



## SOLTORO LTD.

### **MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008**

*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 and six months ended June 30, 2008. The MD&A was prepared as of August 20, 2008 and should be read in conjunction with the unaudited consolidated financial statements for the three and six months ended June 30, 2008, including the notes thereto and the audited consolidated financial statements for the year ended December 31, 2007, including the notes thereto and the related MD&A. These consolidated financial statements, which were prepared in conformity with Canadian generally accepted accounting principles and are expressed in Canadian dollars unless otherwise indicated, 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.

#### **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. Fury's Mexican subsidiary retains a 2% Net Smelter Return royalty in the "Guachinango 1" concession of which Soltoro has the right to repurchase 1.5% of the Net Smelter Return royalty for US\$1,500,000.

The El Rayo property is located 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. 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. Within the property, 14 historic underground mines have been located to date along three separate structures. The historic Catarina mine began operating in 1545 with the majority of the mining activity taking place at the end of the 19<sup>th</sup> century.

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 CRM 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.

The Company is investigating the property for the potential to host a bulk mineable silver-lead deposit with gold and copper credits. Three mineralized structures have been identified to date: the El Rayo, Las Bolas and Ocote structures. In January 2007, the Company conducted a 3 phase orientation diamond drill program to test: 1) regional targets along the Ocote structure which had previously never been drilled; 2) airborne geophysical targets identified from the Aerodat data; and 3) targets along the Las Bolas and El Rayo structures within the historic CRM resource area.

A total of 5,530 metres of drilling was completed in the 2007 diamond drill program. The program expanded the mineralized strike length beyond the historic resource area to the north-west and north-east. Trenching and drilling has identified a new precious metals system (primarily gold) north-west along the El Rayo structure and a continuation of the silver-lead mineralization along the north-east trending Las Bolas structure. Results from programs conducted to date are summarized below;

**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. The Ocote 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 were drilled below the historic Nueva Suerte mine and two holes were below the Ocote mine. One hole drilled below the 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. In June 2007 a seventh drill hole of 161 metres was completed to test along strike from the San Rafael mine. No significant mineralization was intercepted.

**2) 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. The Company completed 4 drill holes totalling 981 metres to test 4 separate anomalies. Two of these holes were abandoned due to swelling clay in fault zones which would not permit the drill to continue to depth. It is considered that these clay rich faults were the reason for the geophysical anomaly.

**3) CRM resource area targets:** Along the Las Bolas and El Rayo structures historical underground mining of high grade material was on average conducted over 2 to 4 metre widths along the Las Bolas and El Rayo structures. Soltoro underground sampling at the Las Bolas mine returned 5.5 metres of 409 gpt silver with 8.1% lead. Drill results from these structures were returned as follows:

<b>Las Bolas Structure</b>	<b>Drill Hole:</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Metres</b>	<b>Silver gpt</b>
Las Bolas Mine area	Ray-07-07 including	38.70	62.20	23.50	<b>86</b>
		38.70	51.00	12.30	<b>117</b>
Las Bolas Mine area	Ray-07-08 including	49.95	60.65	10.70	<b>75</b>
		56.25	59.10	2.85	<b>105</b>
Las Bolas Mine area	Ray-07-09 including	38.05	50.05	12.00	<b>117</b>
		41.25	48.95	7.70	<b>137</b>
Las Bolas Mine area	Ray-07-10 including	50.00	61.45	11.45	<b>63</b>
		50.00	56.95	6.95	<b>74</b>
250m SW of Las Bolas Mine area	Ray-07-11 including	49.05	84.15	35.10	<b>92</b>
		60.50	72.20	11.70	<b>134</b>
250m SW of Las Bolas Mine area	Ray-07-12 including	58.45	87.25	28.80	<b>107</b>
		71.30	76.95	5.65	<b>191</b>
100m NE of Matachines Mine area	Ray-07-13 including	34.45	56.20	21.75	<b>59</b>
		35.90	43.60	7.70	<b>87</b>
200m NE of Matachines Mine area	Ray-07-14	39.35	58.30	18.95	<b>92</b>
Matachines Mine area	Ray-07-16	75.10	82.05	6.95	<b>39</b>
Matachines Mine area	Ray-07-17	81.75	95.45	13.70	<b>37</b>
<b>El Rayo Structure</b>	<b>Drill Hole:</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Metres</b>	<b>Silver gpt</b>
Aguacero area	Ray-07-19	20.10	23.55	3.45	<b>103</b>
Catarina Mine area	Ray-07-22 including	76.05	96.05	20.00	<b>73</b>
		93.00	96.05	3.05	<b>188</b>
Tepeguaje Mine area	Ray-07-23 including	142.50	180.00	37.50	<b>134</b>
		145.50	157.50	12.00	<b>269</b>
Tepeguaje Mine area	Ray-07-24	127.50	138.00	10.50	<b>41</b>
Catarina / Tepeguaje area	Ray-07-25	108.00	112.50	4.50	<b>112</b>
Catarina / Tepeguaje area	Ray-07-26	129.00	141.00	12.00	<b>34</b>

These results confirmed the potential to increase the historic resource and justified future resource drilling in these areas. In June 2007, a contractor was hired to carry out a topographical survey over the Las Bolas and El Rayo structures in order to carry out a resource definition drill program. In addition, permits were obtained from the appropriate state agencies for the construction of further access roads and drill pads on the property. In late July and early August of 2007 trenching and drilling in previously undrilled areas was completed to test for mineralized extensions north-west on the El Rayo structure and north-east along the Las Bolas structure.

#### El Rayo North-West Structure:

In June and July 2007, a trenching program was completed along the El Rayo portion of the El Rayo – Catarina structure. Sampling was conducted in 23 new trenches in addition to the original road cut sampling (referred to here as Trench 24) that was conducted earlier in the year. The trenching program identified a new gold zone at least 850m long. The most significant results reported from the trenching program are presented in the table below and include a silver equivalent value based on a silver to gold ratio of 55:1 (US\$660 and \$12.00 per ounce for gold and silver respectively):

Trench #	Location	Sample Type	Width Metres	Gold gpt	Silver gpt	Lead %	Silver equiv. gpt*
24	200M NW El Rayo Mine**	Surface-stwk	29.6	1.87	4	0.3	107
24		Including	17.6	2.80	4	0.2	158
22	150M NW El Rayo Mine	Surface-stwk	4.0	2.40	7	0.3	139
21	100M NW El Rayo Mine El Rayo Mine	Surface-stwk	5.6	0.18	21	2.5	31
18		Surface-stwk	2.0	1.39	5	0.1	81
17	30M SW El Rayo Mine	Surface-stwk	1.4	0.90	1	0.0	51
16	50M SW El Rayo Mine	Surface-stwk	5.9	1.39	17	0.2	93
15	100M SW El Rayo Mine	Surface-stwk	12.0	5.17	60	0.8	343
14	120M SW El Rayo Mine	Surface-stwk	1.8	1.23	50	0.3	118
12	150M SW El Rayo Mine	Surface-stwk	5.1	7.53	18	0.2	432
11	200M SW El Rayo Mine	Surface-stwk	2.0	1.44	15	4.2	94
8	30M NE Gavilan Mine	Surface-stwk	1.3	0.80	30	0.9	74
7	Gavilan Mine	Surface-stwk	6.3	3.21	29	0.9	205
6	30M SW Gavilan Mine	Surface-stwk	5.4	4.29	43	3.0	279
5	60M SW Gavilan Mine	Surface-stwk	3.8	1.27	49	4.5	119
4	100M SW Gavilan Mine	Surface-stwk	3.9	1.59	23	0.7	110
3	130M SW Gavilan Mine	Surface-stwk	4.0	0.84	53	0.7	99
2	140M SW Gavilan Mine	Surface-stwk	14.1	1.06	22	0.2	80

\*Lead values not included in the silver equivalent calculation, metallurgical recoveries & net smelter returns are assumed to be 100%

In August 2007, four drill holes were completed from 3 separate locations along the 850 metre gold zone. Drill holes 34 and 35 were completed outside of the known resource area in an area that had never previously been drill tested. The most significant results reported from these 4 holes are presented in the table below and include a silver equivalent value based on a silver to gold ratio of 55:1 (US \$660 and \$12.00 per ounce for gold and silver respectively):

El Rayo Structure Location	Drill Hole:	From: (m)	To: (m)	Width Metres	Gold gpt	Silver Gpt	Lead %	Silver Eq. gpt*
200m NW El Rayo Mine (testing trench 24)	Ray-07-35 including	64.5	102.0	37.5	1.78	31	0.3	130
		70.5	76.5	6.0	6.08	10	0.4	344
150m NW El Rayo Mine (testing trench 24)	Ray-07-34 including	55.5	70.5	15.0	1.56	9	0.1	95
		55.5	60.0	4.5	3.98	11	0.2	230
100m SW El Rayo Mine (testing trench 15)	Ray-07-33	43.5	46.5	3.0	2.38	129	1.1	260
	Ray-07-33	57.0	60.0	3.0	1.09	35	1.2	95
Gavilan Mine (testing trench 7)	Ray-07-29	57.0	58.5	1.5	0.99	63	0.3	117
	Ray-07-29	84.0	93.0	9.0	0.41	80	0.9	103

\*Lead values not included in the silver equivalent calculation, metallurgical recoveries & net smelter returns are assumed to be 100%

#### Las Bolas North-East Structure

In August 2007, two additional drill holes were completed totaling 207 metres at the Arturo and Ernesto mines, north-east of the Las Bolas mine. This drilling was carried out to extend the mineralized zone beyond the 800 metres of strike length defined to date. This drilling and additional trenching along the north-east extension of the Las Bolas structure successfully

extended the mineralized strike length further 900 metres to a total strike length of 1,700 metres. Significant results were returned from the Arturo mine zone as follows:

<b>Las Bolas Structure Location</b>	<b>Drill Hole:</b>	<b>From: (m)</b>	<b>To: (m)</b>	<b>Width Metres</b>	<b>Gold gpt</b>	<b>Silver gpt</b>	<b>Lead %</b>
Arturo Mine	Ray-07-38	64.5	84.0	19.5	0.03	187	0.1

In November 2007 a detailed topographic survey was completed over the Bolas vein trend with a 1 meter contour interval. In February 2008, a similar map was completed covering a portion of the Rayo north-west structure. On June 17, 2008 Soltoro announced commencement of a resource definition drill program along the north-eastern trending Las Bolas structure with a view to defining a silver resource. Initial resource drilling was carried out on 50 metre spaced lines at 25 metre intervals over a 500 metre strike length on the north-east arm of the Las Bolas structure. In August 2008, Soltoro-Mexico completed the planned resource definition drill consisting of 41 percussion drill holes comprising 4,015 metres. The Company is currently awaiting assay results.

### **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 is located 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 filed with the TSX Venture Exchange in August 2006. Soltoro-Mexico receipted title to 4 concessions and staked an additional concession totalling 14,331 hectares. Soltoro-Mexico holds a 100% interest in the titled concessions and was the sole applicant for those under application.

On August 21, 2007, Soltoro signed a letter of intent to option the la Tortuga property to SMM Exploration Corporation, a subsidiary of Sumitomo Metal Mining Co., Ltd, (“Sumitomo”) one of Japan’s leading copper mining and manufacturing companies.

Under the terms of the letter of intent, Sumitomo may earn a 51% interest in the property by contributing US\$4,000,000 in expenditures over the next five years. Sumitomo may earn a further 19% interest for a total of 70% by making additional expenditures of US\$16,000,000 or by delivering a bankable feasibility study. Sumitomo fulfilled a commitment to incur exploration expenditures of US\$500,000 in the first earn-in period of the joint venture by February 2008. Soltoro will act as the operator of the project until Sumitomo has earned a 51% interest during which time Soltoro is entitled to a 10% operator fee. Soltoro was paid the first year’s operator fee of US\$45,454 on signing. On February 15, 2008, Sumitomo and Soltoro approved a budget of US\$750,000 and Sumitomo entered into the second earn-in period of the joint venture.

Mining was last carried out on the La Tortuga property at the turn of the 19<sup>th</sup> century by Americans working at the historic Las Garochas gold-silver mine and the Macuchi silver-copper mine. More recently, 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 porphyritic intrusives. The Company’s current exploration programs at La Tortuga are designed to determine whether a large mineralized porphyry system is the feeder system for the varied mineralized systems outlined to date on the Property.

The presence of multiple phases of mafic to felsic intrusives, some of which are magnetic, porphyritic, potassically altered and hosting pyrite 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 dykes and the related copper-gold values in the various veins on the property also indicate the potential for a sizeable copper-gold porphyry system.

In June 2006, the Company completed an initial 21 line-km Induced Polarization ("I.P.") survey, which defined a 2.3 km by 0.6 km high chargeability anomaly primarily over the Papagayo ridge, where porphyry rock outcrops at surface. The previously conducted fluid inclusion study for the area 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 covering an additional 81 line-km was completed in January 2007. Results from this survey outlined a 4 km by 0.6 km I.P. anomaly. A 3-dimensional image of the I.P. was generated from the survey and drill targets have been selected. In June 2007, a mapping and sampling program to outline the potassic alteration on the property was completed. Samples of rock were cut and subjected to mineral staining tests for potassic alteration, with initial results indicating the known mineralized areas on the property have seen potassic flooding indicative of a porphyry source. Two distinct phases of potassic alteration were noted with the strongest area located just west of the Papagayo Ridge.

A third round of I.P. surveying consisting of a 10 line-km pole-dipole survey was completed in November 2007 over a portion of the 4 km by 0.6 km chargeability anomaly previously identified by Soltoro. The purpose of this survey was to more accurately define the depth of the known chargeability anomalies. Soltoro retained Sumiko Consultants of Japan to complete 2D inversions of the I.P. data. Concurrent to the I.P. survey, a potassic alteration survey over the same area outlined two potassic alteration events, centered on the area immediately to the west of the Papagayo ridge. This zone coincides with the strongest area of pole-dipole chargeability. Subsequently, a diamond drill program was designed to test the most favourable porphyry copper-gold targets in the Papagayo area.

Drilling of the Papagayo area began in January 2008 and 2,005 metres were completed by March 6, 2008. Five drill holes were completed testing the main chargeability anomalies. Geologically the drill holes cut extensive zones of potassically altered intrusive rocks which had been affected by at least 5 fracturing and veining events. Tourmaline breccias were also encountered along with zones of disseminated pyrite which may account for the chargeability anomalies. No copper mineralization was encountered in this round of drilling and consideration is being given as to whether follow-up drilling at depth is required in this zone.

In November of 2007 reconnaissance mapping and sampling of the Lustralito Area, on the south-east extension of the La Tortuga claim (10 km to the east of the Papagayo Ridge), identified a 10 square kilometre copper-gold zone with porphyry potential. Six samples collected returned over 1% copper from four channel samples and two samples of surface dump material. A 3.7% copper value was returned from a historic dump at the El Macho Prospect, while a channel sample of 2.73% copper over 2 metres was returned from the Natividad Prospect. A 1.2 metre chip sample taken from Labor del Cerro returned 12.6 gpt gold, 1.32 % copper and 18.4 gpt silver. These prospects occur over 4.5 kilometres and straddle a large magnetic high associated with outcropping granodiorite and diorite intrusions.

In 2008, line cutting was conducted in the area with a view to completing an I.P. survey. A total of 516 soil samples were collected along the cut lines which returned anomalous copper/gold values. The entire centre of the grid area was found to be underlain by a granitic intrusive with moderate to strong potassic alteration and various zones of strong fracturing with associated potassic feldspar alteration.

In April of 2008 an I.P. survey was conducted over an area covering 32.5 line-kilometres. A number of weak anomalies were returned in this program and are being evaluated for possible drill testing. A drill program to test for the intrusive source of the copper mineralization is tentatively planned for November 2008 once all of the data collected has been correlated.

At the historic Las Garrochas mine area follow-up mapping and sampling was initiated along with three 2-km long lines of pole-dipole I.P. with a view to identifying drill targets. Geological mapping identified additional intrusive phases as well as some moderate I.P. chargeability anomalies. These features are being evaluated for possible drill testing in November. Las Garrochas was last mined at the turn of the 19<sup>th</sup> century for gold and silver.

### **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 magnetic 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"). 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 US\$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. Quila represents approximately two thirds of the surface area of the package. Southern Silver has named the area the "Minas de Ameca Project". Southern Silver resumed drilling on the Minas de Ameca property in May 2007 to further investigate high-grade copper/gold/silver prospects.

On July 5, 2007, Southern Silver's Mexican subsidiary acquired the "Altavista Del Ramos" 91 hectare concession within the Quila claim block. The property is subject to the terms of the earn-in agreement.

In September 2007, Southern Silver provided Soltoro with an exploration update which included mapping, sampling and induced polarization study results. Drilling was carried out on the property to test a 1.5 km by 0.5 km chargeability anomaly. Southern Silver completed Drill hole 07QU-01 on the Quila claim in early 2008. Drilling intersected several intervals of moderate to strong argillic alteration and pyritic sulphides.

In January 2008, Soltoro received notification from Southern Silver that it wished to proceed with the second year of its option at Quila. On February 7, 2008, Soltoro received 75,000 common shares of Southern Silver as the first year anniversary payment and a report of exploration expenditures (US\$184,120) spent at Quila, satisfying the first year of the earn-in agreement.

To maintain the earn-in agreement in good standing, Southern Silver is required to spend US\$350,000 on acquisition costs and exploration expenditure in the second year.

In July of 2008, Southern Silver informed Soltoro they had completed 1,020 metres of core drilling in five holes at the Altavista prospect. Two additional drill holes were completed at the Texcalame prospect. Visual analysis indicates the presence of narrow intervals of apparent

native copper in the first hole. Gold and copper mineralization is widely distributed throughout a 20 sq kilometre area in the northern portion of the Quila claim where Southern Silver returned assays up to 3.8 metres of 7.12 gpt gold with strongly anomalous copper and silver values were returned from channel, chip and grab sampling. To date, two areas of mineralization have been identified;

The Altavista prospect is underlain by widespread hematite-specularite breccias with variable quartz-chlorite alteration and associated gold and copper mineralization that can be traced in outcrop, float and soil sampling for over a 350 metre strike-length. Two drill holes, which tested a 100 metre strike length of this east-west-trending target returned significant intervals (up to 10 metres thick) of strong hematite-quartz and chlorite breccias. These are similar in appearance to surface exposures which returned multi-gram gold values from channel and chip sampling.

The Texcalame prospect is a gravel covered northwest-trending structural zone, up to 200 metres wide, which can be traced in grab and soil samples for over 1 kilometre of strike-length. The zone has been tested by two drill holes which ended in visible copper mineralization prior to a drilling break. Upon resumption of the program the current hole will be extended followed by additional drilling. Southern Silver continues to develop targets within the 322 sq kilometres Minas de Ameca project through reconnaissance and detailed-scale mapping and sampling. More aggressive drill testing of these targets is anticipated in the fourth quarter of 2008, following the cessation of the rainy season. Assays values had not been released to Soltoro at the time of writing of this MD&A.

### **Coyote Silver Project**

On January 25, 2008 Soltoro-Mexico received title to the 852 hectare Coyote concession. Soltoro entered into an option agreement on May 12, 2008 to acquire additional internal concessions totaling 200 hectares. Under the terms of the option agreement, US\$20,000 was paid on signing with a further cash payment of US\$20,000 due within 6 months to effect transfer of the internal concessions. Soltoro is obliged to pay an additional US\$200,000 in advance royalty payments over 4 years from the date of transfer to retain the internal concessions. The vendor will hold a 2% NSR and Soltoro shall have the right to purchase 1% of the NSR for US\$400,000.

The Coyote concession is a drill-ready silver-gold project where a series of vein systems cumulatively extend for over 5 kilometres. Initial sampling by Soltoro returned the following selected values:

<b>Sample #</b>	<b>Channel Length (m)</b>	<b>Au-gpt</b>	<b>Ag-gpt</b>
755005	1.65	1.020	110
755010	1.4	0.238	216
755011	0.9	0.190	188
755012	1.0	0.095	71
755013	1.1	0.123	656
755014	1.0	0.055	108
755015	1.2	0.232	327
755016	1.7	0.135	406
755017	2.2	0.125	102
755018	1.6	0.022	107
755019	1.15	0.044	250
755020	0.8	0.017	133
755021	1.6	0.171	268
755022	1.9	0.045	294
755023	1.0	0.049	189
755024	1.85	0.127	142
755025	1.75	0.056	346
755026	1.9	0.465	189
755027	1.9	0.016	89
755037	2.0	0.070	101
755038	2.8	0.431	124

At Coyote, the El Tajo mine was the largest former silver producer in the area. El Tajo was mined from around 1890 through to 1915. Two other underground mines are known on the property in addition to numerous smaller surface workings. This area previously made up part the Mexican National Mineral Reserve.

Mineralization at the Coyote Project is predominantly silver with lesser gold values hosted in banded and brecciated quartz veins. The mineralized zone extends roughly over a 2.5 km by 2 km area. Five principal veins systems, with a cumulative strike length of at least 5 km, are known. These vein systems appear to be related to a set of strike slip faults and their subsidiary dilation zones. Mineralization exists over at least a 100 m vertical distance. A mapping, trenching and channel sampling program over the vein systems is planned for September of 2008 pursuant to which drill targets will be selected. No work has been carried out on the property during the quarter.

## Bacanora Gold Project

On September 1, 2006, Soltoro-Mexico acquired through transfer, a 100% title interest in the Bacanora property, comprising 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 pursuant to which Soltoro issued 175,000 common shares as full and final payment for the Bacanora property.

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, felsic intrusive. Known mineralization outcrops over a 1,600 m long by 1,000 m 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 sample values returning 7.7, 7.8, 9.6, and 14.9 gpt gold. In January 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

In the final quarter of 2007, Soltoro conducted a 7-hole 1,647-metre diamond drill program. Drilling was carried out to test for a bulk tonnage gold deposit as the possible source for numerous placer deposits that exist downstream along the Yaki River. Drilling during this initial phase was designed to test for mineralization below the felsic intrusives within the main zone. Drill holes 1 and 2 of the program were located within 10 metres of outcropping felsic intrusive and intercepted strongly silicified shale and limestone with a variable content of disseminated pyrite and/or pyrrhotite. Drill holes 3 and 4 were then drilled to the west where the thickness of the altered sediments was increasing. These encountered thicker intervals of the altered sediments seen in the first two holes while drill hole 5 cut a wide zone of silicified breccia with silicified shale and limestone clasts. Drill holes 6 and 7 were targeted next to felsic intrusive outcrops to the north and south of the first two holes and also encountered shales and limestones. Drill holes 4 and 5 encountered anomalous values of gold ranging from 100 to 208 ppb.

Results to date have not served to identify that the property could be the source of placer deposits which occur downstream from the property. It is likely that there still remains a larger felsic body hosting gold veins and/or a sediment hosted source related to the extensive silica flooding intersected in this initial round of drilling. There is also the possibility of an intrusive source as suggested by the narrow intrusive breccia dykes found in Drill holes 3 through 5.

A regional mapping and sampling program was resumed during the drill program to further investigate the potential of a mineralized ridge located on the north-east end of the property. The prior program identified a 300 metre long strike length along a felsic dyke. Assay results

from the initial sampling program returned up to 1,280 gpt silver, 1.5% zinc and 2.2% copper. Follow-up sampling confirmed the copper-silver potential of this new zone along 300 metres of strike following the contact of a rhyolite dike with the hosting andesite volcanics. Further work is required to determine the full strike length of this zone and what relation it may have to main area of mineralization that was drill tested.

### **Other Mineral Prospects**

On August 29, 2006, Soltoro-Mexico received 100% title interest to the 780 hectare Gavilan concession located in the San Joaquin district in the state of Queretaro. The Gavilan prospect was staked, based on 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 Cardinol mining district in the state of Hidalgo, to cover the historic San Clemente gold district. A 6 day follow-up geological program was completed at Santuario in January 2008 to locate old workings and collect orientation samples to confirm data from historic government reports. Results from the survey returned values up to 10.2 gpt gold. Half the samples showed a strong bias towards coarse gold in metallic screen assaying. Coarse gold is traditionally difficult to reproduce reliably in assays and large sized samples will be needed to properly assay the gold mineralization at Santuario. Mapping has provided understanding of the controls on the structural system hosting the mineralization and recognition that the mineralization trends off the claim block to the NE. The “Sant” 1,200 hectare claim was subsequently staked to cover the strike extension of the mineralized zone.

On February 6, 2008, Soltoro-Mexico received 100% title to the 1,371 hectare Chinipas property in the state of Chihuahua. In March 2007, an orientation sampling program was conducted at Chinipas to assess the style of mineralization and to determine its lateral extent. Gold was found to be hosted in dilational fractures over a strike length of 3.4 kms. Sampling returned values up to 17.65 gpt gold, in a 15cm chip sample and 5.43% copper and 110 gpt silver respectively from two mine dump samples.

In Jalisco state, Soltoro also holds 100% title interest to the following concessions; the 10,985 hectare Victoria concession titled on January 22, 2008 and the 810 hectare Midas concession titled on November 28, 2007.

On March 3rd, 2008, Soltoro-Mexico made application for the 1,371 hectare Margarita claim at the Tiamaro property in the state of Michoacan. Tiamaro is located in a prospective copper district.

## **2. 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. The details of the transaction are outlined in the audited financial statements for the year ended December 31, 2007.

### 3. RESULTS OF OPERATIONS

The Company's results of operations for the three months ended June 30, 2008 and 2007 are summarized below.

<b>Expenses</b>	<b>Three months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Salaries and management fees	40,000	37,974
Legal and audit	47,452	3,521
Investor relations	20,610	39,782
Regulatory expenses	4,413	-
Transfer agent	3,506	2,355
Office expenses	7,082	2,869
Rent	10,364	3,997
Communications	2,325	1,730
Travel	4,629	(2,459)
Foreign exchange (gain)/loss	(14,964)	27,320
Amortization	551	589
Stock-based compensation	17,483	79,398
Total Administrative expenses	143,451	199,066
Revaluation gain (loss) on marketable securities	(5,000)	7,500
Net income	10,357	22,241
Net loss	138,094	169,325

The significant components of the Company's loss for the 3 months ended June 30, 2008 and 2007 are summarized below.

- a) **Legal and Audit fees** increased to \$47,452 from \$3,521 due to the audit fees and legal costs incurred with respect to ongoing operations.
- b) **Investor relations** expenses decreased to \$20,610 from \$39,782 due to less attendance at Canadian and foreign investor conferences and lower costs associated with an external investor relations advisor.
- c) **Foreign exchange** decreased to a gain of \$14,964 from a loss of \$27,320 due to the fluctuation of the Mexican Pesos, US Dollar and Canadian Dollar.
- d) **Stock-based compensation** decreased to \$17,483 from \$79,398 reflecting the declining expense over the vesting period of previously issued stock option awards. No new stock options were granted during the year to date.
- e) **Interest earned on surplus** funds invested in liquid interest bearing investments amounted to \$10,357, compared to \$22,241 in 2007, reflecting both a decline in the level of surplus funds held in the form of interest-bearing deposits and decreases in the yields available to the Company on such investments. Interest income will decline materially in the next quarters in 2008 as the Company continues to expend cash resources at its exploration and development activities in Mexico.

The Company's results of operations for the six months ended June 30, 2008 and 2007 are summarized below.

<b>Expenses</b>	<b>Six months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Salaries and management fees	81,947	73,974
Legal and audit	59,586	32,164
Investor relations	63,651	94,972
Regulatory expenses	10,213	5,200
Transfer agent	5,205	5,993
Office expenses	13,339	7,728
Rent	15,838	7,967
Communications	6,031	3,076
Travel	10,457	14,529
Foreign exchange (gain)/loss	(14,940)	33,277
Amortization	4,389	1,177
Stock-based compensation	82,816	188,418
Total Administrative expenses	338,532	468,475
Revaluation gain (loss) on marketable securities	(14,000)	11,000
Net income	16,695	41,506
Net loss	335,837	415,969

The significant components of the Company's loss for the six months ended June 30, 2008 and 2007 are summarized below.

- a) **Salaries and management fees** charged to operations increased to \$81,947 from \$73,974 as a result of increased compensation costs incurred during the year to date.
- b) **Legal and audit** expenses increased to \$59,586 from \$32,164, reflecting higher legal costs associated with the ongoing business of the Company, primarily property acquisitions, and increased audit fees.
- c) **Investor relations** expenses decreased to \$63,651 from \$94,972 due to less attendance at Canadian and foreign investor conferences and lower costs associated with an external investor relations advisor.
- d) **Foreign exchange gain** for the year to date increased to \$14,940 from a loss of \$33,277 due to fluctuation in the foreign exchange rates between the Mexican Peso, US Dollar and Canadian Dollar over the first six months of 2007 and 2008.
- e) **Stock based compensation** decreased to \$82,816 from \$188,418 reflecting the declining expense over the vesting period of previously issued stock option awards. No new stock options were granted during the year to date
- f) **Interest earned on surplus** funds invested in liquid interest bearing investments amounted to \$16,695, compared to \$41,506 in the same period to June 30, 2007. Interest income will decline materially in the next quarters as the Company continues to expend cash resources at its exploration and development activities in Mexico.

## 5. FINANCING AND CAPITALIZATION

At June 30, 2008 and to the date of this MD&A, the Company had 20,215,000 shares issued and outstanding and after giving effect to outstanding stock options and warrants, 22,595,000 shares on a fully diluted basis.

## 6. LIQUIDITY AND CASH FLOW

At June 30, 2008, the Company had liquid resources, including cash and funds held in the form of redeemable interest bearing term deposits, of \$971,365 and marketable securities with a fair value of \$26,250. The significant sources and outflows of cash during the six months ended June 30, 2008 are detailed in the cash flow statement and include:

- a. Total cash outlays of \$387,455 on equipment and acquisition and exploration costs associated with the Company's mineral properties; and
- b. Total cash outlays of \$485,318 on operations, with the net loss and comprehensive loss of \$335,837; an increase in accounts receivable and prepaid expenses of \$140,812 and an increase in accounts payable and accrued liabilities of \$8,669.

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

## 7. QUARTERLY INFORMATION

Selected quarterly information for the eight most recent quarterly reporting periods is set out below.

	2008	Q1	Q2	Q3	Q4
Net loss and comprehensive loss for the period		\$ 197,743	\$ 138,094		
Loss per share – basic and fully diluted		\$ 0.01	\$ 0.01		
Weighted average number of shares		20,215,000	20,215,000		
Exploration expenditure on mining properties		\$ 77,737	\$ 107,912		

  

	2007	Q1	Q2	Q3	Q4
Net loss and comprehensive loss for the period		\$ 246,644	\$ 169,325	\$ 148,221	\$ 172,956
Loss per share – basic and fully diluted		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average number of shares		18,813,822	19,387,501	19,690,383	20,138,913
Exploration expenditure on mining properties		\$ 461,935	\$ 630,458	\$ 364,364	\$ 252,480

  

	2006	Q3	Q4
Net loss and comprehensive loss for the period		\$ 63,501	\$ 147,149
Loss per share – basic and fully diluted		\$ 0.00	\$ 0.01
Weighted average number of shares		14,417,283	17,124,083
Exploration expenditure on mining properties		\$ 70,524	\$ 428,741

The results since the fourth quarter of 2006 reflect increased costs related to the Company being a public issuer on the TSX-V since September 2006. In the current quarter exploration expenditures totalled \$323,274, including the funding by Sumitomo of \$215,362 for the La Tortuga exploration project. Exploration expenditures totalled \$1,704,586 for the year ended December 31, 2007, being an increase from the total of \$572,426 for the year ended December 31, 2006. Funding from Sumitomo for the La Tortuga concession totalled \$723,688 since the commencement of the agreement signed on August 20, 2007 which reflects the declining trend in reported deferred exploration expenditures.

## **8. 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 ongoing drilling programs 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 increased level of expenditure.

The Company's cash resources are considered sufficient to enable the Company to continue evaluative work on its properties in the short term, but additional funds will be required going forward.

## **9. RELATED PARTY TRANSACTIONS**

Accounts payable and accrued liabilities include amounts due to an officer and director of the Company in the amount of \$3,091 (June 30, 2007 - \$Nil). This liability was incurred in the normal course of business and is unsecured, non-interest bearing and has no fixed terms of repayment.

During the three months ended June 30, 2008, the Company incurred management and geological consultancy fees of \$66,281 (2007 - \$80,451) with respect to management services provided by officers and directors of the Company and its wholly owned subsidiary. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties. Of the total amount, \$36,000 (2007 - \$45,000) was charged to operations for officers of the Company, and \$29,667 (2007 - \$35,451) was capitalized as a component of the Company's mineral properties and deferred exploration expenditures.

## **10. DISCLOSURE AND INTERNAL CONTROLS**

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the interim financial statements and (ii) the interim financial statements fairly present in all

material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the interim financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **11. CHANGE IN ACCOUNTING POLICIES**

### **Capital Disclosures and Financial Instruments – Disclosures and Presentation**

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

#### **Capital Disclosures**

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim financial statements.

#### **Financial Instruments**

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim financial statements.

## **12. FUTURE ACCOUNTING CHANGES**

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

Goodwill and Intangible Assets

In October 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

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

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, and currency risk, as well as environmental risk. All of these factors are potentially subject to significant change, out of the Company's control, however such changes are not determinable. Failure to conduct additional work on its exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation include the use of a Black-Scholes option pricing model which has its limitations and the use of estimates when stock options might be exercised and stock price volatility. While these factors could have a material impact on stock-based compensation expense and hence the results of operations, stock-based compensation is a non-cash item and there would be no impact on the Company's financial condition.

## **14. 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.
- vi) local community and landowner opposition to access mineral rights.

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. The Company 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 expenditure 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, the Company 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 Company's property interests are located in Mexico, and are subject to that jurisdiction's laws and regulations. The Company 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 Company.

**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.

## **Disclosure of Forward Looking Statements**

This MD&A includes certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to joint venture operations, actual results of current exploration activities, changes in project parameters as plans continue to be refined, unavailability of financing, fluctuations in precious and/or base metals prices and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**August 20, 2008,**

(Signed) "Andrew Thomson"  
Andrew Thomson  
President and Chief Executive Officer

(Signed) "Douglas Reeson"  
Douglas Reeson  
Chief Financial Officer