Joint Venture agreement with Rockwell Ventures, Inc. ("Rockwell") of Vancouver, British Columbia. Rockwell conducted further surface exploration and drilled an additional 31 holes. Rockwell terminated its agreement with us in June 2001. From July 2001 until January of 2003, we conducted geochemical sampling, geophysical surveys and drilled 54 diamond drill holes. From January 2003 to date, Anglo Platinum funded two drilling programs that focused on better defining the Esbarro and Curiu deposits, further testing the Cedro, Trapia and Santo Amaro prospects, and initial drill testing of 10 other target areas. A total of 208 core holes have been drilled on the property to date.

4. Geological Setting

The project lies within an Archean-aged block in the Brazilian shield, which is characterized by amphibolite grade metamorphic rocks of various compositions. The most common rock types in the area are unmineralized intermediate to felsic composition gneisses and granitic intrusive phases.

The PGM mineralization occurs in specific stratigraphic intervals within a segmented mafic-ultramafic layered complex. The mineralized intervals comprise concordant layers, originally of composition varying from peridotite to dunite. These layers contain chromite and/or minor sulfides of iron, copper and/or nickel. The primary silicate ultramafic minerals in the rocks have been variably converted to amphibole, serpentine or talc. A number of separate bodies of the ultramafic phases of the complex have been discovered, some of which contain the PGM-bearing stratigraphic intervals. All of the rocks have been folded and faulted to differing degrees during dynamic metamorphism in the area.

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5. Prior Exploration

Surface exploration conducted, initially by Altoro, and subsequently by Rockwell and then us, consists of:

- Reconnaissance geologic mapping and rock sampling
- Systematic line cutting, soil sampling and geologic mapping of lines
- Ground magnetics and induced polarization ("IP") geophysical surveys
- Stream sediment and panned-concentrate geochemistry
- Diamond drilling of 15 prospect areas

All of the above work has been conducted directly by us, our predecessor or its partners with the exception of diamond drilling which was performed by Boart-Longyear Geoserv do Brasil and Major Drilling. Ground magnetometry was conducted primarily using a Scintrex Portable EnviMag model number 788011 hand-held magnetometer with a base station for recording diurnal corrections. An internationally recognized third-party geophysical contractor conducted the IP survey. An independent geophysical consultant has been utilized to further interpret the magnetic and IP data.

Soil and rock surveying conducted to date shows that both methods reliably reflect the location of outcropping and subcropping PGM mineralization. Twenty areas with significant soil and/or rock anomalies have been located within the area covered by line gridding. Detailed geologic mapping has been conducted over the majority of these locations to determine the source of anomalous PGM values. Further, basic work of this nature is planned in future programs to more fully determine the potential of the entire project.

The targeted ultramafic rocks are generally more magnetic than the surrounding rocks and magnetometry has been shown to be effective at locating these bodies, though magnetometry and surface geochemical sampling does not determine the PGM content of an ultramafic body with certainty. Recent work indicates that IP is moderately effective in detecting buried ultramafic bodies and elevated concentrations of sulfide minerals within bedrock.

We believe the data obtained from the above exploration activities to be reliable, however the nature of exploration mineral properties and analysis of geological information is subjective and data and conclusions are subject to uncertainty including invalid data as a result of many reasons, including sample contamination, analysis variation, extrapolation, undetected instrumentation malfunctions and the use of geologic and economic assumptions.

6. Mineralization

The stratigraphic layering of an ultramafic body controls the PGM content of the ultramafic rocks. In many cases the PGM grade is associated with the mineral chromite. In other areas the PGM is more closely related with minor sulfide concentration. However, the presence of either chromite or sulfides within ultramafic rocks does not assure elevated PGM grade.

Within PGM-enriched ultramafics, grade and thickness can vary considerably. Widths encountered vary from less than a meter to tens of meters in interpreted true thickness. In no location has drilling been conducted on spacing of sufficient density to assure the continuity necessary to define reserves. For this reason no representation can be made as to the probability of defining reserves.

7. Drilling

A total of 208 holes totaling 15,112 meters of core drilling have been completed on the project to date. Of this, 3,217 meters were drilled by Rio Tinto and Gencore for which the core itself is not available, nor are the procedures documented under which the holes were completed.

In the case of holes drilled by Altoro, Rockwell and us, the following procedures were followed. Drill holes were either of NQ (1 and 7/8 inch) or HQ (2 and 1/2 inch) diameter and were boxed in the field under the supervision of the geologist in charge. With the exception of weathered material near surface, at least 90% of the core had recoveries exceeding 90%. The core was transported to the field camp in sealed core boxes where processing took place under the supervision of the geologist in charge.

Based on drill results to date we believe the prospects Esbarro, Cedro, Curiu, Trapia I and Santo Amaro exhibit results warranting further definition drilling of high priority. We are planning on drilling additional targets in future programs.

The Esbarro prospect, with 105 holes, has the largest database of information of the drilled prospects. Drilling was conducted on approximately 50-meter spaced centers. The Curiu prospect is the second most detailed prospect drilled with 21 holes completed to date. Drilling was conducted on approximately 25-meter spaced centers. We have completed 9 drill holes at Santa Amaro, 8 at the Trapia I, and 19 on the Cedro prospect. Drill spacing on these three prospects range from 50 to 200 meters. Although significant mineralized material was encountered in many of the drill holes within these five deposits, we have not undertaken a formal estimate of reserves as we believe additional work is required to make such an estimate.

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The inability to resample the drilling of the Rio Tinto core holes has reduced the confidence which would normally be attributed to these results. However, one twin hole drilled next to a Rio Tinto hole at Esbarro showed excellent reproducibility of results. During the current exploration phase of the program, the Rio Tinto and Gencore results are accepted as accurately representing the sampled interval. However, in order to establish a resource or reserve, additional twin holes and/or infill holes are necessary to provide a degree of confidence commensurate with assignment to these categories.

8. Sampling and Analysis

Following is a tabulation of samples taken through 2006, which are assigned a high degree of confidence in relation to location, type and sample procedure.

Sample Type	Number of Samples
Core	7,351
Rock/channel	2,531
Soils	20,640
Stream Sediments	2,531
Panned Concentrates	840

Rock sampling generally employed the use of composite surface samples, which are representative aggregates of available material from an outcrop or sub-cropping body collected on the surface. Selective sampling was occasionally used to identify the geochemical character of a rock not representative of an outcrop. This technique represents a small percentage of the total samples collected. Soil samples were collected of soil horizons thought to be derived from the decomposition of underlying bedrock. Soils were screened to -80 mesh prior to pulverization. Stream sediment geochemistry has been applied to both active wet stream beds and dry stream beds. Panned concentrate sampling of both dry and wet stream beds has been effectively utilized on a regional basis.

No known significant factors relating to sampling, drilling or recovery exist that are thought to have an impact on interpreted results. Core recovery is rarely less than 90%, but such cases are sufficiently uncommon as to not have an adverse effect on the interpretation of results.

Assays results for the Rio Tinto and Gencore core samples cannot be checked, as the core is not available for resampling. For all other samples, assaying for PGM was done by Bondar Clegg Laboratories of Vancouver, British Columbia, Canada or its successor, ALS Chemex Laboratories. Check assays were performed by Altoro, Rockwell Ventures and us. All of our programs have been, and will continue to be conducted under a check assay program in

progress with samples sent to a third party laboratory (Lakefield Laboratories or SGS Laboratories).

9. Security of Samples

Core samples are sawn on site into two halves, one submitted to the laboratory and one kept in a secure location on site. The half-core, selected according to geologic criteria or regularly spaced intervals, is sent by land or air to the sample preparation laboratory in Goiania, Brazil operated by Bondar Clegg (ALS Chemex) Laboratories. The samples are sealed on site under the supervision of the geologist in charge and the laboratory is instructed to report any breaks in the seal to the Project Manager. No such security breaches have been noted since Solitario has taken over operation of the project.

10. Mineral Resource and Mineral Reserve Estimations

There are no reported reserves.

11. Mining Operations

There are no current mining operations associated with this project.

12. Planned Exploration

We, together with Anglo Platinum, are reviewing data to finalize the 2007 exploration program. We are reinterpreting previously generated ground magnetic geophysical data in conjunction with the newly generated IP geophysical data to define new drill targets in areas that have not been drill tested. Drilling in 2007 will focus on these new drill targets with a limited amount of step-out drilling in previously drilled deposits.

Mercurio Gold Property, Brazil

1. Property Description and Location

The Mercurio Gold Property is located in Para State in Northern Brazil approximately 250 km south of the town of Itaituba. It consists of 173 claims totaling 8,550 hectares. An agreement dated March 14, 2005 with the underlying claim and surface rights holder provides for transfer of a 100% interest of the mineral estate to Solitario and payment by Solitario of approximately $350,000 over a period of 60 months. The owner retains a 1.5% net smelter return that is subject to purchase by Solitario for approximately $1,000,000. Estimated payments to the land owner during 2007 are $42,000. All payments are made in local currency and the amounts in U.S. currency will fluctuate with exchange rates. During 2006 and 2005 $25,000 and $24,000, respectively, were paid under the terms of the contract.

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2. Accessibility, Climate, Local Resources, Infrastructure and Physiology

The property can be accessed by a local unpaved road that services the region. This road is open for approximately eight months of the year but is subject to intermittent closing due to weather conditions during the four month rainy season. Additionally, an unpaved landing strip for light aircraft is located on the property. The climate is warm and humid year round. Work at the property is difficult during the rainy season from January though March and generally field activities are suspended during this time. Solitario maintains a camp constructed of wooden buildings on the site that can accommodate up to 30 people. At the same location is a small community of artesanal miners and a store for basic goods.

The nearest town with services is Almedia, approximately 100 kilometers by road from the project. The terrain is flat to gently rolling and is covered with tropical vegetation.

3. History

Small scale artesanal mining for gold by gravity methods has been conducted on the property for ten years. No systematic exploration prior to Solitario's arrival has ever been conducted.

4. Geological Setting

The region is underlain by granite rocks and granitic gneisses. Most of these rocks are medium to course grained but later dikes occur that are fine to very fine grained. Basaltic dikes locally cut the basement. Weathering is intense and has converted the rocks to saprolite to depths of up to 50 m.

5. Prior Exploration

No known exploration has been conducted on the property prior to the Solitario 2005 program except for local artesanal exploration and mining. During 2005 and 2006, we conducted extensive geochemical sampling that included both detailed and widely spaced grid sampling of soils, and to a lesser extent mechanized auger sampling of soils up to 10 meters in depth. All soil and auger samples were analyzed for gold. In 2005 we conducted a widespread ground magnetic survey to further define potential drill targets. In 2006 we conducted induced polarization (IP) geophysical survey to further aid us in selecting drill-hole locations.

6. Mineralization

Gold mineralization occurs along steeply dipping shears in the granite and along dike boundaries of later, finer grained phases of granite. Gold enrichment occurs in E-W trending zones. Pyrite is the only common sulfide mineral but it occurs only in small amounts, generally from 1/2% to 2 %. Rarely, galena and sphalerite have been observed in trace amounts. Quartz as veinlets and as veins up to 30 cm are most commonly associated with gold mineralization, though silicification as a replacement texture is important locally. Silver values and the quantities of other valuable metals are uniformly low.

7. Drilling

Solitario drilled 12 core holes totaling 2,435 meters in 2005 and 1,596 meters in 2006. These holes were drilled in primarily three widely-spaced prospect areas: the Patoa, Colonia and Tucanaré. Drilling results for both 2005, holes SB-01 to SB-12, and 2006, holes SB-13 to SB-23, are provided below.

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2005-2006 Mercurio Drill Hole Assay Results

Prospect Name	Hole Number	From Meters	To Meters	Interval	Gold Grade g/t

				Meters	
Patoa	SB-01	16.8	24.4	6.6	1.18
		57.6	60.1	2.5	2.09
		68.6	71.7	3.1	1.94
		82.3	93.1	10.8	1.27
	SB-02	63.2	67.9	4.7	2.43
	SB-04	13.7	35.6	21.9	6.97
	including	13.7	25.9	12.2	12.22
		60.2	70.2	10.0	0.97
West Patoa	SB-06	19.8	35.1	15.3	0.86
	including	21.4	24.4	3.0	2.03
		146.3	152.4	6.1	1.26
Colonia	SB-08	47.3	65.6	18.3	1.89
	including	50.3	53.3	3.0	6.48
	SB-09	60.9	67.7	6.8	1.79
South Patoa	SB-10	36.8	42.7	4.4	4.72
Tucanare	SB-11	32.0	36.5	4.5	3.36
	SB-12	39.6	56.1	16.5	1.94
	including	46.5	50.6	4.1	5.29
Colonia	SB-13	77.0	105.0	28.0	1.0
	SB-15	111.0	117.0	6.0	1.8
	SB-16	94.0	101.0	7.0	6.8
Patoa	SB-18	7.2	41.2	34.0	2.7
	SB-19	22.1	25.1	3.0	1.1
		39.1	41.5	2.4	1.9
		110.7	112.7	2.0	1.8
	SB-20	62.6	88.1	25.5	1.6
Tucanare	SB-21	55.8	67.6	11.8	0.6
		74.5	78.1	3.6	1.6
		122.4	131.8	9.4	0.7
	SB-22	39.8	41.9	2.1	1.8
	SB-23	199.3	205.7	6.4	2.1

No estimate of true width of mineralized intercepts shown above can yet be made

8. Sampling and Analysis

Soils were taken over large areas and analyzed by assay and by panning to aid in exploration. Auger samples up to 10 meters in depth were also taken in selected areas and analyzed similarly. Sawed core samples were transported from the drill to the camp by vehicle then by truck, boat or plane to the nearest population center where they were air transported to central Brazil for sample preparation at ALS Chemex Laboratories in Goianania, Brazil. Final analysis was completed in the ALS Chemex laboratory in Vancouver, Canada or in Lima, Peru.

9. Security of Samples

The geologist in charge supervised the collection of samples on site and the shipping from the site to the point of air transport. Sample tracking by Solitario incorporated transport records and sample receipt by the laboratory in

Brazil. Shipping outside of Brail was supervised by the laboratory.

10. Mineral Resource and Mineral Reserve Estimations

No mineral reserves or resources are reported on the property.

11. Mining Operations

There are no mining operations on the property.

12. Planned Exploration

Additional drilling to follow up the best 2005 and 2006 results is planned for 2007. Some additional soil sampling and auguring may be included in the 2007 program.

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Mexico

Pachuca Real Silver-Gold Property, Mexico

1. Property Description and Location

The Pachuca-Real property consists of approximately 47,300 hectares of mineral rights encompassing about 30% of the historic Pachuca-Real del Monte silver-gold mining district of central Mexico, but mainly areas situated to the north and northwest of the historic district, termed the North District. Solitario owns 100% of the property, except for the 13,600-hectare El Cura claim, that is subject to an Option to Purchase agreement with a private Mexican party. The option requires payments of $500,000 over four years for a 100% interest in the claim. Solitario may terminate its option at anytime without any further costs.

On September 25, 2006 we signed a definitive venture agreement (the "Venture Agreement") with Newmont de Mexico, S.A. de C.V. ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation. The Venture Agreement calls for a firm work commitment by Newmont of $2.0 million over the next 18 months. Work commitments over the next 4.5 years total $12.0 million.

Exploration Expenditures and Due Dates	Amount	Aggregate Amount
18 months from signing - firm commitment	$2,000,000	$2,000,000
30 months from signing - optional commitment	$2,300,000	$4,300,000
42 months from signing - optional commitment	$3,500,000	$7,800,000
54 months from signing - optional commitment	$4,200,000	$12,000,000

Newmont's initial firm work commitment includes a minimum of 7,500 meters of drilling, however, Newmont will have 24 months to complete such drilling and any costs beyond the initial 18 month period to complete that drilling, if necessary, will be in addition to the $2.0 million work commitment above. Upon the completion of $12.0 million in expenditures, Newmont will have earned a 51% interest in the project. Newmont will have the right to earn an additional 14% (total 65%) by completing a positive feasibility study for the project. After Newmont has spent

$12.0 million and has elected to complete a feasibility study, Newmont is required to spend a minimum of $5.0 million annually until such time as the positive feasibility study is completed. Newmont has the right to terminate the agreement at any time following its firm initial work commitment. Upon completion of the feasibility study, Solitario will have the option to self-finance its 35%-participating interest in the project, or to have Newmont fund its portion of construction costs at Libor + 3.5%. Such post-feasibility funding plus interest shall be paid from 80% of Solitario's distribution of future earnings or dividends from the venture. If Solitario elects to have Newmont fund all its venture costs after feasibility, then Solitario's participating interest will be immediately reduced to 30% and Newmont's interest will be 70%.

2. Accessibility, Climate, Local Resources, Infrastructure and Physiology

The project is located about 80 kilometers north of Mexican City near the city of Pachuca. Access is excellent throughout much of the project area with moderately maintained gravel roads. The city of Pachuca, with excellent modern infrastructure, lies in the southern portion of the property. The project topography ranges in elevation from 2,100 to 3,000 meters. The climate ranges from semi-arid in the lower elevations, which tend to be sparsely vegetated, to temperate in the higher elevations, that tend to be well-forested.

3. History

Pachuca has a long, nearly unbroken history of silver and gold production beginning somewhere around 1550 by the Spaniards, although it is generally thought that pre-Hispanic smelting of Pachuca ores occurred by the indigenous population inhabiting the area. Total silver production during this five and a half-century period is estimated at approximately 1.4 billion ounces and over seven million ounces of gold. Nearly 80% of its total production occurred during a 60-year period from 1900 to 1960. Mining in the old district ceased in 2004 due to the depletion of high-quality ore reserves. Our claim position, predominantly situated north of the historic district, was held by the Mexican government from 1947 to the early 1990's, whereupon the concessions were sold to a private Mexican company and held by that same company until early 2006, when the land became free to staking and we immediately applied, and were granted, title to the concessions.

4. Geological Setting

The geology of the Pachuca-Real project area is dominated by a thick sequence of Tertiary-aged volcanic and volcanic-related rock formations of dominantly andesitic composition. This thick pile of volcanic rocks is cut by a series of younger east-west trending and northwest-southeast trending quartz porphyry and dacite porphyry dikes. The volcanic rocks are generally only gently dipping on a regional scale, but locally display moderate dips of up to 40 degrees. In the old district, structures typically have a west-northwest to east-southeast trend, except in the Real del Monte area that has a north-south trending overprint. Basement rocks within the project area consist of Cretaceous-aged sedimentary rocks. Overlying the thick andesitic pile of volcanic rocks is another sequence of volcanic and volcanic-related rocks that are thin to moderately thick formations of primarily dacitic composition. These rocks are generally post-mineralization in age.

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5. Prior Exploration

The old Pachuca-Real del Monte mining district has been intensely explored and mined throughout its long history, but is not the area of our current exploration focus. We believe the area of greatest potential lies about 10 kilometers north of the main district. Exploration in this area (North District) during the past 60 years was restricted to mainly surface sampling with a very limited amount of drilling. We have compiled all the historical data that we were

able to obtain to assist us in identifying the best areas to conduct further exploration work. Our initial work in the first half of 2006 consisted entirely of surface sampling of both rocks and soils. Newmont has continued the surface sampling program and is also conducting detailed geologic mapping to define drill targets.

6. Mineralization

The old Pachuca-Real del Monte mining district is a classic vein district of nearly unparalleled size being 11 kilometers in an east-west direction and 7 kilometers in a north-south direction. Hundreds of generally near-vertical veins associated with fractures, faults and dikes occur throughout the district. The major veins have productive stopes in excess of a kilometer in length, 600 meters in vertical extent and 2-5 meters in average width. The veins are characterized by low sulfide and base metal content and very weak wallrock alteration. Historical average grades for the district are 500 g/t silver and 2.5 g/t gold.

In the North District, a major 15-kilometer long east-west fault system localizes mineralization along fractures and dikes. The largest mines in the North District, the Arevalo mine near the town of El Chico and the Capula mine further west, partially exploited this large potential area of mineralization. Further north, a major series of northwest-southeast trending veins occupies an area over 12 kilometers long and 7 kilometers wide. The geology, alteration and style of mineralization in the North District are very similar to that of the historic district to the south.

7. Drilling

We do not have any authoritative data concerning past drilling in the North District and we have not yet conducted any drilling.

8. Sampling and Analysis

To date, we have collected rock chip samples and soil samples over select parts of the property. The sampling procedure consists of chipping pieces of rock with a hammer from outcropping rock formations over a continuous length of usually one to five meters. The axis of the long sample is oriented perpendicular to the trend of veining, wherever possible. The samples are placed in cloth or plastic bags, labeled and sealed, and then sent to ALS Chemex laboratories for analysis. Since September 2006, Newmont has been in control of all field activities on the project and we have not yet reviewed Newmont's sampling procedures, analysis or results.

9. Security of Samples

Surface rock chip samples collected are sealed within a cloth or plastic bag by the geologist and stored in a secure area until shipped to the laboratory via bus transportation. Since September 2006, Newmont has been in control of all field activities on the project and we have not yet reviewed the Newmont's security procedures.

10. Mineral Resource and Mineral Reserve Estimations

There are no reported reserves or resources.

11. Mining Operations

There are no current mining operations associated with this project.

12. Planned Exploration

Newmont has indicated that they will continue their surface sampling and geologic mapping program throughout most of 2007. Current plans call for drilling to begin in the second quarter of 2007.

Other Properties

Amazonas Zinc Property, Peru

In September of 2006, Solitario acquired 5,200 hectares of 100%-owned mineral rights through concessions for its Amazonas property. Solitario capitalized $13,200 in lease acquisition costs related to these concessions. The Amazonas project consists of four widely spaced areas where previous sampling has identified high-grade zinc mineralization at surface similar to that found at Florida Canyon (see Item 2. Properties: Bongará Zinc Property, Peru). Solitario may seek a joint venture partner for the property during 2007.

Concepcion del Oro Gold Property, Mexico

In September 2005, we signed an agreement with a private Mexican party granting us the right to option the Concepcion del Oro gold property located near the city of Mazapil in the state of Zacatecas. The property consists of 35 concessions totaling approximately 1,420 hectares. We exercised the option in March 2006 and entered into an option agreement. The agreement calls for Solitario to make escalating payments totaling $900,000 over a four-year period. The first and second property payments of $5,000 each were made in March and September of 2006. Solitario conducted surface sampling and a ground magnetic geophysical survey over selected portions of the property in 2006. We are evaluating this information to determine whether or not drilling may be warranted on the property in the future. Solitario may withdraw from this agreement at its discretion at any time and without further obligations.

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Las Purisimas Gold Property, Mexico

In September 2005, we signed an agreement with a private Mexican party granting us the right to option the Las Purisimas gold property located near the city of Tepic in the state of Navarit consisting of six concessions totaling 600 hectares. We exercised the option in March 2006 and entered into an option agreement. The agreement calls for Solitario to make escalating payments totaling $1,000,000 over a four-year period. The first and second property payments of $5,000 each were made in March and September of 2006. Payment due in 2007 total $35,000. Solitario conducted surface sampling over selected portions of the property in 2006. We are evaluating this information to determine whether or not drilling may be warranted on the property in the future. Solitario may withdraw from this agreement at its discretion at any time and without further obligations.

La Tola Gold Property, Peru

In October 2003, we acquired the La Tola project in southern Peru to explore for gold and possibly silver. The project is located in southern Peru. In April 2004, we signed a Letter Agreement with Newmont Peru, whereby Newmont Peru could earn a 51%-interest in the La Tola property by completing $7.0 million of exploration over four years and an additional 14% interest by completing a feasibility study and by arranging 100% project financing. On June 22, 2005, Newmont Peru informed Solitario that it had elected to terminate its option to earn an interest in the La Tola project and Solitario recorded an $18,000 impairment related to the La Tola project. Solitario retains one claim covering 14,000 hectares. Solitario is evaluating what additional work, if any, to conduct at the La Tola Property.

Titicayo Silver Property, Bolivia

On March 31, 2006, we signed a lease agreement with a private Bolivian company to lease certain concessions covering approximately 1,300 hectares, which comprise the Titicayo silver project in Bolivia. We capitalized our initial payment under the lease of $10,000. The lease calls for additional lease payments of $10,000 eight months from

the date of the lease, $55,000 during the second year of the lease, $75,000 during the third year of the lease, $100,000 during the fourth year of the lease, $150,000 during the fifth year of the lease and $600,000 during the sixth year of the lease after which we will own a 99% participating interest in the concessions. An amendment to the Titicayo Agreement was signed in November of 2006 that delayed the first additional lease payment until June 2007 with a corresponding adjustment to the rest of the payment schedule. A one time payment of $10,000 was made to the claim holders in consideration for this amended schedule. We may abandon the property at any time with no additional lease payments are due. We have conducted a limited amount of surface exploration work to identify drilling targets. We are currently planning a three-hole drilling program later in 2007.

Triunfo Gold-Silver-Lead-Zinc Property, Bolivia

We signed an Option to Purchase a 100% interest in the mineral rights on the 256-hectare gold, silver, lead and zinc Triunfo property in Bolivia in July 2003. Amendments modifying the option were signed in March of 2004, September of 2005 and June of 2006. The option, as amended, calls for Solitario to spend up to $2.3 million on exploration activities over a five-year period and make payments to the underlying owners of up to $170,000 over the first four years, with an option for us to acquire a 100% interest in the property by making a one-time payment of $1.0 million by the fifth anniversary of the signing of the option. During June 2007 Solitario must pay $35,000 to keep the agreement in force for one year. We may elect to terminate the option at anytime without any additional payment or work commitment obligations due to the underlying owner.

The project is located about 50 kilometers east of the Bolivian capital of La Paz at an elevation of approximately 4,500 meters. Access is gained by a well-maintained gravel road from La Paz. We have completed construction of a 2.5-kilometer road to the property. The project hosts a large mineralized area extending for at least 800 meters in length and up to 200 meters in width. Mineralization occurs as a stockwork zone of veining within a sequence of Paleozoic shales, siltstones and quartzites. Within the mineralized zone, surface sampling has returned elevated values of gold, silver, lead and zinc. We currently have the project on care and maintenance status until the political situation in Bolivia becomes sufficiently stable to justify a more significant exploration program.

Discontinued Projects

During 2006 we abandoned the following projects:

Libertad Gold Project, Peru

The Libertad Gold property is located in the Arequipa Department of southern Peru approximately 100 kilometers from the city of Arequipa. We staked two claims comprising 1400 hectares in September 2005 based on regional reconnaissance. A core drilling program of five holes totaling 984 meters was completed at Libertad project in southern Peru in mid-2006. Four holes tested the southern, outcropping vein up to 220 meters down dip from the outcrops and one hole tested a blind vein indicated by geophysics 150 meters down dip from the interpreted sub-crop. Intercepts were of considerably lower grade than indicated on the surface. The best interval was 2.3m of 0.56 g/t. No further exploration work is planned. Reclamation obligations have been completed and we will not pay the government claim fees in 2007. We have recorded an impairment of $4,000 for property abandonment.

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Pillune Gold Property, Peru

In September, 2005 we staked two claims at the Pillune Property totaling 1200 hectares in the Arequipa Department of Southern Peru. Solitario paid $4,000 in acquisition costs. This property is within the Newmont Alliance

Project area governed by the agreement discussed in the section "Newmont Alliance" above. After a limited surface exploration program on the property in 2005 and 2006, we decided not to renew the concessions with the Peruvian government in June 2007. Consequently, we have recorded an impairment of $4,000 for property abandonment, and at December 31, 2006, have no further payment or work obligations.

Pau d'Arco Gold Property, Brazil

During 2006, we acquired priority to mineral rights covering 2,400 hectares from the Brazilian government at the Pau d' Arco project in the Tapajos region of Brazil. We also signed agreements with three private Brazilian individuals to gain access to the Pau d' Arco project. These agreements called for access payments of approximately $23,000 for 2006 and payments totaling approximately $1,380,000 over four years, with a $2.6 million buy out option for the retained 1% net smelter return royalty. We conducted surface exploration work during the third quarter of 2006 and drilled and completed six core holes totaling 1,111 meters. Although low-grade gold was intersected in three holes, the drilling results were not sufficiently encouraging to continue exploration on the property. Consequently, we will not make 2007 claim fee payments to the government and we have terminated our agreements the private Brazilian parties. We have recorded an impairment of $18,000 for property abandonment, and at December 31, 2006, have no further payment or work obligations.

Pozos Silver-Gold Property, Mexico

In September 2005, Solitario signed an agreement with a private Mexican mineral concession holder to option a 100% interest in the Pozos gold property near the city of San Luís de la Paz in the state of Guanajuato, Mexico. The property consists of two concessions totaling 918 hectares. The option agreement called for Solitario to make an initial payment of $10,000 plus the 15% IVA (value added tax) on signing and for Solitario to make future escalating payments totaling $1,500,000 over a four-year period. After evaluating the sampling results and surface geology, we decided to terminate the option and consequently we no longer have any interest in the property. We have recorded an impairment of $4,000 for property abandonment, and at December 31, 2006, have no further payment or work obligations.

Zinda Gold Property, Mexico

In August 2005, Solitario received title to the Zinda concession near the city of Morelia in the state of Michoacan, Mexico. Solitario paid $5,000 in concession fees (plus tax) to the Mexican government for the 10,000-hectare concession. After a limited reconnaissance surface sampling and geologic assessment program conducted in 2005 and 2006, we decided not to renew our concessions with the Mexican government. We have recorded an impairment of $5,000 for the property abandonment, and at December 31, 2006, have no further payment or work obligations.

Item 3. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock has been traded predominantly on the Toronto Stock Exchange under the symbol SLR. On August 2, 2006 Solitario received approval to list its common shares on the American Stock Exchange ("AMEX"). Trading on the AMEX began on Friday, August 11, 2006, under the symbol XPL. During the third quarter of 2006 (since trading began) the high and low sales prices for a share of our common stock on the AMEX were $2.67 and $3.65, respectively and during the fourth quarter of 2006 the high and low sales prices for a share of our common stock on the AMEX were $3.43 and $4.17, respectively.

The following table sets forth the high and low sales prices on the Toronto Stock Exchange for our common stock for the quarterly periods from January 1, 2005 to December 31, 2006.

	All prices are in CDN$			
	2006		2005	
Period	High	Low	High	Low
First quarter	$ 2.35	$ 1.80	$ 1.97	$ 1.61
Second quarter	2.85	2.30	1.76	1.31
Third quarter	4.40	2.70	1.96	1.55
Fourth quarter	4.80	3.90	1.85	1.52

Shares subject to options

On June 27, 2006 Solitario's shareholders approved the 2006 Stock Option Incentive Plan (the "2006 Plan"). Under the terms of the 2006 Plan, the Board of Directors may grant up to 2,800,000 options to Directors, officers and employees with exercise prices equal to the market price of Solitario's common stock. However, under the terms of the 2006 Plan, the total number of outstanding options from all plans may not exceed 2,800,000. As of December 31, 2006, we have granted options for 1,637,500 shares that remain unexercised at $2.77 per share.

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 Plan to increase the authorized shares under the Plan to 3,736,000 as of December 31, 2006. As of December 31, 2006, we have granted options for 1,027,000 shares that remain unexercised at prices from Cdn$0.81 to Cdn$0.73 per share. The Plan had a ten year life which expired in March 2004 and there are no shares available for grant under the 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	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
2006 Plan	(a)	Cdn$ (b)	(c)
Equity compensation plans approved by security holders	1,637,500	$2.77	135,500
Equity compensation plans not approved by security holders	-	N/A	-

Total	1,637,500	$2.77	135,500
1994 Plan			
Equity compensation plans approved by security holders	1,027,000	Cdn$0.74	-
Equity compensation plans not approved by security holders	-	N/A	-
Total	1,027,000	Cdn$0.74	-
All Plans			
Equity compensation plans approved by security holders	2,664,500	$1.99	135,500
Equity compensation plans not approved by security holders	-	N/A	-
Total	2,664,500	$1.95	135,500

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Recent Sales of Unregistered Securities

During the fourth quarter of 2006, two holders exercised options granted under the 1994 Plan for 83,000 shares of our common stock, at an exercise price of Cdn$0.73 per share pursuant to the exemption provided by Rule 701, and a holder exercised an option granted under the 1994 Plan for 4,500 shares of our common stock at an exercise price of Cdn$0.81 per share pursuant to the exemption provided by Rule 701 and a holder exercised an option granted under the 2006 Plan for 17,500 shares of our common stock at an exercise price of $2.77 per share pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933.

Holders of our common shares

As of February 21, 2007 we have approximately 1,672 holders of our common shares.

Dividend Policy

We have not paid a dividend in our history and do not anticipate paying a dividend in the foreseeable future.

Item 6. Selected Financial Data

The following table summarizes the consolidated statements of operations and balance sheet data for our business since January 1, 2002. This data has been derived from the audited consolidated statements of operations for our business for each of the five years ended December 31, 2006 and the audited consolidated balance sheets of our business as of December 31, 2006, 2005, 2004, 2003, and 2002. You should read this information in conjunction with Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Solitario's historical consolidated financial statements and notes included in Item 8 -"Financial Statements and Supplementary Data." The information set forth below is not necessarily indicative of future results.

Balance sheet data:	As of December 31,				
(in thousands)	2006	2005	2004	2003	2002
Total current assets	$ 6,387	$ 5,665	$ 3,466	$ 3,993	$ 1,952
Total assets	$25,038	$19,037	$15,370	$13,288	$ 6,376

Working capital (1)	$ 4,555	$ 4,189	$ 3,245	$ 3,230	$ 1,853
Stockholders' equity	$19,044	$15,341	$12,516	$11,934	$ 6,277

Statement of operations data:	Year ended December 31,				
(in thousands, except per share amounts)	2006	2005	2004	2003	2002
Net income (loss)	$(3,183)	$(2,080)	$(2,925)	$3,354	$(2,079)
Per share information:					
Basic and diluted income (loss) per share	$ (0.11)	$ (0.08)	$ (0.12)	$0.14	$(0.09)

SELECTED QUARTERLY FINANCIAL INFORMATION:

(in thousands)	For the three months ended			
Statement of operations data:	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Net income (loss)	$(787)	$(550)	$(1,225)	$(621)
Per share information:				
Basic and diluted income (loss) per share	$(0.03)	$(0.02)	$(0.04)	$(0.02)
Balance sheet data:				
Total Assets	$25,038	$27,875	$24,208	$25,326
Working capital (1)	$ 4,555	$ 4,688	$ 4,296	$ 5,236
Stockholders' equity	$19,044	$20,803	$18,999	$19,697

(1) Working capital consists of current assets less current liabilities.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the information contained in the consolidated financial statements and notes thereto included in Item 8 "Financial Statements and Supplementary Data." Our financial condition and results of operations are not necessarily indicative of what may be expected in future years.

(a). Business Overview and Summary

We are an exploration stage company with a focus on the acquisition of precious and base metal properties with exploration potential. We acquire and hold a portfolio of exploration properties for future sale or joint venture prior to

the establishment of proven and probable reserves. Although our mineral properties may be developed in the future through a joint venture, we have never developed a mineral property and we do not anticipate developing any currently owned mineral properties on our own in the future. We were incorporated in the state of Colorado on November 15, 1984 as a wholly owned subsidiary of Crown. We have been actively involved in this business since 1993 and have in the past recorded revenues from joint venture payments and the sale of these properties on an infrequent basis, with the last significant revenues recorded in 2000 upon the sale of our Yanacocha property for $6,000,000. We expect future revenues from joint venture payments or the sale of properties, if any, would also occur on an infrequent basis. At December 31, 2006 we had nine exploration properties in Peru, Bolivia, Mexico and Brazil. We are conducting exploration activities in all of those countries. On July 26, 2004, Crown completed a spin-off of its holdings of our shares to its shareholders, whereby each Crown shareholder received 0.2169 shares of our common stock for each Crown share they owned. Crown was acquired by Kinross upon the completion of the Crown - Kinross merger and Kinross currently owns less than one percent of our outstanding common stock.

Our principal expertise is in identifying mineral properties with promising mineral potential, acquiring these mineral properties and exploring them to enable us to sell or joint venture these properties prior to the establishment of proven and probable reserves. Currently we have no mineral properties in development and we do not anticipate developing any currently owned properties on our own in the future. We currently own nine mineral properties under exploration and we own our Yanacocha royalty interest. Our goal is to discover economic deposits on our mineral properties and advance these deposits, either on our own or through joint ventures, up to the development stage (development activities include, among other things, the completion of a feasibility study, the identification of proven and probable reserves, as well as permitting and preparing a deposit for mining). At that point we would attempt to either sell our mineral properties or pursue their development through a joint venture with a partner that has expertise in mining operations.

In analyzing our activities, the most significant aspect relates to results of our exploration activities and those of our joint venture partners on a property-by-property basis. When our exploration activities, including drilling, sampling and geologic testing indicate a project may not be economic or contain sufficient geologic or economic potential we may impair or completely write-off the property. Another significant factor in the success or failure of our activities is the price of commodities. For example, when the price of gold is up, the value of gold-bearing mineral properties increases, however, it also becomes more difficult and expensive to locate and acquire new gold-bearing mineral properties with potential to have economic deposits.

The potential sale, joint venture or development through a joint venture of our mineral properties will occur, if at all, on an infrequent basis. Accordingly, while we conduct exploration activities, we need to maintain and replenish our capital resources. We have met our need for capital in the past through (i) sale of properties, which last occurred in 2000 with the sale of our Yanacocha property for $6,000,000; (ii) joint venture payments, which last occurred during the years from 1996 through 2000; (iii) investment in Kinross (previously Crown); (iv) issuance of common stock, including exercise of options, and through private placements; (v) and more recently as part of a strategic alliance with major mining companies. We have reduced our exposure to the costs of our exploration activities through the use of joint ventures. We anticipate these practices will continue for the foreseeable future although we expect that our primary funds will come from the sale of our investment in Kinross.

(b). Recent Developments

On September 25, 2006 we signed a definitive venture agreement (the "Venture Agreement") with Newmont de Mexico, S.A. de C.V. ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation, on Solitario's Pachuca Real silver-gold project in central Mexico. The Venture Agreement calls for a firm work commitment by Newmont of $2.0 million over the next 18 months. Work commitments over the next 4.5 years total $12.0 million.

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Exploration Expenditures and Due Dates	Amount	Aggregate Amount
18 months from signing - firm commitment	$2,000,000	$2,000,000
30 months from signing - optional commitment	$2,300,000	$4,300,000
42 months from signing - optional commitment	$3,500,000	$7,800,000
54 months from signing - optional commitment	$4,200,000	$12,000,000

Newmont's initial firm work commitment includes a minimum of 7,500 meters of drilling, however Newmont will have 24 months to complete such drilling and any costs beyond the initial 18 month period to complete that drilling, if necessary, will be in addition to the $2.0 million work commitment above. Upon the completion of $12.0 million in expenditures, Newmont will have earned a 51% interest in the project. Newmont will have the right to earn an additional 14% (total 65%) by completing a positive feasibility study for the project. After Newmont has spent $12.0 million and has elected to complete a feasibility study, Newmont is required to spend a minimum of $5.0 million annually until such time as the positive feasibility study is completed. Newmont has the right to terminate the agreement at any time following its firm initial work commitment. Upon completion of the feasibility study, we will have the option to self-finance our 35%-participating interest in the project, or to have Newmont fund our portion of construction costs at Libor + 3.5%. Such post-feasibility funding plus interest shall be paid from 80% of our distribution of future earnings or dividends from the venture. If we elect to have Newmont fund all our venture costs after feasibility, then our participating interest will be immediately reduced to 30% and Newmont's interest will be 70%.

On August 15, 2006 we signed a Letter Agreement with Votorantim Metais Cajamarquilla, S.A., a wholly owned subsidiary of Votorantim Metais (collectively, "Votorantim"), on our 100%-owned Bongará zinc project in northern Peru. The Bongará project hosts the Florida Canyon zinc deposit where high-grade zinc mineralization has been encountered in drill holes over an area two by two kilometers in dimension. The Letter Agreement calls for a firm commitment by Votorantim to fund a one-year, $1.0 million exploration program which began in late October 2006. Votorantim can earn up to a 70% interest in the project by funding the $1.0 million exploration program, by completing future annual exploration and development expenditures, and by making cash payments of $100,000 on the first anniversary of signing the Letter Agreement and $200,000 on all subsequent anniversaries until a production decision is made or the agreement is terminated. The option to earn the 70% interest can be exercised by Votorantim any time after the first year commitment by committing to place the project into production based upon a feasibility study. Additionally, Votorantim, in its sole discretion, may elect to terminate the option to earn the 70% interest at any time after the first year commitment. The Letter Agreement calls for Votorantim to have minimum annual exploration and development expenditures of $1.5 million in each of years two and three, and $2.5 million in all subsequent years until a minimum of $18.0 million has been expended by Votorantim. Votorantim will act as project operator. Once Votorantim has fully funded its $18.0 million work commitment, it has further agreed to finance our 30% participating interest through development. We will repay the loan facility through 50% of our cash flow distributions. Both parties are currently working towards signing definitive agreements effectuating the Letter Agreement.

We have a significant investment in Kinross Gold Corporation ("Kinross") at December 31, 2006, which consists of 1,742,920 shares of Kinross common stock. We received 1,942,920 shares in exchange for 6,071,626 shares of Crown common stock we owned on the date of the completion of a merger on August 31, 2006 whereby Kinross acquired all of the outstanding shares of Crown common stock for 0.32 shares of Kinross common stock per share of Crown common stock (the "Crown - Kinross merger"). On September 15, 2006, subsequent to the Crown - Kinross merger, we sold 100,000 Kinross common shares for net proceeds of $1,206,000. We sold an additional 100,000 shares of Kinross common stock for net proceeds of $1,236,000 on October 24, 2006. Subsequent to December 31, 2006 we sold an additional 100,000 shares for net proceeds of $1,274,000 and as of February 21, 2007, we own 1,642,920 shares of Kinross common stock which have a value of approximately $22.2 million based upon the market price of $13.51 per Kinross share. Any significant fluctuation in the market value of Kinross common shares could have a material impact on our liquidity and capital resources.

On August 2, 2006 we received approval to list our common shares on the American Stock Exchange ("AMEX"). Trading on the AMEX began on Friday, August 11, 2006, under the symbol XPL. Our common stock continues to trade on the Toronto Stock Exchange ("TSX") under the symbol SLR.

As a result of ongoing geologic and exploration activities including drilling, during 2006 we made the decision to drop our interest in three properties; the La Libertad and the Pillune projects in Peru and the Pozos and Zinda projects in Mexico and the Pau d' Arco project in Brazil. We recorded property abandonment and impairment expense of $35,000 related to the write-off of the capitalized costs on these properties during 2006.

On April 16, 2006, we signed the fourth amendment to the Pedra Branca Letter Agreement with Anglo Platinum, Ltd. ("Anglo"), which extended to July 15, 2006 from May 15, 2006 the date by which Anglo and Solitario would complete a definitive operating agreement for the exploration and development of Solitario's Pedra Branca Project. In addition Anglo agreed to reimburse us for certain care and maintenance expenses incurred at the Pedra Branca Project during 2005 and 2006 and to pay up to $5,000 of monthly care and maintenance costs through July 15, 2006. On July 14, 2006, we signed a

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Framework Agreement that commits Anglo Platinum to fund the next six months of work totaling approximately $373,000. Solitario's and Anglo Platinum's property interests will be held indirectly through a joint operating company that will hold a 100% interest in the mineral rights and other project assets. The relationship between Solitario and Anglo Platinum will be defined by a definitive Shareholders Agreement. Solitario and Anglo Platinum have completed drafting of a definitive operating agreement and we anticipate signing the definitive agreement before the end of the 2007 first quarter, upon approval of several regulatory filings within Brazil. Current plans call for approximately $1.0 million in exploration expenditures for the ten month period ending October 31, 2007. Upon the completion of the aforementioned expenditures, Anglo Platinum will have earned a 15% interest in the joint operating company holding Pedra Branca mineral rights, with Solitario retaining an 85% interest.

During 2006, we capitalized $47,000 related to initial staking and lease costs on five exploration projects. We capitalized $18,000 for initial staking and concession costs paid to the Brazilian government and initial acquisition costs paid to a private Brazilian individual on its Pau d'Arco project in Brazil. We capitalized $10,000 on our Titicayo project in Bolivia, capitalized $5,000 for initial lease and option payments related to our Pachuca property in Mexico for initial lease payments and capitalized approximately $14,000 on our Amazonas property in Peru. Solitario subsequently dropped its interest in the Pau d'Arco project in Brazil during the fourth quarter of 2006. Any additional costs incurred for subsequent lease payments or exploration activities will be expensed as incurred.

On May 1, 2006 the government of Bolivia effectively nationalized its oil and gas production, by reducing the share of production a foreign owner of such assets may receive to 18%, and by ordering the Bolivian armed forces to forcibly occupy the country's largest gas fields. Solitario has a small mineral exploration program in Bolivia, covering two properties with total capital costs of approximately $30,000. The action by the Bolivian government did not include mining assets and does not directly affect our operations or assets. We will continue to monitor the actions of the Bolivian government for any future impact or potential impairment.

(c). Results of Operations

Comparison of the year ended December 31, 2006 to the year ended December 31, 2005

We had a net loss of $3,183,000 or $0.11 per basic and diluted share for the year ended December 31, 2006 compared to net loss of $2,080,000 or $0.08 per basic and diluted share for the year ended December 31, 2005. As

explained in more detail below, the primary reason for the increase in net loss during 2006 compared to the net loss during 2005 was an increase in exploration expense to $2,942,000 in 2006 from $2,072,000 in 2005, non-cash charge of $955,000 for stock-based compensation expense, of which $951,000 related to stock-based compensation from the grant of options during 2006, plus an increase in other general and administrative costs including increases as a result of the termination of the management services agreement with Crown and the receipt of other income during 2005 in the form of a dividend from Crown of $1,275,000. These differences in income and expenses were mitigated by gain of $2,121,000 on the sale of Kinross stock during 2006 and a reduction in the management service agreement fee to $232,000 in 2006 compared to $423,000 during 2005.

Our net exploration expense increased to $2,942,000 during 2006 compared to $2,072,000 in 2005. During 2006 we further expanded our exploration efforts in Peru, Brazil and Mexico, portions of which led to the addition of certain exploration projects. We increased our surface sampling and evaluation programs during 2006 compared to 2005 including reconnaissance activities related to our Strategic Alliance projects and at our Pachuca property in Mexico prior to signing of our Pachuca-Real agreement with Newmont, discussed above. We also increased our exploration expense at our Pedra Branca property in Brazil. Our gross exploration costs increased to $3,207,000 in 2006 from $2,172,000 in 2005. The exploration expenses were offset by joint venture reimbursements by Anglo Platinum on our Pedra Branca project of $265,000 during 2006 and $100,000 during 2005. In addition to the increase in surface exploration activities, , we increased our direct drilling expenditures to $590,000 at our Pau d'Arco, Mercurio, Libertad and Pillune projects during 2006 compared to direct drilling exploration expenditures at our Pedra Branca, Mercurio and La Tola projects of $264,000 during 2005. As a result of our exploration and evaluation activities we decided to drop or reduce our interests in five properties during 2006; Libertad and Pillune in Peru, Pozos and Zinda in Mexico, and Pau d'Arco in Brazil, recording $35,000 in mineral property write-downs We acquired three new projects during 2006 and we anticipate continuing to acquire mineral properties, either through staking, joint venture or lease, in Latin America during 2007 and have budgeted our related net exploration expenditure to be approximately $1,932,000 for 2007. The primary factors in our decision to decrease exploration expenditures in 2007 relate to more projects being joint-ventured in 2007 and a reduction in drill targets on our existing non-joint venture projects.

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Exploration expense (in thousands) by property consisted of the following:

Property Name	2006	2005
Newmont Alliance	$ 470	$ 296
Bongará	129	69
Pedra Branca, net	(13)	34
Mercurio	629	559
Pau d'Arco	495	-
Pachuca	189	6
Libertad	144	-
Conception del Oro	30	6
Purisimas	19	-
Pozos	18	21
Zinda	15	8
Titicayo	34	-
Triunfo	15	17
Windy Peak	-	105
Odin	-	131
Reconnaissance	768	820

Total exploration expense	$2,942	$2,072

General and administrative costs were $2,010,000 during 2006 compared to $576,000 in 2005. The largest change in general and administrative costs related to a non-cash charge of $951,000 during 2006 for stock-based compensation expense discussed below. In addition we incurred salary expense of $248,000 subsequent to August 31, 2006 as a result of the termination of the Crown management services agreement and the addition of our employees who previously were paid by Crown. We also had increases in costs during 2006 compared to 2005 for shareholder relations including corporate and exchange fees of $103,000, primarily related to $75,000 for listing fees on the AMEX during 2006. We also incurred increased in legal and accounting costs totaling $75,000, which primarily related to an SEC review of our financial statements and the application to list on the AMEX. We recorded consulting expense of $27,000 during 2006 related to an agreement entered into in 2006 with Mark Jones, discussed below under related party transactions. In addition, other general and administrative costs (net) increased approximately $29,000 in 2006 compared to 2005 primarily related to costs which had previously been allocated between Crown and Solitario. We anticipate an increase in general and administrative costs in the future due to full year costs of salaries, rent and shareholder costs, previously included in the management services contract, which will be offset by reductions in the stock option compensation cost which is forecast to be approximately $632,000 in 2007.

On January 1, 2006, we adopted SFAS 123R. SFAS 123R requires the expensing of the grant date fair value of options over the term of their vesting. On June 27, 2006 the Board of Directors granted 1,655,000 options under the 2006 Plan. We determined the fair value of $2,536,000 for the 2006 Plan options granted on June 27, 2006 using a Black-Scholes option pricing model. We immediately recognized $634,000 of stock-based compensation expense as part of general and administrative expense for the 25% vesting on the date of grant and we have elected cliff-vesting to recognize the fair value of the option grant over the vesting period of three years on a straight line basis. Accordingly, we have recognized an additional $317,000 during 2006 of option compensation expense for the portion vested of the remaining 75% of the fair value as of the date of the grant, which is being recognized over the three years from the date of grant. There were no similar grants in the prior year, and prior to adopting SFAS 123R, we did not recognize stock-option compensation expense in the statement of operations. See Stock Based Compensation Plans in Note 1 to the condensed consolidated financial statements.

We had $49,000 of depreciation and amortization expense during 2006 compared to $29,000 in 2005 primarily as a result of the addition of furniture and fixtures of $119,000 and $126,000, respectively, which were added during 2006 and 2005. We amortize these assets over a three year period. We anticipate our 2007 depreciation and amortization costs will be similar to our 2006 amount.

Management fee expense decreased to $232,000 during 2006 compared to $423,000 in 2005. Although there were no changes in the management agreement, the decrease in management fees during 2006 was related to the termination of the agreement on August 31, 2006. Under the modified management agreement Solitario paid Crown for services by payment at 25% of Crown's corporate administrative costs for executive and technical salaries, benefits and expenses, 50% of Crown's corporate administrative costs for financial management and reporting salaries, benefits and expenses and 75% of Crown's corporate administrative costs for investor relations salaries, benefits and expenses. In addition, we reimbursed Crown for direct out-of-pocket expenses.

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On July 28, 2004, we exchanged 500,000 shares of TNR common stock for 500,000 shares of TNR common stock that were not available to be publicly traded in Canada until November 28, 2004 and a warrant to purchase an additional 500,000 shares of TNR common stock for Cdn$0.16 per share for a period of two years. The transaction has been accounted for as a sale of our previously owned TNR shares and an acquisition of the new TNR shares and warrants. We exercised our remaining 500,000 TNR warrant on July 24, 2006 by paying $70,000 in cash and transferred our existing warrant valuation of $12,000 on the date of exercise to marketable equity securities and as a

result recorded no gain or loss on derivative instruments related to our holdings of TNR warrants during the second half of 2006. The TNR shares were classified as marketable equity securities and the TNR warrants were recorded at fair value based on quoted prices and classified as derivative instruments and changes in the fair value of the warrants are included in gain/loss on derivative instruments in the consolidated statement of operations. We recorded a decrease in the value of our TNR warrants through the date of exercise of $5,000 compared to a decrease in value for the year ended December 31, 2005 of $20,000 to loss on derivative instruments in the consolidated statement of operations. We do not anticipate recognizing any future gains or losses in our derivative instruments as we no longer own any warrants.

During 2006 we recorded interest income of $26,000 compared to interest income of $52,000 during the same period in 2005. The interest income recorded during 2006 and 2005 consisted of payments on cash and cash equivalent deposit accounts. Our average cash balances were larger during 2005 compared to 2006, which led to the decline in interest income.

On September 15, 2006, we sold 100,000 shares of Kinross common stock for net proceeds of $1,206,000 and recorded a gain of $1,046,000 on the sale. On October 24, 2006, we sold an additional 100,000 shares of Kinross common stock for net proceeds of $1,236,000 and recorded a gain of $1,076,000 on the sale. There were no similar sales of marketable equity securities during 2005. We anticipate we will continue to liquidate our Kinross holdings over the next three years. See liquidity and capital resources below. During 2005 Crown paid a one-time special dividend and we received $1,275,000 on our holdings of Crown stock, which was recorded as other income. There were no similar items in 2006 and we do not anticipate receiving any dividends on our holdings of marketable equity securities in Kinross or TNR in the foreseeable future.

During 2006, we recorded income tax expense of $54,000 compared to an income tax expense of $257,000 during 2005. The decrease in net tax expense is related to the increase in general and administrative expenses during 2006 discussed above, which are included in the United States taxable income which was offset by the gains on sale of Kinross stock during 2006 discussed above. This increase in other income compared to the $1,275,000 Crown dividend during 2005, described above. We provide a valuation allowance for our foreign net operating losses, which are primarily related to our exploration activities in Peru, Mexico, Bolivia and Brazil. We anticipate we will continue to provide a valuation allowance for these net operating losses until we are in a net tax liability position with regards to those countries where we operate or until it is more likely than not that we will be able to realize those net operating losses in the future.

We regularly perform evaluations of our assets to assess the recoverability of our 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 guidelines based upon future net cash flows from the asset as well as our estimates of the geologic potential of early stage mineral property and its related value for future sale, joint venture or development by us or others. During 2006 we recorded $35,000 of property impairments, related to our Libertad and Pillune projects in Peru, our Pozos and Zinda projects in Mexico, and the Pau d'Arco project in Brazil, compared to $30,000 of property impairments during 2005, related to our La Pampa, Windy Peak and Odin projects.

Comparison of the year ended December 31, 2005 to the year ended December 31, 2004

We had net loss of $2,080,000 or $0.08 per basic and diluted share for the year ended December 31, 2005 compared to net loss of $2,925,000 or $0.12 per basic and diluted share for the year ended December 31, 2004. As explained in more detail below, the primary reason for the decrease in net loss during 2005 compared to the net loss during 2004 was the receipt of a dividend from Crown during 2005 of $1,275,000, and the recognition of a $1,704,000 unrealized loss on derivative instruments primarily related to our holdings of Crown warrants during 2004 while only recording a $20,000 unrecorded loss on derivative instruments in 2005. However these decreases were partially mitigated by an increase in exploration expense to $2,072,000 in 2005 from $1,088,000 in 2004. Finally we recorded

deferred tax expense of $257,000 during 2005, primarily related to the Crown dividend, compared to a deferred tax benefit of $935,000 during 2004 primarily as a result of our pre-tax loss of $3,860,000.

During the year ended December 31, 2005 we recorded an unrealized loss on derivative instruments of $20,000 related to our holdings of TNR warrants compared to an unrealized loss of $1,704,000 during 2004 primarily related to our Crown warrants. Because we exercised our Crown warrants on July 12, 2004 there were no unrealized gains or losses related to our Crown warrants recorded during 2005. The Crown warrants represented the right to receive 2,057,143 Crown shares, were exercisable into Crown shares at any time prior to October 2006 at exercise prices between $0.60 and $0.75 per share and were classified as derivative instruments. Accordingly, any increase or decrease in the market value of our Crown warrants has been included in the consolidated statement of operations as unrealized gain or loss on derivative instruments. The fair value of our Crown warrants decreased to $3,849,000 at July 12, 2004, compared to $5,591,000 at December 31, 2003, primarily as a result

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of the decrease in the value of Crown's common stock, which decreased from $2.52 per share at December 31, 2003 to $1.95 per share at July 12, 2004, just prior to exercise. On July 12, 2004, we exercised all of our Crown warrants on a cashless basis and received a total of 1,973,626 shares of Crown common stock from the exercise of these warrants.

During 2005 we recorded interest income of $52,000 compared to interest income of $193,000 during the same period in 2004. The interest income recorded during 2005 consisted of payments on cash and cash equivalent deposit accounts. During 2004 we recorded interest of $192,000 related to our investment in Crown Senior Notes, which were converted in July 2004. Upon conversion of our Crown Senior Notes we received 75,367 shares of Crown common stock for interest, which were paid at the conversion rate of $0.35 per share when the market price of the shares was $1.88 per share. As a result we recorded $117,000 additional interest over the interest income we would have received had the interest been paid in cash upon the conversion of the Senior Notes during the third quarter of 2004.

Our net exploration expense increased to $2,072,000 during 2005 compared to $1,088,000 in 2004. During 2005 we focused our exploration efforts on reconnaissance exploration in Peru, Brazil and Mexico, portions of which led to the addition of certain exploration projects, discussed above. Additionally, we increased our exploration activities associated with the Strategic Alliance upon the signing of the Alliance Agreement in January 2005, discussed above under "Recent Developments." Accordingly, our gross exploration costs increased to $2,172,000 in 2005 from $1,499,000 in 2004. The exploration expenses were offset by joint venture reimbursements by Anglo Platinum on our Pedra Branca project of $100,000 during 2005 and $411,000 during 2004. In addition to our work at Pedra Branca the increase in our gross exploration costs primarily consisted of drilling, sampling and exploration in our Alliance Project Areas as well as increased efforts to add new prospects as well as to evaluate and advance our existing exploration properties and targets. As a result of this exploration and evaluation we decided to drop or reduce our interests in three properties during 2005; La Tola in Peru, Windy Peak in Nevada and Odin in Brazil. We acquired seven projects during 2005 and we anticipate continuing to acquire mineral properties, either through staking, joint venture or lease, in Latin America during 2006.

We had $29,000 of depreciation and amortization expense during 2005 compared to $119,000 in 2004. During 2004, depreciation and amortization expense up to April 2004 included $117,000 of amortization of mineral interests. Beginning January 1, 2002, we amortized our mineral interests in exploration properties over their expected lives of three to five years. The remaining depreciation and amortization expense related to furniture and fixtures which included depreciation on additions of $126,000 during 2005 for computers, trucks and other equipment, which replaced much of our previous equipment most of which had become fully depreciated by the end of 2004.

General and administrative costs were $576,000 during 2005 compared to $629,000 in 2004. The largest change in general and administrative costs related to a decrease in legal and accounting costs, which decreased to $122,000 during 2005 compared to $303,000 in 2004. The primary reason for the increased cost in 2004 is related to work on completing a Form 10 registration statement with the United States Securities and Exchange Commission (the "SEC") during 2004 as well as costs related to being a U.S. reporting issuer, which occurred when our Form 10 registration statement became effective in February 2004. In addition we recorded currency gains of $62,000 during 2005 compared to currency gains of $30,000 primarily related to currency gains on our larger 2005 Canadian cash deposits as well as a result of a general decline in the United States dollar relative to our deposits in Latin America during 2005 compared to 2004. These decreases were offset by increased administrative and staff costs in Latin America to $123,000 in 2005 compared to $102,000 in 2004 as well as increased staff and travel costs with the increase in exploration activity during 2005 compared to 2004. We also increased our costs for shareholder relations and printing and distribution of our annual report to $131,000 in 2005 from $93,000 in 2004.

Management fee expense increased to $423,000 during 2005 compared to $390,000 in 2004. The increase in management fees are related to increased managerial time spent by Crown on our activities during 2005 compared to 2004. Under the modified management agreement Solitario pays Crown for services by payment at 25% of Crown's corporate administrative costs for executive and technical salaries, benefits and expenses, 50% of Crown's corporate administrative costs for financial management and reporting salaries, benefits and expenses and 75% of Crown's corporate administrative costs for investor relations salaries, benefits and expenses. In addition, we reimburse Crown for direct out-of-pocket expenses.

On July 28, 2004, we exchanged 500,000 shares of TNR common stock for 500,000 shares of TNR common stock that were not available to be publicly traded in Canada until November 28, 2004 and a warrant to purchase an additional 500,000 shares of TNR common stock for Cdn$0.16 per share for a period of two years. The transaction has been accounted for as a sale of our previously owned TNR shares and an acquisition of the new TNR shares and warrants. We recorded a loss on sale of marketable equity securities of $73,000 during the third quarter of 2004. During 2003, we recorded a charge of $26,000 to earnings related to decline in the value of our TNR shares, which we considered other than temporary. The TNR shares are classified as marketable equity securities and the TNR warrants are recorded at fair value based on quoted prices and classified as derivative instruments and changes in the fair value of the warrants are included in gain/loss on derivative instruments in the consolidated statement of operations. Solitario recorded a decrease in the value of its TNR warrants as of December 31, 2005 of $20,000 to loss on derivative instruments in the consolidated statement of operations compared to an increase of $38,000 recorded to gain on derivative instruments in 2004.

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During 2005, we recorded income tax expense of $257,000 compared to an income tax benefit of $935,000 during 2004. The increase in net tax expense is related to the expected United States taxable income, including the $1,275,000 Crown dividend during 2005, described above, as well as a reduction in the non-deductible gain on derivative instrument from $1,704,000 in 2004 compared to $20,000 in 2005. In addition we provide a valuation allowance for our foreign net operating losses, which are primarily related to our exploration activities in Peru, Mexico, Bolivia and Brazil. We anticipate we will continue to provide a valuation allowance for these net operating losses until we are in a net tax liability position with regards to those countries where we operate or until it is more likely than not that we will be able to realize those net operating losses in the future.

During 2004, we sold an investment in marketable equity securities for $16,000, and recorded a gain on such sale of $14,000. We also exchanged 500,000 shares of TNR common stock for 500,000 shares of TNR common stock that could not be publicly traded in Canada until November 28, 2004 and a warrant to purchase 500,000 shares of TNR and recorded a loss of $73,000 on the exchange. There were no similar items during 2005.

Included in asset write-downs during 2005 were $30,000 of property write-downs related to our related to our La Pampa, Windy Peak and Odin projects, compared to $64,000 of mineral property impairments during 2004, related to our San Pablo, Legacy Ridge, La Pampa, and Sapalache projects.

(d). Liquidity and Capital Resources

Due to the nature of the mining business, the acquisition, and exploration of mineral properties requires significant expenditures prior to the commencement of development and production. In the past, we have financed our activities through the sale of our properties, joint venture arrangements, the sale our securities and most recently from the sale of our marketable equity security investment in Kinross. The receipts from joint venture payments last occurred during the years from 1996 through 2000 and the sale of properties last occurred in 2000 upon the sale of our Yanacocha property for $6,000,000. We expect future revenues from joint venture payments and from the sale of properties, if any, would also occur on an infrequent basis. To the extent necessary, we expect to continue to use similar financing techniques; however, there is no assurance that such financing will be available to us on acceptable terms, if at all.

Investment in Marketable Equity Securities

Our marketable equity securities are classified as available-for-sale and are carried at fair value, which is based upon market quotes of the underlying securities. At December 31, 2006 and 2005, we owned 1,742,920 shares of Kinross common stock and 6,071,626 shares of Crown common stock, respectively. The Kinross and Crown shares are recorded at their fair market value of $20,706,000 and $13,965,000 at December 31, 2006 and December 31, 2005, respectively. In addition we own other marketable equity securities with a fair value of $198,000 and $94,000 as of December 31, 2006 and December 31, 2005, respectively. At December 31, 2006, we have classified $15,728,000 of our marketable equity securities as a long-term asset. Changes in the fair value of marketable equity securities are recorded as gains and losses in other comprehensive income in stockholders' equity. During the year ended December 31, 2006, we recorded a gain in other comprehensive income on marketable equity securities of $9,205,000, less related deferred tax expense of $3,590,000. In addition during the year ended December 31, 2006, we sold 200,000 shares of Kinross stock for proceeds of $2,442,000 resulting in a gain of $2,121,000 which was transferred, less related deferred tax expense of $827,000, from previously unrealized gain on marketable equity securities in other comprehensive income. See marketable equity securities in Note 1 to the consolidated financial statements. Any change in the market value of the shares of Kinross common stock could have a material impact on our liquidity and capital resources. The price of shares of Kinross common stock has varied from a high of $15.01 per share to a low of $8.92 per share during the year ended December 31, 2006.

Working Capital

We had working capital of $4,555,000 at December 31, 2006 compared to working capital of $4,189,000 as of December 31, 2005. Our working capital at December 31, 2006 consists of our cash and equivalents and marketable equity securities, primarily consisting of the current portion of our investment in 1,742,920 shares of Kinross common stock of $5,176,000, less related current deferred taxes of $1,652,000. Although no specific plans have been formulated by our Board, we intend to liquidate a portion of our Kinross shares over the next one to three years to reduce our exposure to a single asset, taking into consideration our cash and liquidity requirements, tax implications, the market price of gold and the market price of Kinross stock. Although our Kinross shares have been issued pursuant to an effective registration statement under the U.S. Securities Act of 1933 (the "Securities Act"), due to our status as a Crown affiliate, sales of our Kinross shares must be made in accordance with the requirements of Rule 145(d) under the Securities Act, which could limit or restrict sales of our Kinross shares during the next one to two years. Any funds received from the sale of Crown or Kinross shares would be used primarily to fund exploration on our existing properties, for the acquisition and exploration of new properties and general working capital.

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On January 18, 2005, pursuant to a Stock Purchase Agreement, we agreed to sell to Newmont Canada 2,700,000 newly issued shares of our Common Stock for Cdn$1.70 per share or Cdn$4,590,000 in the aggregate or approximately $3,773,000. We sold the Common Stock in a private offering in reliance on an exemption from registration pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. Newmont Canada received restricted stock in the offering. We have used a portion of the proceeds of this offering to perform exploration as contemplated under an Alliance Agreement with Newmont Exploration and will continue to do so during 2007.

Stock-Based Compensation Plans

During 2006, holders exercised options from the 1994 Plan for 1,213,000 shares for proceeds of $952,000 and exercised options for 17,500 shares from the 2006 plan for proceeds of $42,000. The exercise price of options for 980,000 of the shares from the 1994 Plan was Cdn$0.94 per share, the exercise price of options for 158,000 of the shares from the 1994 Plan was Cdn$0.73 per share, the exercise price for 25,000 of the shares from the 1994 Plan was Cdn$0.81per share and the exercise price of 50,000 of shares from the 1994 Plan was Cdn$0.65 per share. The exercise price for the 17,500 shares from the 2006

The following table summarizes the activity for stock options outstanding under the 1994 Plan and the 2006 Plan as of December 31, 2006, with exercise prices equal to the fair market value, as defined, on the date of grant and no restrictions on exercisability after vesting:

	Shares issuable on outstanding Options	Weighted average exercise Price (Cdn$)	Weighted average remaining contractual term	Aggregate intrinsic value(1)
1994 Plan:				
Outstanding, beginning of year	2,240,000	$0.82		
Exercised	(1,213,000)	$0.91		
	1,027,000			
Outstanding at December 31, 2006		$0.74	0.3	$3,559,000
	1,027,000			
Exercisable at December 31, 2006		$0.74	0.3	$3,559,000
2006 Plan				
Outstanding, beginning of year	-	n/a		
Granted	1,655,000	$2.77		
	(17,500	$2.77		
Exercised)				
	1,637,500			
Outstanding at December 31, 2006		$2.77	4.6	$2,808,000
	396,250			
Exercisable at December 31, 2006		$2.77	4.6	$ 679,000

(1)The intrinsic value at December 31, 2006 based upon the quoted market price of Cdn$4.76 per share for our common stock on the Toronto Stock Exchange and an exchange ratio of 0.86169 Canadian dollars per United States

dollar.

As a result of the options from the 1994 Plan being significantly "in the money" as of December 31, 2006, we anticipate that 917,000 unexercised options currently outstanding from our 1994 Plan will be exercised prior to their expiration date of March 2, 2007 for estimated proceeds of approximately $576,000, based upon the above exchange ratio, assuming there is no significant decline in the quoted market price for a share of our common stock on the Toronto Stock Exchange. We would not expect that a significant number of our other remaining vested options, from either the 1994 Plan or the 2006 Plan will be exercised in the next year.

(e). Cash Flows

Net cash used in operations during the year ended December 31, 2006 increased to $4,483,000 compared to $1,572,000 for 2005 primarily as a result of (i) increased exploration expenses of $2,942,000 in 2006 compared to $2,072,000 in 2005, (ii) increased general and administrative costs of $2,010,000 in 2006 compared to $576,000 in 2005, (iii) the Crown dividend of $1,275,000 received in 2005 and no similar item in 2006, and (iv) a use of cash for prepaid expenses and other current assets of $164,000 in 2006 compared to a source of cash of $279,000 in 2005. These increases in cash uses were mitigated by the reduction in the management services agreement to $232,000 in 2006 from $423,000 in 2005 and the inclusion of non-cash option compensation expense of $955,000 in 2006 general and administrative costs. The remaining uses of cash for operations were comparable in 2006 and 2005.

Net cash provided from investing activities increased to $2,273,000 during 2006, compared to $178,000 cash used in investing activities during the year ended December 31, 2005 primarily related to the $2,442,000 proceeds from the sale of Kinross stock during 2006, with no similar item in 2005. The remaining uses of cash from investing activities were comparable in 2006 and 2005.

Net cash provided from financing activities was $994,000 during the year ended December 31, 2006 compared to $3,794,000 during 2005. The cash provided from financing activities in 2005 was primarily due to the issuance of 2,700,000 shares of our common stock to Newmont Canada for net proceeds of $3,773,000 pursuant to a private placement to Newmont Canada. The remaining cash provided in 2005 and all of the cash provided in 2006 related to cash payments of $21,000 from the exercise of options for 32,500 shares of our common stock in 2005 and cash payments of $994,000 from the exercise options for 1,230,500 shares of our common stock in 2006.

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(f). Exploration activities and contractual obligations

A significant part of our business involves the review of potential property acquisitions and continuing review and analysis of properties in which we have an interest, to determine the exploration and development potential of the properties. In analyzing expected levels of expenditures for work commitments and property payments, our obligations to make such payments fluctuate greatly depending on whether, among other things, we make a decision to sell a property interest, convey a property interest to a joint venture, or allow our interest in a property to lapse by not making the work commitment or payment required. In acquiring our interests in mining claims and leases, we have entered into agreements, which generally may be canceled at our option. We are required to make minimum rental and option payments in order to maintain our interest in certain claims and leases. Our net 2006 mineral property rental and option payments were approximately $284,000. In 2007 we estimate mineral property rental and option payments to be approximately $350,000. Approximately $102,000 of these annual payments are reimbursable to us by our joint venture partners.

We may be required to make further payments in the future if we elect to exercise our options under those agreements. As part of the Alliance Agreement we are committed to spend $3,773,000 over the four years from the date of the Alliance Agreement on gold exploration in regions ("Alliance Projects Areas") that are mutually agreed upon by Newmont Exploration and us. As of December 31, 2006, we have spent approximately $807,000 of this commitment.

As of December 31, 2006, we have no outstanding long-term debt, capital or operating leases or other purchase obligations. We estimate our facility lease costs will be approximately $32,000 per year, related to the Wheat Ridge, Colorado office.

We currently have deferred tax liabilities recorded in the amount of $5,783,000. These deferred tax liabilities primarily relate to our unrealized holding gains on our Kinross shares. We expect that a portion of these deferred tax liabilities may become currently payable as we sell the Kinross shares.

(g). Joint Ventures, royalty and the Strategic Alliance properties

Bongara

On August 15, 2006 we signed a Letter Agreement with Votorantim on our 100%-owned Bongara zinc project in northern Peru. We anticipate signing a definitive agreement, "Framework Agreement for the Exploration and Potential Development of Mining Properties," with Votorantim during the first quarter of 2007. The Bongara project hosts the Florida Canyon zinc deposit where high-grade zinc mineralization has been encountered in drill holes over an area two by two kilometers in dimension. The Letter Agreement calls for a firm commitment by Votorantim to fund a one-year, $1.0 million exploration program which began in late October 2006. Votorantim can earn up to a 70% interest in the project by funding the $1.0 million exploration program, by completing future annual exploration and development expenditures, and by making cash payments of $100,000 on the first anniversary of signing the Letter Agreement and $200,000 on all subsequent anniversaries until a production decision is made or the agreement is terminated. The option to earn the 70% interest can be exercised by Votorantim any time after the first year commitment by committing to place the project into production based upon a feasibility study. Additionally, Votorantim, in its sole discretion, may elect to terminate the option to earn the 70% interest at any time after the first year commitment. The agreement calls for Votorantim to have minimum annual exploration and development expenditures of $1.5 million in each of years two and three, and $2.5 million in all subsequent years until a minimum of $18.0 million has been expended by Votorantim. Votorantim will act as project operator. Once Votorantim has fully funded its $18.0 million work commitment, it has further agreed to finance our 30% participating interest through production. Solitario will repay the loan facility through 50% of its cash flow distributions.

Pachuca

On September 25, 2006 we signed a definitive venture agreement (the "Venture Agreement") with Newmont de Mexico, S.A. de C.V. ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation, on our Pachuca Real silver-gold project in central Mexico. The Venture Agreement calls for a firm work commitment by Newmont of $2.0 million over the next 18 months. Work commitments over the next 4.5 years total $12.0 million.

Exploration Expenditures and Due Dates	Amount	Aggregate Amount
18 months from signing - firm commitment	$2,000,000	$2,000,000
30 months from signing - optional commitment	$2,300,000	$4,300,000
42 months from signing - optional commitment	$3,500,000	$7,800,000
54 months from signing - optional commitment	$4,200,000	$12,000,000

Newmont's initial firm work commitment includes a minimum of 7,500 meters of drilling, however Newmont will have 24 months to complete such drilling and any costs beyond the initial 18 month period to complete that

drilling, if necessary, will be in addition to the $2.0 million work commitment above. Upon the completion of $12.0 million in expenditures, Newmont will have earned a 51% interest in the project. Newmont will have the right to earn an additional 14% (total 65%) by completing a positive feasibility study for the project. After Newmont has spent $12.0 million and has elected to complete a feasibility study (the "Feasibility Stage"), Newmont is required to spend a minimum of $5.0 million annually until such time as

the positive feasibility study is completed. Newmont is also obligated to make payments on our behalf to keep the property in good standing. Newmont has the right to terminate the agreement at anytime following its firm initial work commitment. Upon completion of the feasibility study, we will have the option to self-finance our 35%-participating interest in the project, or to have Newmont fund our portion of construction costs at Libor + 3.5%. Such post-feasibility funding plus interest shall be paid from 80% of our distribution of future earnings or dividends from the venture. If we elect to have Newmont fund all our venture costs, including our portion of construction costs, then our participating interest will be 30% and Newmont's interest will be 70%.

The 47,300 hectare Pachuca Real silver-gold property in central Mexico was acquired by staking in late 2005 and early 2006. Part of the property, the 13,600 hectare El Cura claim, is held under an option agreement with a private Mexican party. The option agreement provides for payments of $500,000 over four years. Payments totaling $12,000 are due to the underlying owner in 2007. Claims fees to be paid to the government of Mexico totaling $42,000 are due in 2007. As discussed above, all 2006 and 2007 payments to maintain the Pachuca-Real property are the responsibility of Newmont.

Pedra Branca

On January 28, 2003, we entered into an agreement with 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 Platinum agreed to a minimum expenditure of $500,000 during the first six months of the agreement. Anglo Platinum can earn an additional 9% interest in Pedra Branca (for a total of 60%) by completing a bankable feasibility study, or spending an additional $10 million on exploration and development, whichever comes first. Anglo Platinum can also earn an additional 5% interest in Pedra Branca (for a total of 65%) by arranging for financing, including our 35% participating interest, to put the project into commercial production. The Letter Agreement was amended four times between July 2004 and April 2006, generally to extend various work commitment deadlines mandated in the Letter Agreement. On July 14, 2006, we signed the Pedra Branca Framework Agreement with Anglo Platinum that specified actions we and Anglo Platinum would take to establish and govern Pedra Branca Do Mineracao S.A., the corporate entity that would hold 100% title to all the assets of the Pedra Branca project, and the mechanics for Anglo Platinum's continued funding of Pedra Branca exploration. We and Anglo Platinum will own shares in Pedra Branca Do Mineracao S.A, in proportion to our respective participating interests as specified in the Framework Agreement. Anglo Platinum has funded approximately $1.24 million in exploration and property maintenance costs since signing the Letter Agreement. Solitario and Anglo Platinum have completed drafting of a definitive operating agreement and we anticipate signing the definitive agreement before the end of the 2007 first quarter, upon approval of several regulatory filings within Brazil. Current plans call for approximately $1.0 million in exploration expenditures for the ten month period ending October 31, 2007. Upon the completion of the aforementioned expenditures, Anglo Platinum will have earned a 15% interest in the joint operating company holding Pedra Branca mineral rights, with Solitario retaining an 85% interest. We have recorded a receivable of $88,000 at December 31, 2006 from Anglo for these reimbursements on costs incurred through December 31, 2006. Should this agreement fail to be signed or if Anglo Platinum declines to continue for some other reason, we will retain 100% of the Pedra Branca Project.

Strategic Alliance

On January 18, 2005, we signed a Strategic Alliance Agreement with Newmont Overseas Exploration Limited ("Newmont Exploration"), to explore for gold in South America. Prior to the definitive agreement, we had signed a Letter of Intent on November 17, 2004, with Newmont Exploration. Concurrent with the signing of the Alliance Agreement, Newmont Mining Corporation of Canada ("Newmont Canada") purchased 2.7 million shares of Solitario (approximately 9.9% equity interest) for Cdn$4,590,000. As part of the Alliance Agreement we are committed to spend $3,773,000 over the four years from the date of the Alliance Agreement on gold exploration in regions ("Alliance Projects Areas") that are mutually agreed upon by Newmont Exploration and us. As of December 31, 2006, we have spent approximately $807,000 of this commitment. If we acquire properties within Alliance Project Areas and meet certain minimum exploration expenditures, Newmont Exploration will have the right to joint venture acquired properties and earn up to a 75% interest by taking the project through feasibility and financing Solitario's retained 25% interest into production. Newmont Exploration may elect to earn a lesser interest or no interest at all, in which case it would retain a 2% net smelter return royalty. Newmont Exploration also has a right of first offer on any non-alliance Solitario property, acquired after the signing of the Alliance Agreement, that we may elect to sell an interest in, or joint venture with a third party.

As part of the Strategic Alliance we staked the 1,400 hectare Libertad property in August of 2005 within the Alliance Project Area. Surface work has been completed including geologic mapping and sampling and a geophysical program was completed during the third quarter of 2006. We completed a five-hole drilling program in the third quarter of 2006. Although anomalous gold was intersected the grade was not high enough to warrant continued exploration expenditures on the property and we terminated our interest in La Libertad during the third quarter of 2006, recorded a $4,000 mineral property abandonment charge and have no further work or expenditure commitment at La Libertad as of December 31, 2006.

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Yanacocha Royalty property

Concurrent with the signing of the Strategic Alliance Letter of Intent, was the signing of a second Letter of Intent by us and Newmont Peru, Ltd. ("Newmont Peru"), to amend our net smelter return ("NSR") royalty on a 61,000-hectare property located immediately north of the Newmont Mining-Buenaventura's Minera Yanacocha Mine, the largest gold mine in South America. In addition to amending the NSR royalty schedule, the Letter Agreement committed Newmont Peru to a long-term US$4.0 million work commitment on our royalty property and provides us access to Newmont Peru's future exploration results on an annual basis. Both the Strategic Alliance and Yanacocha royalty amendment and work commitment Letter Agreements were subsequently replaced by definitive agreements with the same terms.

(h). Wholly-owned exploration properties

Amazonas

In September of 2006, we acquired 5,200 hectares of 100%-owned mineral rights through concessions for our Amazonas property. We capitalized $13,000 in lease acquisition costs related to these concessions. The Amazonas project consists of four widely spaced areas where previous sampling has identified high-grade zinc mineralization at surface similar to that found at Florida Canyon (see Item 2. Properties: Bongará Zinc Property, Peru). We may seek a joint venture partner for the property during 2007.

Mercurio

In September 2005, we completed an option agreement for the purchase of 100% of the mineral rights over the 8,550-hectare Mercurio property in the state of Para, Brazil. An initial payment of 20,000 Brazilian Reals (approximately $7,000) was paid on signing of the agreement and the next payment of 36,000 Reals (approximately $12,000) was made in 2005 on signing of a definitive agreement upon conversion of the existing washing claims to exploration claims. Further payments are required upon the conversion of garimpeiro licenses to exploration claims which occurred in the third quarter of 2006. During 2007 payments will total approximately $42,000. To purchase the property, an escalating scale of payments totaling 780,000 Reals (approximately $350,000) are required over a sixty month period. A net smelter return of 1.5% is retained by the owner. This NSR can be extinguished with a payment of 2,300,000 Reals (approximately $1,070,000). All payments are indexed to inflation as of the signing of the agreement. The owner of the mineral rights also owns the surface rights, the use of which is included in the exploration of the property. On completion of all payments we will receive title to 1,500 hectares of surface rights. We may terminate the agreement at any time at our sole discretion. We completed a second phase of extensive soil sampling and auger testing of soils over selected portions of the property during the first half of 2006 and core drilling of eleven holes totaling 1,596 meters completed during the third quarter for which assay results have been received and are under review. During 2005 we completed 1,466 meters of core drilling.

Titicayo

On March 31, 2006, we signed a lease agreement with a private Bolivian company to lease certain concession covering approximately 1,300 hectares, which comprise the Titicayo project in Bolivia. We capitalized our initial payment under the lease of $10,000. The lease calls for additional lease payments of $10,000 eight months from the date of the lease, $55,000 during the second year of the lease, $75,000 during the third year of the lease, $100,000 during the fourth year of the lease, $150,000 during the fifth year of the lease and $600,000 during the sixth year of the lease after which we will own a 99% participating interest in the concessions. An amendment to the Titicayo Agreement was signed in November of 2006 that delayed the first additional lease payment until June 2007 with a corresponding adjustment to the rest of the payment schedule. A one time payment of $10,000 was made to the claim holders in consideration for this amended schedule. We have conducted a limited amount of surface exploration work to define drilling targets. We are currently planning a three-hole drilling program later in 2007.

Triunfo

The 256-hectare Triunfo poly-metallic exploration property in Bolivia was acquired in 2003. Lease obligations were renegotiated in 2006 providing for a payment of $12,000, which was paid in July of 2006, $35,000 in 2007 and $45,000 in 2008 in order to keep the agreement in good standing. An option to purchase the property for $1,000,000 must be exercised by September 2009. A geophysical survey has been completed on the property and drilling is under consideration for later in 2007.

Conception del Oro and Purisimas

In September 2005, we signed an agreement with a private Mexican mineral concession holder allowing us to enter into lease options on four separate properties located throughout central Mexico. The Concepcion del Oro gold property is located near the city of Mazapil in the state of Zacatecas and consists of 35 concessions totaling approximately 1,420 hectares. The Hedionda gold property is located near the city of Allende in the state of Guanajuato and consists of six concessions totaling 620 hectares. The Las Tortugas gold property is located near the city of Chiquilistlan in the state of Jalisco and consists of four concessions totaling 400 hectares. The Las Purisimas gold property is located near the city of Tepic in the state of Navarit and consists of six concessions totaling 600 hectares. The agreement called for us to make an initial payment of $15,000 on signing and provided that we would conduct surface exploration on the four properties over a six-month period. We elected to sign

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definitive option agreements on the Concepcion del Oro, and Purisimas properties. The Concepcion del Oro and Purisimas properties required payments of $10,000 each in 2006 and in 2007 we are required to pay $25,000 for the Concepcion del Oro property and $35,000 for the Purisimas property to maintain the option agreements in good standing. Additionally the properties require claim payments to the government of $1,600 and $400 respectively in 2007. As of December 31, 2006, work is ongoing on the properties to determine if drilling is warranted. Solitario did not exercise its option to option the Hedionda and Las Tortugas properties and have no further payment or work obligations for these two properties.

Pau d'Arco

During 2006, we acquired priority to mineral rights covering 2,400 hectares from the Brazilian government at our Pau d' Arco project in Brazil. As a result of this acquisition we capitalized $18,000 of costs incurred and initial payments made pursuant to an agreement with three private Brazilian individuals to gain access to the Pau d' Arco project. These agreements called for access payments of approximately $23,000 for 2006 and payments totaling approximately $1,380,000 over four years. We may also buy out a 1% net smelter return retained by the owners for approximately $2,600,000. We conducted surface exploration work during the third quarter of 2006 and drilled and completed six core holes totaling 1,111 meters. Although low-grade gold was intersected in three holes, the drilling results were not sufficiently encouraging to continue exploration on the property. Consequently, we will not make 2007 claim fee payments to the government and will terminate our agreements the private Brazilian parties. We have recorded an impairment of $18,000 for property abandonment.

Zinda

In August 2005, we received title to the Zinda concession near the city of Morelia in the state of Michoacan. We paid $5,000 in concession fees (plus tax) to the Mexican government for the 10,000-hectare concession. After a limited reconnaissance surface sampling program conducted in 2005 and 2006, we decided not to renew our concessions with the Mexican government. We have recorded an impairment of $5,000 for property abandonment, and at December 31, 2006, have no further payment or work obligations.

Pozos

In September 2005, we signed an agreement with a private Mexican mineral concession holder to option a 100% interest in the Pozos gold property near the city of San Luís de la Paz in the state of Guanajuato, Mexico. The property consists of two concessions totaling 918 hectares. The option agreement required an initial payment of $10,000 plus the 15% IVA (value added tax) on signing and future escalating payments totaling $1,500,000 over a four-year period. In the third quarter of 2006, we terminated our option to earn an interest in the property, recorded a property abandonment charge of $4,000, and at December 31, 2006, have no further payment or work obligations.

(i). Critical Accounting Estimates

Mineral Properties, net

We classify our interest in mineral properties as Mineral Properties, net (tangible assets) pursuant to EITF 04-2. Prior to adoption of EITF 04-2 in April 2004, we classified our interests in mineral properties as intangible assets, Mineral Interests, net. Our mineral properties represent mineral use rights for parcels of land we do not own. All of our mineral properties relate to exploration stage properties and the value of these assets is primarily driven by the nature and amount of economic minerals believed to be contained, or potentially contained, in such properties. Prior to the adoption of EITF 04-2, we amortized the excess cost of our mineral interests over their estimated residual value over the lesser of (i) the term of any mineral interest option or lease or (ii) the estimated life of the mineral interest,

which was our estimated exploration cycle. We amortized our mineral interests over a three-to-eight year period based upon facts and circumstances for each mineral interest on a property-by-property basis. We no longer amortize our mineral properties pursuant to the adoption of EITF 04-2.

Impairment

We regularly perform evaluations of our investment in mineral properties to assess the recoverability and/or the residual value of its investments in these assets. All long-lived assets are reviewed for impairment whenever events or circumstances change, such as negative drilling results or termination of a joint venture, 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 as a r, April 14, 2015, April 23, 2015, June 12, 2015 and July 22, 2015; and

Our Definitive Proxy Statement on Schedule 14A filed with the SEC on December 12, 2014.

We will provide without charge to each person to whom a copy of this prospectus has been delivered a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning us at:

Visa Inc.

P.O. Box 8999

San Francisco, CA 94128-8999

(650) 432-3200

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LEGAL MATTERS

Unless otherwise specified in a prospectus supplement accompanying this prospectus, certain legal matters will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York. Any underwriters will also be advised about legal matters by their own counsel, which will be named in the prospectus supplement.

EXPERTS

The consolidated financial statements of Visa Inc. and subsidiaries as of September 30, 2014 and 2013, and for each of the years in the three-year period ended September 30, 2014, and management s assessment of the effectiveness of internal control over financial reporting as of September 30, 2014, have been incorporated by reference herein and in the registration statement in reliance on the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The expenses relating to the registration of the securities registered hereby will be borne by the registrant. Such expenses are estimated to be as follows:

	Amount to be Paid*
SEC Registration Fee	$ *
Accounting Fees and Expenses	**
Legal Fees	**
Printing Fees	**
FINRA Filing Fee	**
Rating Agency Fee	**
Other	**
Total	$ **

* Deferred in accordance with Rule 456(b) and Rule 457(r) of the Securities Act.

** The applicable prospectus supplement will set forth the estimated aggregate amount of expenses payable in respect of any offering of securities.

Item 15. Indemnification of Directors and Officers.

The following summary is qualified in its entirety by reference to the complete text of any statutes referred to below and the Certificate of Incorporation and the Bylaws of Visa Inc., a Delaware corporation (the Company). Article VIII of the Company s Certificate of Incorporation provides that the Company shall indemnify, to the fullest extent permitted by the Delaware General Corporation Law (the DGCL), as now or hereafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, inquiry, administrative or legal hearing or proceeding, whether civil, criminal, administrative or investigative (a Proceeding) by reason of the fact that such person (or the legal representative of such person) is or was a director or officer of the Company or any predecessor of the Company, or is or was a director or officer of the Company serving at the request of the Company as a director or officer, employee, trustee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. In addition, Article VIII of the Company s Certificate of Incorporation provides that, to the fullest extent permitted by the DGCL, as now or hereafter in effect, expenses (including attorney s fees) incurred by a person who is or was a director or officer of the Company or a member of the Company s litigation committee in connection with any Proceeding shall be paid promptly by the Company in advance of the final disposition of such Proceeding; provided, however, that if the DGCL requires, an advance of expenses incurred by any director or officer of the Company or a member of the Company s litigation committee in his or her

capacity as such (and not in any other capacity in which service was or is rendered by the indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified for such expenses by the Company. Moreover, the indemnification and advancement of expenses provided by or granted pursuant to Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled, both as to action in such person s official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the persons specified above shall be made to the fullest extent permitted by law. In addition, the Company has entered into separate indemnification agreements with each of its executive

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officers and directors, which require the Company, among other things, to indemnify such executive officers and directors against certain liabilities that may arise by reason of their status or service (other than liabilities arising from acts or omissions not in good faith or from willful misconduct). These indemnification provisions and the indemnification agreements between the Company and its executive officers and directors may be sufficiently broad to permit indemnification of the Company s executive officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

Section 145 of the DGCL provides that a corporation may indemnify any persons, including officers and directors, who were, are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such director, officer, employee or agent acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the person s conduct was unlawful. A Delaware corporation may indemnify officers and directors in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses that such officer or director actually and reasonably incurred. Section 145 of the DGCL also provides that expenses (including attorneys fees) incurred by an officer or director of the corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation.

The indemnification permitted under the DGCL is not exclusive, and pursuant to Section 145 of the DGCL, a corporation is empowered to purchase and maintain insurance against liabilities whether or not indemnification would be permitted by Section 145 of the DGCL. Article VIII of the Company s Certificate of Incorporation provides that, to the fullest extent permitted by the DGCL or any other applicable law, the Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was a director, officer, employee or agent of the Company serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person s status as such, whether or not the Company would have the power or the obligation to indemnify such person against such liability under the provisions of Article VIII. The Company maintains standard policies of insurance under which coverage is provided, subject to the terms and conditions of such policies: (1) to the Company s directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act; and (2) to the Company with respect to payments that may be made by the Company to such officers and directors pursuant to the above indemnification provisions or otherwise as a matter of law.

Section 102(b)(7) of the DGCL allows a Delaware corporation to eliminate or limit the personal liability of directors to a corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase or redemption in violation of Delaware corporate law or obtained an improper personal benefit.

Pursuant to Section 102(b)(7) of the DGCL, Article VII of the Company s Certificate of Incorporation provides that no director of the Company will have any personal liability to the Company or its stockholders for

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monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended.

At present, there is no pending litigation or proceeding involving any of the Company s directors, officers, employees or agents in which indemnification by the Company is sought, nor is the Company aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Item 16. List of Exhibits.

Exhibit Numbers	Description
1.1*	Form of Underwriting Agreement (Equity)
1.2*	Form of Underwriting Agreement (Debt)
1.3*	Form of Underwriting Agreement (Warrants)
3.1	Sixth Amended and Restated Certificate of Incorporation of Visa Inc. (incorporated by reference to Exhibit 3.2 to Visa Inc. s Current Report on Form 8-K filed on January 29, 2015)
3.2	Certificate of Correction of the Sixth Amended and Restated Certificate of Incorporation of Visa Inc. (incorporated by reference to Exhibit 3.1 to Visa Inc. s Current Report on Form 8-K filed on February 27, 2015)
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4.3*	Form of deposit agreement
4.4*	Form of deposit receipt
4.5**	Form of debt securities indenture
4.6*	Form of warrant agreement
4.7*	Form of warrant certificate
4.8*	Form of purchase contract
4.9*	Form of unit agreement
5.1**	Opinion of Davis Polk & Wardwell LLP regarding the validity of the securities being registered
12.1**	Statement of computation of ratio of earnings to fixed charges
23.1**	Consent of KPMG LLP, Independent Registered Public Accounting Firm
23.3**	Consent of Davis Polk & Wardwell LLP (included in the opinion of Davis Polk & Wardwell LLP filed as Exhibit 5.1 hereto)
24.1**	Power of Attorney
25.1*	Statement of Eligibility on Form T-1 of trustee for debt securities indenture

* To be filed either by amendment or as an exhibit to a Current Report on Form 8-K and incorporated by reference herein.
** Filed or furnished herewith.

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Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made of the securities registered hereby, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining any liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the undersigned registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the

Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a

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purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining any liability of the undersigned registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for the purpose of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of section 310 of the Trust Indenture Act (Act) in accordance with the rules and regulations prescribed by the Commission under section 305(b)2 of the Act.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California on July 23, 2015.

VISA INC.

By: /s/ Charles W. Scharf
Name: Charles W. Scharf
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles W. Scharf Charles W. Scharf	Director and Chief Executive Officer (Principal Executive Officer)	July 23, 2015
/s/ Vasant M. Prabhu Vasant M. Prabhu	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 23, 2015
* Robert W. Matschullat	Independent Chair	July 23, 2015
* Lloyd A. Carney	Director	July 23, 2015
* Mary B. Cranston	Director	July 23, 2015
* Francisco Javier Fernandez-Carbajal	Director	July 23, 2015
* Alfred F. Kelly, Jr.	Director	July 23, 2015

*	Director	July 23, 2015
Cathy E. Minehan		
*	Director	July 23, 2015
Suzanne Nora Johnson		
*	Director	July 23, 2015
David J. Pang		

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Signature	Title	Date
*	Director	July 23, 2015
William S. Shanahan		
*	Director	July 23, 2015
John A. C. Swainson		
*	Director	July 23, 2015
Maynard G. Webb, Jr.		

*By: /s/ Charles W. Scharf
Charles W. Scharf

(Attorney-in-Fact)

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