



SOLTORO LTD.

**MANAGEMENT DISCUSSION AND ANALYSIS  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2007**

*This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Soltoro Ltd. ("Soltoro" or the "Company") for the three months ended March 31, 2007. The MD&A was prepared as of May 28, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2007, including the notes thereto and the audited consolidated statements for the period ending December 31, 2006 including the notes thereto and the related MD&A. These financial statements are filed on SEDAR at [www.sedar.com](http://www.sedar.com), where additional disclosure relating to the Company can also be located.*

*All statements, other than of historical fact, included therein, including without limitation, statements regarding potential mineralization, reserves and exploration results and future plans and objectives of the Company are forward looking statements and involve various risks and uncertainties, which are detailed in the Section "Risk Factors" of this MD&A. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.*

## **1. OVERVIEW**

Soltoro Ltd. ("the Company") is a mineral exploration company listed on the TSX Venture Exchange as a Tier 2 company and trading under the stock symbol "SOL". The Company is a development stage company and is primarily engaged in the business of exploration and development of mineral resources in Mexico through its 100% owned subsidiary, Soltoro S.A. de C.V. ("Soltoro Mexico"). Soltoro Mexico holds interests in properties hosting primarily gold, silver and copper mineralization. All of Soltoro's properties are located in Mexico. None of Soltoro Mexico's properties are currently in production.

## **2. MINERAL PROPERTIES**

The main focus of the Company's exploration efforts to date has been in south-western Mexico in the state of Jalisco. Management has secured in excess of 50,000 hectares of titled concessions and concessions under application in Jalisco state comprised of the El Rayo, La Tortuga, Quila and Victoria projects. Soltoro Mexico holds title to the the Bacanora project in Sonora state, the Gavilan prospect in Queretaro state and the El Santuario prospect in Hidalgo state. The Company also has property under application in the states of San Luis Potosi and Chihuahua. The Company controls over 100,000 hectares of titled property and concessions under application in Mexico.

## **El Rayo Silver/Lead/Gold Project**

The El Rayo exploration project is located adjacent to the town of Guachinango in the state of Jalisco, Mexico. Two concessions covering a total 10,036 hectares make up the project consisting of the 3,848 hectare "El Rayo" and 6,188 hectare "Guachinango 1" concessions. Soltoro Mexico owns 100% title interest to the El Rayo concession with no outstanding interests or payments due. On November 24, 2006, Soltoro Mexico acquired a 100% interest to the "Guachinango 1" property from Fury Explorations Ltd. A total of US\$30,000 and 50,000 common shares of Soltoro Ltd. were paid to Fury and its subsidiary to conclude the purchase of the property and to acquire a data library including an Aerodat airborne geophysical survey completed in 1997. Soltoro granted Fury's Mexican subsidiary a 2% Net Smelter Return royalty. Soltoro retained the right to repurchase 1.5% of the Net Smelter Return royalty for US\$1,500,000. Advance royalty payments of US\$25,000 and US\$50,000 are due on the first and second anniversaries, respectively, of the signing date of the agreement. Failure to make either payment will result in the property reverting to Fury.

The El Rayo project is located within a geological window to the Sierra Madre formation through the neo-volcanic plateau in central south-western Mexico. There is good access to the property as it is situated near a main highway, and a paved road to the town of Guachinango intercepts the main historically mined zone on the property. The entire El Rayo property was deemed a National Mineral Reserve (NMR) in the 1970's. Within the property 11 historic underground mines have been located to date along three separate structures. The Catarina mine began operating in 1545 with the majority of the mining activity to date taking place at the beginning of the 19<sup>th</sup> century. The historic mine areas and other prospects on the property surround three large magnetic highs. The Company is investigating the property for the potential to host a bulk mineable silver-lead deposit with gold and copper credits and a potential precious metals system previously unidentified.

Beginning in the late 1970's, the government geologic agency (CRM) carried out extensive work programs on the property at the previously producing Catarina, El Rayo, Matachines and Las Bolas mines pursuant to which they reported a 7 million ounce silver resource consisting of 1,346,072 tonnes grading 169 gpt silver. The CRM resource is considered historical and non NI 43-101 compliant.

In June 2006, Soltoro initiated a reconnaissance program to map and sample near mine areas and investigate numerous regional prospects. Mapping and sampling served to confirm the potential for the property to host a bulk tonnage silver/lead deposit in the historic mine resource area and the potential for a previously unrecognized precious metals system. In the fourth quarter, environmental permitting was submitted to the appropriate federal agency, surface rights were secured with land owners and drill pads and roads were constructed with a view to carrying out a drill program.

Three mineralized structures have been identified to date: the El Rayo, Las Bolas and Ocote structures. In January 2007, the Company began a 3 phase 4,000 metre diamond drill program to test: 1) regional targets along the Ocote structure which had previously never been drilled; 2) targets along the Las Bolas and El Rayo structures within the CRM resource area; and 3) airborne geophysical targets identified from the Aerodat data.

**1) Regional Ocote targets:** In January and February of 2007, six diamond drill holes were completed along the Ocote structure totaling 969 metres. The Ocote structure had never previously been drill tested and extends over 5 kilometres with five 19<sup>th</sup> century underground mines located to date along its extent. Drilling below two of the historic mines was completed; four holes drilled below the Nueva Suerte mine and two holes below the Ocote mine. One hole

drilled below the historic Nueva Suerte mine encountered, at 73 metres depth, 3.55 metres grading 3.55 gpt gold, 28 gpt silver, 2.96% lead and 1% zinc and, at a depth of 105 metres, an intercept of 3.45 metres grading 0.31 gpt gold, 54 gpt silver, 5.22% lead and 2.96% zinc.

2) **CRM resource area targets:** Historical underground mining of high grade material was on average mined over 2 to 4 metre widths. Soltoro underground sampling at the Las Bolas mine returned 5.5 metres of 409 gpt silver with 8.1% lead. Initial drill results from the Las Bolas structure subsequent to March 31, 2007 returned the following silver values:

<b>Bolas Structure</b>	<b>Drill Hole:</b>	<b>From</b>	<b>To</b>	<b>Metres</b>	<b>Ag gpt</b>
Bolas Mine	Ray-07-07 including	38.70	62.20	23.5	85.6
		38.70	51.00	12.3	116.5
Bolas Mine	Ray-07-08 including	49.95	60.65	10.7	74.9
		56.25	59.10	2.85	105.1
Bolas Mine	Ray-07-09 including	38.05	50.05	12	117.3
		41.25	48.95	7.7	137.0
Bolas Mine	Ray-07-10 including	50.00	61.45	11.45	62.6
		50.00	56.95	6.95	73.6
250m SW of Bolas Mine	Ray-07-11 including including	49.05	84.15	35.1	91.6
		60.50	72.20	11.7	134.2
		63.30	67.30	4	155.9
250m SW of Bolas Mine	Ray-07-12 including	58.45	87.25	28.8	106.5
		71.30	76.95	5.65	191.4
100m NE of Matachines Mines	Ray-07-13 including	34.45	56.20	21.75	58.9
		35.90	43.60	7.7	87.1

Additional drilling has been completed along the Las Bolas and El Rayo structures to test below the Matachines, Aguacero and Catarina mines with assay results pending at the time of writing this MD&A.

3) **Airborne Geophysical targets:** The Company engaged Fugro Airborne Surveys Corp. to reprocess the 1997 airborne geophysical survey purchased from Fury and hired a third party consultant to re-interpret the data. A total of 14 high priority geophysical targets were identified and the Company elected to add 1,000 metres to its drill program in order to test the most interesting of these targets. The most significant of these covers a 1.5 km by 0.5 km area and is located adjacent to the main El Rayo mineralized structure. Drilling of these targets has commenced.

Further geological mapping and sampling continues on the property. In addition the Company has re-submitted 176 samples to retest previously obtained silver results using an alternative, 4 acid digestion process on the advice of ALS-Chemex. Results from the 4 acid process appear to provide improved assay results in a portion of the samples submitted. Further review of the assay information will determine if this method of analysis is better suited to more definitive silver assays at El Rayo.

### **La Tortuga Copper/Gold Porphyry Project**

The La Tortuga project is located in the State of Jalisco approximately a 3 hour drive south-west of Guadalajara by paved highway and dirt road. A large portion of the property formed part of the National Mine Reserve in Jalisco before denationalization in 1993. The property appears to be hosted in a geological window of the Sierra Madre Occidental volcanic arc that has been overlain

by the Trans-Mexican Volcanic Belt in the surrounding areas of Jalisco. In May 2006, the Company completed a National Instrument 43-101 compliant report on the property which was subsequently accepted and filed with the TSX Venture Exchange in August of 2006. Soltoro Mexico receipted title to 4 concessions and staked an additional concession. Titled concessions and concessions under application comprising the La Tortuga Project cover a total of 14,331 hectares. Soltoro Mexico holds a 100% interest in the titled concessions and was the sole applicant for those under application.

Mining was last carried out on the La Tortuga property at the turn of the 19<sup>th</sup> century by Americans at the historic Las Garochas gold-silver mine and the Macuchi silver-copper mine. From 1993 to 1998, surface trenching, geochemical surveys, geophysics, a fluid inclusion study and a reverse circulation drill program were completed. The property hosts both epithermal polymetallic gold-copper-silver vein systems and large zones of argillic alteration associated with outcropping, mineralized, porphyritic intrusives. The Company's current exploration programs at La Tortuga are designed to determine whether a large mineralized porphyry system is present along the Papagayo ridge and, if such a system is present, whether it is the feeder system for the surrounding mineralized systems outlined to date.

The presence of multiple phases of mafic to felsic intrusives, some of which are magnetic, porphyritic, potassically altered and hosting chalcopyrite is very encouraging for the presence of a mineralized copper-gold porphyry system. The additional presence of mineralized intrusive matrix breccias as well as tourmaline matrix breccias, pebble dikes and all the related copper-gold values in the various veins on the property indicate the potential for a sizeable copper-gold porphyry system.

In June 2006, the Company completed an initial 21 line km Induced Polarization survey, which defined a 2.3 by 0.5 km high chargeability anomaly primarily over the Papagayo ridge, where porphyry rock outcrops at surface. A prior fluid inclusion study concluded that the Papagayo ridge should be investigated as an area with the potential to host a porphyry copper deposit. A follow-up Induced Polarization survey was carried out starting in September 2006 covering an additional 81 km and was completed in January 2007. Results from this survey outlined a 4 km by 0.5 km I.P. anomaly. A 3-dimensional image of the I.P. was generated from the survey and drill targets have been selected. A geological consultant specializing in porphyry systems has been retained by the Company, and further mapping of potassic alteration has been recommended to define the best target areas prior to commencing a drill program. Recently, the Company conducted several property tours with potential joint venture partners.

### **Bacanora Gold Project**

On September 1, 2006, Soltoro Mexico acquired through transfer a 100% title interest to two concessions totalling 4,718 hectares. These concessions were acquired from a subcontractor of Soltoro Mexico for an initial payment of \$US 19,000. To maintain the property, Soltoro was required to make an additional payment of US\$30,000 and issue 100,000 common shares of Soltoro Ltd. within 6 months of the transfer date. In February 2007 the option to purchase was extended by the parties. On April 20, 2007 the vendor and Soltoro entered into an amending agreement in which Soltoro agreed to issue the vendor 175,000 common shares as the full and final payment for the Bacanora property. The change to the terms of the purchase of the Bacanora property is subject to approval of the TSX Venture Exchange.

The Bacanora Project is located on the western edge of the Sierra Madre Occidental where the primary mineralization on the property is gold in quartz veins hosted within a magnetic, granitic intrusive. Known mineralization outcrops over an 1800 meter long by 600 meter wide area. A second style of mineralization is also found on the property. It is a yellow jasperoid material

associated with calcareous sediments of the cover rock, suggesting that there may be potential for Carlin-style mineralization in the cover sediments. A chip sample program of 104 samples from gold-bearing quartz veinlets provided 37 assays returning greater than 0.4 gpt gold with the highest value samples returning 7.7, 7.8, 9.6, and 14.9 gpt gold. In January of 2007 the Company completed a rehabilitation of the roads at Bacanora along with a trenching program. Results from the trenching program in the main zone were returned as follows:

<b>Trench</b>	<b>Metres</b>	<b>Gold gpt</b>
Main Zone South	60	0.44
Including	8	1.08
Main Zone Central	14	1.29
Including	6	2.48
Main Zone Central	2	1.08
	2	0.40
Main Zone North	12	0.10

The Company announced it intends to conduct a 10 hole, 2,000 metre diamond drill program in the summer of 2007. Further trenching and mapping are being carried out to define drill targets.

### **Quila Bulk Tonnage Copper Project**

In June 2006, Soltoro Mexico staked the Quila concession, located east of the La Tortuga project, to cover numerous bornite veins, south-east trending geophysical highs and numerous historical silver/lead exploitation areas south-east of the Magistral mine. Title to the 22,760 hectare Quila concession was granted in December 2006.

On January 19, 2007, the Company entered into an earn-in agreement on the property with Southern Silver Exploration Corporation. Southern Silver may acquire a 70% interest in Soltoro's Quila property by issuing a total of 500,000 shares to Soltoro and spending US\$3 million on exploration over five years with \$150,000 as a firm commitment in the first year of the agreement. Once Southern Silver has earned its option in the property, Soltoro shall retain a carried 30% interest until delivery by Southern Silver of a definitive feasibility study and thereafter shall participate as a 30% working interest partner.

Southern Silver controls a 337 sq. km claim land package in a 25 kilometre long mineralized trend in Jalisco State of which Quila represents approximately two thirds of the surface area. Southern Silver is well funded and has named the area the Minas de Ameca project. Southern Silver resumed drilling on the Minas de Ameca property in May of 2007 to further investigate high-grade copper/gold/silver prospects.

### **Other mineral prospects**

On August 29, 2006 Soltoro Mexico received 100% title interest to the 780 hectare Gavilan property located in the San Joaquin district in the state of Queretaro. The Gavilan prospect was staked from historical reports to investigate the potential for the area to host a zinc/silver/gold skarn. A limited geological reconnaissance program was completed in 2006 to identify mineralized areas and evaluate the style and extent of alteration.

On November 10, 2006 Soltoro Mexico received 100% title interest to the 2,000 hectare El Santuario property in the state of Hidalgo to cover the historic San Clemente gold district. A very

limited geological program was completed at Santuario to locate old workings and collect orientation samples to confirm data from historic government reports.

The Company has staked three additional concessions that are prospective for gold and silver. The 1,600 hectare Chinipas application in the state of Chihuahua; the 31,678 hectare Peña Grande application in the state of San Luis Potosi; and the 12,800 hectare Victoria application in the state of Jalisco. In March 2007, an orientation program was conducted at Chinipas to assess the style of mineralization and to determine its lateral extent

### **3. BUSINESS COMBINATION**

The consolidated financial statements of Soltoro Ltd. (formerly Blue Fyre One Inc., a capital pool company) reflect the reverse takeover by Soltoro Ltd. ("Private Soltoro") of Blue Fyre One Inc. ("Blue Fyre"), a capital pool company under the policies of the TSX Venture Exchange, by way of a three-way amalgamation. This transaction was approved by the shareholders of each company and was completed on August 31, 2006, at which time:

- a) Private Soltoro was amalgamated with Blue Fyre by means of a three-cornered amalgamation;
- b) Shareholders of Private Soltoro exchanged their common shares for shares of Blue Fyre on a one-for-one basis;
- c) Holders of options and broker warrants exercisable into common shares of Private Soltoro exchanged these securities for identical instruments exercisable into common shares of Blue Fyre on identical terms; and
- d) Upon completion of the business combination the name of Blue Fyre was changed with the name Soltoro Ltd. retained ("Public Soltoro").

Immediately after completion of this transaction, the former shareholders of Private Soltoro controlled 77% of the issued and outstanding share capital of Public Soltoro. The acquisition of Private Soltoro by Blue Fyre was accounted for as a reverse takeover in accordance with CICA Emerging Issues Committee Abstract No. 10, as an issuance of shares and assumption of Blue Fyre's outstanding broker warrants by Private Soltoro in return for the identifiable net monetary assets of Blue Fyre.

The financial statements for the period ended March 31, 2007 reflect the assets, liabilities and results of operations of Public Soltoro, post-amalgamation. The comparative results of operations and cash flows for the period ended March 31, 2006 are those of Private Soltoro.

#### 4. RESULTS OF OPERATIONS

The Company's results of operations for the three months ended March 31, 2007 and 2006 are summarized below.

	2007	2006
	\$	\$
<b>Expenses</b>		
Management fees (note 7)	36,000	11,235
Legal and audit	28,643	4,117
Investor relations	55,190	-
Regulatory fees	5,200	-
Transfer agent	3,638	-
Office expenses	2,869	1,857
Rent	3,970	560
Communications	1,346	-
Travel	16,988	-
Foreign exchange	5,957	1,783
Amortization	588	-
Stock-based compensation	109,020	-
<b>Total administrative expenses</b>	<u>269,409</u>	<u>19,552</u>
<b>Revaluation gain on marketable securities</b>	3,500	-
<b>Interest income</b>	<u>19,265</u>	-
<b>Net loss</b>	<u><u>246,644</u></u>	<u><u>19,552</u></u>

The significant components of the Company's operating loss are summarized below.

- a) **Management fees** charged to operations increased to \$36,000 from \$11,235 as a result of both an increase in headcount and increased compensation for the Company's president in 2007 compared to 2006.
- b) **Legal and audit** expenses increased to \$28,643 from \$4,117, reflecting primarily legal costs associated with the acquisition of the Fury property and the optioning of the Quila property to Southern Silver.
- c) **Investor relations** expenses increased to \$55,190 from \$Nil. No investor relations costs were incurred by the Company in 2006 until the reverse takeover of Blue Fyre was close to completion.
- d) Similarly, the Company incurred no costs related to **regulatory fees, transfer agent costs, rent, or communications** expenses in 2006, as the Company's operations were conducted from the residence of a director of the Company.
- e) **Stock based compensation** increased to \$109,020 from \$Nil, reflecting the issue of 480,000 stock options in the first quarter of 2007 with a weighted average fair value of \$0.34 per option and the recognition of costs in the current period in respect of options issued in 2006. By contrast, the options issued in 2005, which continued to vest through the first quarter of 2006, had an estimated fair value of \$Nil.
- f) **Interest** earned on surplus funds invested in liquid interest bearing investments amounted to \$19,265, compared to \$Nil in 2006. Interest income is expected to decline materially as the Company continues its exploration and development activities in Mexico.

## 5. DEFERRED DEVELOPMENT COSTS

During the period, the Company incurred the following costs with respect to its mineral properties:

	Balance December 31 2006	Additions	Balance March 31 2007
	\$	\$	\$
<b>La Tortuga Concessions</b>			
Acquisition costs	80,462	4,536	84,998
Deferred exploration costs	289,970	36,083	326,053
<b>El Rayo Concessions</b>			
Acquisition costs	15,341	1,884	17,225
Deferred exploration costs	162,908	328,438	491,346
<b>Bacanora Concessions</b>			
Acquisition costs	27,454	-	27,454
Deferred exploration costs	3,560	42,527	46,087
<b>Gavilan Concession</b>			
Acquisition costs	3,485	9,764	13,249
Deferred exploration costs	7,213	-	7,213
<b>Quila Concession</b>			
Acquisition costs	7,467	11,722	19,189
Deferred exploration costs	3,246	-	3,246
Proceeds upon optioning property	-	(20,000)	(20,000)
<b>El Santuario Concession</b>			
Acquisition costs	3,734	979	4,713
Deferred exploration costs	5,772	-	5,772
<b>Chinipas Application</b>			
Acquisition costs	3,647	-	3,647
Deferred exploration costs	13,114	4,329	17,443
<b>Peña Grande Application</b>			
Acquisition costs	11,690	-	11,690
Deferred exploration costs	2,032	11,717	13,749
<b>Victoria Application</b>			
Acquisition costs	-	5,858	5,858
Deferred exploration costs	-	3,930	3,930
<b>Other</b>	11,348	52	11,400
	652,443	441,819	1,094,262

## 6. FINANCING AND CAPITALIZATION

During the period ended March 31, 2007, the Company completed a private placement of 1,000,000 units, as described in note 8 to the consolidated financial statements, yielding net proceeds of \$642,750. In addition, the Company received cash proceeds of \$60,000 upon the exercise of 240,000 broker warrants.

At March 31, 2007, the Company had 19,263,600 shares issued and outstanding, and after giving effect to outstanding stock options and warrants, 22,030,000 shares on a fully diluted basis.

On May 4, 2007, the Company issued 175,000 common shares to the owner of the Bacanora project to complete 100% of the acquisition of the two concessions that make up the project.

At the date of this MD&A, after giving effect to these transactions, the Company has 19,438,600 shares issued and outstanding, and 22,205,000 on a fully diluted basis.

## **7. RELATED PARTY TRANSACTIONS**

As described in note 7 to the financial statements, the Company engages the services of Andrew Thomson, President and Chief Executive Officer of the Company, Jim Kirke, Chief Financial Officer of the Company, and Chris Lloyd, an officer of Soltoro Mexico, through management services agreements. During the period ended March 31, 2007, the Company incurred consulting fees amounting to \$71,451 (2006 -- \$32,585), of which \$36,000 (2006 -- \$11,235) was charged to operations with the remainder capitalized as a component of deferred exploration costs.

These charges were measured at the exchange amount, which is the amount of consideration established and agreed to between the Company and each officer.

At March 31, 2007, Accounts payable and accrued liabilities included an amount of \$740 owed to related parties.

## **8. LIQUIDITY AND CASH FLOW**

At March 31, 2007, the Company had liquid resources, including cash and funds held in the form of redeemable interest bearing term deposits, of \$2,734,229, marketable securities with a fair value of \$23,500, and working capital of \$2,865,407. The significant sources and outflows of cash during the year ended December 31, 2006 are detailed in the cash flow statement and include:

- a. Net proceeds of \$702,750 from the issue of common shares pursuant to a private placements and the exercise of 240,000 broker warrants;
- b. Total cash outlays of \$464,145 on equipment and acquisition and exploration costs associated with the Company's mineral properties; and
- c. Total cash outlays of \$254,300 on operations.

The Company considers that its existing cash resources are sufficient to carry out its planned exploration activities in 2007, but it will be necessary to raise additional funds going forward.

## 9. QUARTERLY INFORMATION

Selected quarterly information for the six quarterly reporting periods completed since inception is set out below.

	2007	2006				2005	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$
Loss for the period	246,644	147,149	63,501	90,301	19,552	27,958	-
Loss per share - basic and fully diluted	0.01	0.01	0.004	0.008	0.003	0.007	-
Weighted average number of shares	18,813,822	17,124,083	14,417,283	11,661,758	5,595,000	4,021,712	2,236,842
Exploration expenditures on mining properties	461,935	428,741	70,524	67,328	5,833	61,773	49,974

The results of the fourth quarter of 2006 and the first quarter of 2007 reflect increased costs related to legal and audit fees, investor relations, and stock-based compensation, as well as increased exploration activity. Expenses in Mexico in the second half of 2006 were partially related to staking and acquisition of newly generated additional properties. Company exploration spending for 2007 should represent a larger percentage of overall expenditures as the year progresses with a drill program underway at El Rayo and another planned at Bacanora.

## 10. OUTLOOK

Management's strategy for building Soltoro into a profitable resource company and maximizing shareholder value is to acquire and explore drill ready or near drill ready properties with the potential to host significant economic deposits within prolific mining districts in Mexico. The Company explores primarily for gold, silver and copper, with the objective of enhancing the value of its properties either by direct exploration or through joint venture to a third party. This strategy diversifies the business risks inherent in developing a single property and may increase shareholder value substantially going forward.

Expenses have grown materially to the date of this MD&A, reflecting the activity level of the Company and its management. The Company has a current drilling program and continues to explore its Mexican properties actively. Future quarterly results, in terms of both corporate expenditures charged to operations and exploration expenditures charged to deferred exploration costs, will reflect this increasing level of expenditure.

The Company's cash resources are considered sufficient to enable the Company to maintain the pace of evaluative work on all of its properties and to consider new acquisitions, but additional funds will be required going forward.

## **11. DISCLOSURE CONTROLS AND PROCEDURES**

During 2006, the Company appointed an audit committee to ensure proper review of financial reporting for the Company. Douglas Reeson was appointed as chairman of the committee with William McGuinty and Andrew Thomson being the two other members.

Management evaluated the design and effectiveness of disclosure controls and procedures in place as of March 31, 2007 and concluded that such procedures are adequate and effective to provide reasonable assurance that material information related to the Company for the quarter ending March 31, 2007 would have been made known to management.

In addition, as of March 31, 2007, the Chief Executive Officer and the Chief Financial Officer evaluated the design of the Company's internal controls over financial reporting and concluded that the design of the internal controls over financial reporting were adequate and effective to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

To the date of this MD&A, there have been no changes to the Company's disclosure controls and procedures or internal controls over financial reporting.

## **12. CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's accounting policies are described in note 4 to the audited consolidated financial statements for the year ended December 31, 2006. The preparation of the Company's consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statement and accompanying notes. The following is a list of the accounting policies that management believes are critical due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability or expense being reported:

- Carrying value of mineral properties; and
- Estimation of fair value of stock-based compensation and warrants

### **Carrying value of mineral properties**

The Company capitalizes the acquisition costs of mineral properties and all direct costs relating to exploration on its mineral properties. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method. Options or sales of mineral properties are accounted for by applying the proceeds from such sales to the carrying costs of the property and reducing costs to zero prior to recognizing any gains. Costs related to abandoned projects are written off and costs related to impaired projects are written down.

### **Stock-based compensation**

The Company uses the Black-Scholes option-pricing model to determine the fair value of employee incentive stock options and derivative securities issued in conjunction with financing transactions. This model requires the input of highly subjective assumptions, including expected future stock price volatility and expected time until exercise. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the stock options vested or warrants issued by the Company.

### **13. RISK FACTORS**

The Company's business requires and will continue to require significant financings and is subject to risks associated with mineral prices, mineral resources and exploration activities. Readers should review and consider the financial, operational, permitting and environmental risk factors faced by the Company, which are common to junior exploration companies.

#### **Exploration, Development and Operating Risks**

The exploration for and development of mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties which are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of Soltoro to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by Soltoro will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to:

- i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure;
- ii) metal prices, which are highly cyclical;
- iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection;
- iv) ongoing costs of production; and
- v) availability and cost of additional funding.

The exact effect of these factors cannot be accurately predicted, but one or any combination of these factors may result in Soltoro not receiving an adequate return on invested capital.

#### **Additional Capital**

The ability of Soltoro to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of Soltoro. The development and exploration of Soltoro's properties may require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of Soltoro's properties or a loss of a property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Soltoro. If additional financing is raised by Soltoro through the issuance of securities from treasury, control of Soltoro may change and security holders may suffer additional dilution.

#### **Early Stage Projects**

Each of the Company's projects is in the early exploration stage and is without a known body of commercial ore. There is no certainty that the expenditures made by Soltoro towards the search for and development of mineral deposits on its properties will result in discoveries of commercial quantities of ore.

## **Environmental Risks and Hazards**

All phases of Soltoro's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Soltoro's operations. Environmental hazards may exist on the properties on which Soltoro holds interests which are unknown to Soltoro at present and which have been caused by previous or existing owners or operators of the properties or by current or previous surface rights owners. Government approvals and permits have been submitted as required and future approvals will be required in connection with Soltoro's operations. To the extent such approvals are required and not obtained, Soltoro may be curtailed or prohibited from continuing its mining operations or from proceeding with the planned exploration or development of the mineral properties in which it has an interest. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on Soltoro and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

## **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and Soltoro may decide not to insure such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of Soltoro. Soltoro is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Soltoro periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if Soltoro becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds available to Soltoro to pay such liabilities and result in bankruptcy. Should Soltoro be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

## **Permitting**

Soltoro's current and future operations will require approvals and permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, Soltoro must receive permits from appropriate governmental authorities. There can be no assurance that Soltoro will obtain or continue to hold all permits necessary to develop or continue operating at any particular property.

## **Infrastructure**

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, and government or other interference in the maintenance or provision of such infrastructure could adversely affect Soltoro's operations, financial condition and results of operations.

## **Title to Mining Concessions**

The validity of mining concessions generally can be contested, and although Soltoro has taken steps to acquire the necessary title to its mining concessions, some risk exists that title to such concessions may be defective. In order to maintain the mining concessions, Soltoro must incur certain minimum exploration expenditures annually or risk forfeiture of the mining concessions and any such expenditures made to such time.

## **Competition**

The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with large, established mining companies with substantial capabilities and greater financial and technical resources than Soltoro, Soltoro may be unable to acquire additional mineral properties on terms it considers acceptable, or continue to explore and develop its existing properties.

## **Market Factors and Volatility of Commodity Prices**

The marketability of mineralized material which may be acquired or discovered by Soltoro will be affected by numerous factors beyond the control of Soltoro. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, permitting, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted, but these factors may result in Soltoro not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of Soltoro. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by Soltoro would have a material adverse effect on Soltoro, and could result in the suspension of exploration or development of mining operations by Soltoro.

## **Foreign Operations**

All of the Corporation's property interests are located in Mexico, and are subject to that jurisdiction's laws and regulations. The Corporation believes the present attitude of Mexico to foreign investment and mining to be favourable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Corporation.

## **Exchange Rate Fluctuations**

Exchange rate fluctuations may adversely affect Soltoro's financial position and results. Soltoro does not currently hedge or otherwise mitigate its foreign currency risks.

## **Key Executives**

Soltoro is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of Soltoro, the loss of these persons or Soltoro's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. Soltoro does not currently carry any key man life insurance on any of its executives.

## **Conflicts of Interest**

Certain of the directors and officers of Soltoro also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Soltoro will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Soltoro and its shareholders.

(Signed) "Andrew Thomson"  
Andrew Thomson  
President and Chief Executive Officer  
May 28, 2007

(Signed) "Jim Kirke"  
Jim Kirke  
Chief Financial Officer  
May 28, 2007