



## SOLTORO LTD.

### **MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2009**

*This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Soltoro Ltd. ("Soltoro" or the "Company") for the year ended December 31, 2009. The MD&A was prepared as of April 23, 2010 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009, including the notes thereto. These consolidated financial statements, which were prepared in conformity with Canadian generally accepted accounting principles as a going concern and are expressed in Canadian dollars unless otherwise indicated and 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. PROPERTY PORTFOLIO**

##### **El Rayo Silver Gold Project**

The El Rayo 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 Golden Predator Mines Inc. (formerly "Fury Explorations Ltd."). Golden Predator'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.

There is good access to the El Rayo 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 Consejo de Recursos Minerales government geological 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. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources. Soltoro is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.

The Company is investigating the property for the potential to host a bulk mineable silver-gold-lead deposit. In 2007, the Company completed a 5,530 metre orientation diamond drill program. The 2007 drill program confirmed that additional drilling within the historic resource area and along the north-west and north-east mineralized extensions was warranted. 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.

The mineralized El Rayo and Las Bolas structures are contiguous and have been traced over 5 kilometres. Mineralization along the north-east trending Las Bolas structure has been defined over a 1.7 kilometre strike length to date. The 2007 orientation drill program primarily tested the southern portion of the Las Bolas structure over a 700 metre strike length with every drill hole intercepting mineralization. A decision to drill along the 500 metre north-east extension beyond the historic resource area was made to demonstrate the consistency of the mineralization within the Las Bolas structure and to add to the historic resource. Little to no drilling had previously been carried out in this area.

On June 17, 2008, Soltoro started a resource definition reverse-circulation drill program along in the Las Bolas mine area. Two reverse-circulation holes twinned prior diamond core drilling in order to compare the mineralization intersected by these two methods and in the hope of obtaining a more representative sample given the less than 70% recoveries obtained with the diamond drill. Results from the twinned holes were as follows:

Line	Drill Hole	From:	To:	Width: (Metres)	Silver gpt	Lead %
S4	RAY08-RC01	69.0	88.5	19.5	184	0.60
S4	RAY-07-38	64.5	84.0	19.5	187	0.13
S12	RAY08-RC41*	45.0	76.5	31.5	113	0.26
S12	RAY-07-11	49.1	84.2	35.1	92	0.04

RAY08-RC01, the first twinned hole drilled along the Las Bolas structure using a percussion drill, returned a near identical result as diamond drill hole RAY-07-38, which served to confirm that percussion drilling is an effective method for drilling along the Las Bolas structure. Recovery in RAYO-RC01 and RAY07-38 were near 100%. RAY08-RC41, twinned diamond drill hole RAY-07-11. This is an area where previous diamond drilling achieved only a 70% core recovery due to poor ground conditions. Recovery utilizing percussion drilling in this area was 100% and assay values improved by roughly 30%.

During the 2008 program ten sections at 50 metre spacings were completed. Along each section four holes were drilled to intersect the vein structure at 25 metre intervals down the predicted dip. Results of all 10 sections are summarized as follows:

Line	Drill Hole	From:	To:	Width: (Metres)	Silver gpt	Lead %
S1	RC22	64.5	118.5	54.0	74	0.22
	including	103.5	117.0	13.5	152	0.68
S1	RC23	63.0	81.0	18.0	55	0.01
	including	78.0	81.0	3.0	129	0.12
S1	RC24	42.0	49.5	7.5	26	0.04
S1	RC25	21.0	25.5	4.5	10	0.05
S2	RC19	21.0	27.0	6.0	67	0.03
S2	RC20	45.0	57.0	12.0	104	0.08
	including	48.0	54.0	6.0	149	0.08
S2	RC21	49.5	79.5	30.0	96	0.25
	including	67.5	73.5	6.0	181	0.08
S2	RC28	81.0	127.5	46.5	143	0.27
	including	99.0	118.0	19.5	261	0.56
	including	99.0	114.0	15.0	311	0.71
S3	RC18	18.0	31.5	13.5	153	0.92
	including	21.0	27.0	6.0	263	1.85
S3	RC17	27.0	57.0	30.0	122	0.13
	including	36.0	52.5	16.5	165	0.18
S3	RC26	60.0	82.5	22.5	139	0.13
	including	64.5	81.0	16.5	175	0.16
S3	RC27	96.0	126.0	30.0	148	0.22
	including	99.0	117.0	18.0	218	0.34
S4	RC03	21.0	33.0	12.0	103	0.28
S4	RC02	33.0	55.5	22.5	176	0.14
S4	RC01	69.0	88.5	19.5	184	0.60
S4	RC29	90.0	134.5	49.5	84	0.11
	including	115.5	136.5	21.0	118	0.07
S5	RC11	28.5	36.0	7.5	58	0.04
S5	RC13	43.5	76.5	33.0	77	0.09
	including	60.0	70.5	10.5	136	0.15
S5	RC14	69.0	102.0	33.0	105	0.13
	including	81.0	93.0	12.0	179	0.22
S5*	RC30*	60.0	150.0	90.0	150	0.20
	including	111.0	144.0	33.0	138	0.13
S5*	RC30 cut value*	60.0	150.0	90.0	99	0.20

*All intersections are reported as drill lengths. True widths are not known at this time but are believed to be close to drilled width based on lithology and drill orientation.*

*\* 4,004 gpt silver was returned over 1.5m, the cut value represents a cut off value of 1,000 gpt silver*

Line	Drill Hole	From:	To:	Width (Metres)	Silver gpt	Lead %
S6	RC09	39.0	46.5	7.5	120	1.27
S6	RC10	58.5	70.5	12.0	92	2.07
	including	58.5	67.5	9.0	103	2.04
S6	RC12	60.0	100.5	40.5	61	0.23
	including	79.5	85.5	6.0	91	0.10
S6	RC16	123.0	153.0	30.0	69	0.23
	including	124.5	138.0	13.5	72	0.08
	including	124.5	132.0	7.5	74	0.09
S7	RC08	31.5	48.0	16.5	155	4.68
	including	33.0	43.5	10.5	203	6.09
S7	RC06	54.0	100.5	46.5	80	1.19
	including	58.5	73.5	15.0	120	3.08
S7	RC15	87.0	100.5	13.5	74	0.38
	including	88.5	91.5	3.0	98	0.53
S7	RC31	172.5	181.5	9.0	31	0.15
S8	RC04	4.5	33.0	28.5	87	0.16
	including	4.5	18.0	13.5	110	0.26
S8	RC05	27.0	55.5	28.5	85	0.17
	including	27.0	45.0	18.0	103	0.22
S8	RC07	61.5	66.0	4.5	51	0.14
	RC10	58.5	70.5	12.0	92	2.07
S8	RC32	87.0	102.0	15.0	51	0.38
S9	RC36	3.0	34.5	31.5	107	0.54
	including	4.5	21.0	16.5	147	0.93
S9	RC33	27.0	39.0	12.0	124	1.14
S9	RC37	49.5	58.5	9.0	63	0.1
S9	RC38	70.5	79.5	9.0	73	0.07
S10	RC34	19.5	34.5	15.0	46	0.12
S10	RC35	45.0	51.0	6.0	51	0.06
S10	RC39	76.5	94.5	18.0	61	0.04
S10	RC40	109.5	120.0	10.5	87	0.05
	including	111.0	115.5	4.5	117	0.05

*All intersections are reported as drill lengths. True widths are not known at this time but are believed to be close to drilled width.*

In September and October of 2008, further mapping and sampling was carried out along and surrounding the north-eastern extension of Las Bolas in an attempt to understand the mineralization encountered in the drilling. Several new mineralized structures were identified in the hanging-wall of the main mineralized trend to the northwest .which appear to correspond with zone drill intercepts. A location map showing all the drill sections can be viewed at [www.soltoro.com/pdf/DS2008RCRAYO.pdf](http://www.soltoro.com/pdf/DS2008RCRAYO.pdf) .

Due to a lower silver price and volatile financial markets for most of 2008, the resource drilling program was limited to 40 RC drill holes. Work programs were later carried out to drill test the south-western portion of the Las Bolas structure including deeper drilling along the entire structure to identify the source and depth of the vein systems and to drill test the gold zone along the north-western extension of the El Rayo structure. In the first quarter of 2009, silver prices recovered and several property tours were conducted with potential joint venture partners. In April of 2009, a third party consultant was hired to provide a target deposit calculation on the 650m long portion of the Las Bolas structure where resource drilling was carried out in 2008.

Results from the independent target deposit estimate prepared by GeoVector Management Inc. (“GeoVector”) are as follows:

**Target Deposit Potential – Las Bolas Deposit - April 2009**

<b>Potential Tonnage Range (tonnes)</b>	<b>Cut-off Grade Range (gpt)</b>	<b>Silver Grade Range (gpt)</b>	<b>Potential Silver Inventory (ounces)</b>
4.2 to 5.6 million	40 to 60	100 to 117	16.0 to 18.0 million

The independent report completed by GeoVector concludes, “The Bolas has excellent potential to increase its tonnage base, both down dip, and along strike. It is conceivable, based on the current drilling and the historical production areas along strike, that expansion drilling could bring the total Bolas structure (approximately 1.7km long) to 25-35Mt and 90-110M oz Ag. To test this potential it is suggested that Soltoro should carry out a program of aggressive expansion drilling, looking +/- 100m down dip below current drilling, and on 100-200 meter sections extending along strike in both the northeast and southwest directions.”

The reader should be cautioned that the potential quantities and grades reflected above and in the target deposit potential table are conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

In June of 2009, Laboratorio Tecnológico de Metalurgia LTM S.A. de C.V. located in Hermosillo, Mexico, was retained to carry out a series of metallurgical tests on two separate rock types: 1) hematite matrix breccia containing gold from the El Rayo structure and 2) oxide silver material from the Las Bolas structure. A series of bottle roll tests were completed at different grind sizes ranging from -3/8 inch to -100 mesh. At the coarse size of -3/8 inch the gold recovery by cyanide leaching of the El Rayo gold material was 93.8% after 48 hours. At the same size grind, samples from the Las Bolas silver structure returned recoveries between 74.3% and 86.9% for the gold and between 23.8% and 29.0% for the silver after 48 hours. At the finer grind size of -100 mesh, material from the Las Bolas silver structure returned recoveries of 83.8% for gold and 64.3% for silver after 48 hours and rose to 100% for gold and 78.6% for silver after 120 hours. Column testing is being considered for the El Rayo structure gold material based on the high leaching percentage, while further studies are planned to optimize the silver recovery from the Las Bolas structure.

In June of 2009, a program of geochemical soil sampling was completed to test a possible gold rich flexure in the El Rayo structure which consisted of “B” horizon soil samples taken at 10 metre spacings along eight lines oriented to cross the structure perpendicularly. Results ranged from the detection limit up to 1.89 gpt gold. Each line was sampled over an 80 to 120 metre length with further soil sampling warranted on most lines. All lines returned strong gold anomalies and generally corresponded to pieces of quartz float material in the soil which appears to be weathering off the original vein below the soil development. This zone remains open to the north-west. To view a map showing the extension zone interpretation please visit: <http://www.soltoro.com/pdf/rayosoil2009.pdf>.

This northern extension is 1 km long and open along strike to the northwest. In July 2009, the second of two trenches over this anomaly located a vein with the following results:

<b>Structure</b>	<b>Trench #</b>	<b>Interval (m)</b>	<b>Gold (gpt)</b>
El Rayo	2	22.5	2.19
	including	7.5	5.36

Sampling of El Camino, a gold bearing zone approximately 900 metres south south-west of, and trending sub-parallel to, the El Rayo structure returned:

Structure	Type	Interval (m)	Gold(gpt)
El Camino	Channel	1.2	0.2
El Camino	Channel	1.3	3.2
El Camino	Channel	1.2	4.6
El Camino	Channel	0.8	4.6
El Camino	Channel	6	0.7

A location map showing trench values along the El Rayo structure (including 2007 results), 2009 drill pad locations and the location of the El Camino vein can be found at:

<http://www.soltoro.com/pdf/ElRayotr2009.pdf>.

Trenching was also carried out at the 650 metre long Highway Zone, located at the ‘V’ junction between the Las Bolas and El Rayo structures. The mineralized veins at surface in the El Rayo and Las Bolas zones have an average width of between 6 and 8 metres. The surface expression of the Highway Zone is significantly broader than that of the Las Bolas zone where previous sampling along a road cut returned a 34 metre width of 65 gpt silver. During the program, 13 new trenches were completed over the hill west of the Highway Zone road cut where two historic underground mines are located and various trenches were extended from the first phase of trenching. Highlights of the program are presented in the table below include prior sampling carried out along the road cut:

Structure	Trench #	Interval (m)	Silver (gpt)	Lead %
Hwy Zone	Road Cut	34	65	0.45
Hwy Zone	H-T9	1.5	75	0.2
Hwy Zone	H-T10	19.5	69	1.6
	Including	7.5	81	1
	And	4.5	98	0.9
Hwy Zone	H-T10	6	78	1.1
	(down shaft) <sup>(1)</sup>			
Hwy Zone	H-T11	23	66	0.19
	Including	17	71	0.21
Hwy Zone	H-T12	44	65	0.21
	Including <sup>(2)</sup>	16	95	0.28
	Including <sup>(2)</sup>	16	61	0.21
Hwy Zone	H-T13	4	57	0.18

<sup>(1)</sup>Channel sample taken 10 metres below surface in historic cross cut

<sup>(2)</sup> Each 16m interval represents a separate zone

A location map showing the Highway Zone trenches and values can be found at

<http://www.soltoro.com/pdf/HwyZtr2009.pdf>.

In September of 2009, seven new trenches were completed south-west of the Las Bolas mine as follows:

Structure	Trench #	Interval (m)	Silver (gpt)
Las Bolas	B-T1	14.8	110
	including	12.8	130
Las Bolas	B-T2	14	82
Las Bolas	B-T3	13	46
Las Bolas	B-T4	10	59
	including	8	68
Las Bolas	B-T5	10	73
	including	6	103
Las Bolas	B-T6	8	26
Las Bolas	B-T7	10	55

A location map along with cross sections of the Las Bolas trenches can be found at <http://www.soltoro.com/pdf/SWLasBolastr2009.pdf> .

From October through December 2009, additional reverse circulation drilling was completed at Las Bolas and along the gold-in-soil geochemical anomaly at the northern extension of the El Rayo structure, as well as along the Highway Zone. A total of 5,620.5 metres was completed in 32 holes (R09-RC42 to R09-RC74). A further 5,952 metres of drilling was completed from January to March of 2010 (holes R10-RC75 to R10-RC116).

In October, 2009, a contract was given to Hrayr Agnerian, M.Sc., P. Geol. to complete a NI 43-101 compliant resource on Las Bolas silver zone once the drill program was complete. Mr. Agnerian visited the property to review field procedures and verify data from 19 to 22 of October, 2009. One of Soltoro's advisory board members also visited the property in December of 2009.

Drilling began with two deep holes on the Las Bolas silver Structure. Results from the first two holes drilled have been returned as follows:

Section Line	Drill Hole	From (m)	To (m)	Interval (m)	Silver gpt
S4	RC42	72	207	135	62
S4	including	72	75	3	546
S4	including	142.5	165.5	23	71
S4	including	184.5	207	22.5	117
S5	RC43	69	84	15	50
S5		148.5	157.5	9	59
S5	including	153	156	3	93
S5		219	223.5	4.5	93
S5		281	297.5	16.5	62

RC42 was successful in increasing the down-dip extent of the oxide silver mineralization by a further 50 metres for a total 150 metres below surface. RC43 located mineralization 200 metres down dip from surface. Cross-sections of these two holes are at can be viewed at: <http://www.soltoro.com/pdf/Bolasdeepholes.pdf>

The drill was then moved to test the 250 metre long gold-in-soil geochemical anomaly at the northern end of El Rayo structure. Results were returned as follows:

<b>Section Line:</b>	<b>Drill Hole:</b>	<b>From:</b>	<b>To:</b>	<b>Interval:</b>	<b>Gold: (gpt)</b>	<b>Silver: (gpt)</b>
R15	RC44	43.5	46.5	3.0	0.5	11.8
	and	49.5	51.0	1.5	0.2	86.6
R15	RC45	77	80	3	0.71	4.8
R16	RC50	124.5	151.5	27	0.7	6.3
	including	135	139.5	4.5	1.58	3.6
R17	RC46	34.5	60	25.5	1.8	15.1
	including	42	55.5	13.5	3.2	24.1
R17	RC49	87	121.5	34.5	0.57	4.3
	including	115.5	120	4.5	2.17	10.3
R18	RC47	40.5	54	13.5	1.71	3.5
	including	40.5	49.5	9	2.43	4.6
	including	48	52.5	4.5	5.4	11.9
R18	RC48	81	121.5	40.5	0.88	2.8
	including	81	87	6	1.23	4.6
	and	108	118.5	10.5	2.02	3.1

In November of 2009, reverse-circulation drilling in the Las Bolas silver zone was resumed and returned the following results:

<b>Section Line:</b>	<b>Drill Hole:</b>	<b>From:</b>	<b>To:</b>	<b>Interval:</b>	<b>Silver: (gpt)</b>
S5	RC54	37.5	40.5	3	88
		57	60	3	47
		79.5	87	7.5	51
		93	96	3	51
	including	142.5	222	79.5	67
		196.5	222	25.5	119
		204	220.5	16.5	161
S2	RC55	63	187.5	124.5	60
	including	138	187.5	49.5	101
	including	150	184.5	34.5	125
S8	RC56	162	188	26	80
	including	174	188	14	108
S10	RC57	145.5	180	34.5	58
	including	156	169.5	13.5	79
S12	RC58	141	147	6	79
S12	RC59	178.5	193.5	15	55
S14	RC65	196.5	202.5	6	57
S14	RC66	195	208.5	13.5	50
	including	195	201	6	65
S7	RC67	15	24	9	69
		40.5	46.5	6	62
		75	85.5	10.5	55
		135	150	15	55
N4	RC69	93	102	9	100
	including	96	102	6	127
N2	RC71	54	94.5	40.5	57
	including	57	61.5	4.5	91
S3	RC74	72	78	6	73
		225	267	42	104
		including	241.5	265.5	24

These drill results make up part of the 950 metre long strike length drill results returned along the Las Bolas structure being used to calculate a NI 43-101 compliant silver resource. The NI 43-101 resource report was still pending as of the writing of this MD&A.

An additional 7 RC drill holes were completed north east along strike from of the resource area at 200 metre spacings to test the structure at approximately a 100 metres depth and returned no economic values. The structure continued to have a width of approximately 10 metres with strong hematite but with less silicification and more calcite.

Drilling along a 460 metre long section of the Highway Zone structure returned:

Section Line:	Drill Hole:	From:	To:	Interval:	Silver: (gpt)
H7S	RC75	22.5	69	46.5	75
	including	28.5	51	22.5	88
H2S	RC77	9	28.5	19.5	92
	including	10.5	19.5	9	141
H5S	RC78	15	51	36	74
	including	34.5	49.5	15	105
H3S	RC79	60	72	12	220
	including	64.5	66	1.5	978
H3S	RC82	9.0	40.5	31.5	113
	including	16.5	27.0	10.5	236
H2S	RC87	49.5	55.5	6.0	91
		73.5	82.5	9.0	124
H1S	RC88	81	90	9.0	63

Two further RC drill holes were completed in proximity of the historic Matachines mine located to the south of the resource area and returned the following results.

Section Line:	Drill Hole:	From:	To:	Interval:	Silver: (gpt)
S20	RC96	147.0	156.0	9	49
S18	RC97	100.5	118.5	18	70
	Including	100.5	109.5	9	98

Further drilling in the area of the gold-in-soil geochemical anomaly at the northwest end of El Rayo included a reverse circulation (RC) twin (RC89) of previous diamond hole Ray07-35 in order to evaluate the alternative sampling techniques. The results were returned as follows:

Section Line:	Drill Hole:	Structure	From:	To:	Interval:	Gold: (gpt)
R10*	RC89	El Rayo	64.5	102	37.5	2.72
R10	Ray07-35**	El Rayo	64.5	102	37.5	1.83

\* Note: the sections lines were re-labelled using metres starting from the south and R10 is equivalent to R-775

\*\*Previously announced diamond drill hole NR30 September 2007

In November 2009, an additional 11 shallow reverse-circulation holes were drilled at 50 metre separations along strike to test the area with previously identified anomalous trench results for a 700 metre long section to the immediate south west of the gold-in-soil geochemical anomaly. Select drill results are as follows:

Section Line:	Drill Hole:	From:	To:	Interval: (metres)	Gold: (gpt)	Silver: (gpt)	Lead %	Zinc %
R-075	RC111	36.0	49.5	13.5	0.49	17	0.89	0.26
R-125	RC107	45.0	49.5	4.5	0.15	117	3.11	3.28
R-175	RC108	43.5	54.0	10.5	1.24	43	2.06	0.83
R-225	RC109	36.0	45.0	9	0.46	11	0.28	0.28
	including	36.0	39.0	3	0.95	13	0.27	0.23
R-275	RC110	9.0	16.5	7.5	0.60	12	0.41	0.06
	including	9.0	12.0	3	1.08	20	0.55	0.04
	RC110	46.5	54.0	7.5	0.85	37	0.50	0.12
R-325	RC106	22.5	34.5	12	0.54	10	0.25	0.13
	including	22.5	27.0	4.5	0.8	11	0.35	0.17
R-375	RC112	55.5	57.0	1.5	0.70	16	0.26	0.13
	RC112	78.0	84.0	6	0.36	7	0.27	0.33
R-475	RC105	33.0	37.5	4.5	0.50	37	2.80	3.30
	RC105	64.5	69.0	4.5	0.51	15	0.56	0.75
R-525	RC104	45.0	57.0	12	0.98	32	0.34	0.27
R-625	RC102	45.0	55.5	10.5	1.50	8	0.25	0.36
R-675	RC101	48.0	51.0	3	1.16	13	0.28	0.29

Results from this shallow drilling program confirm that the structure continues over the additional 700 metres tested, bringing the total length of the zone to the 1,000 metres as initially identified through trenching. The structure pinches and swells both along strike and at depth. Follow-up drilling is being considered to better understand the potential at depth.

Four additional RC drill holes were completed at 200 metre separations along the overall El Rayo mineralized trend to test the a 1,400 metre long gap between the 1,000 metre long gold zone at the northwest end and the historical Catarina mine to the southeast. While these holes intersected significant widths of brecciated quartz , up to 58 metres wide, none of the assayed samples contained any economic mineralization.

Mapping completed to the south of the El Rayo Mine area delineated three separate mineralized structures, namely: the previously identified El Camino vein which has now been traced over a 1 km strike length; the newly identified Esmeralda vein; and the La Loma stockwork zone. Sampling and trenching has been completed for the El Camino and Esmeralda epithermal banded veins, both of which are anomalous in gold, silver and copper, while assays are pending for the La Loma stockwork samples. A 0.7 metre chip-channel sample from El Camino assayed 2.56 gpt gold, while a second sample, a further 275 metres along strike, assayed 2.7 gpt gold from a 1.0 by 1.0 metre chip panel. Samples from a dump from an old working assayed 11.65 gpt gold and 493 gpt silver. Samples from the Esmeralda vein were anomalous along the entire 1,075 metres which was sampled with a high of 0.90 gpt gold from a 1.0 by 2.0 chip panel. Both veins are pinching and swelling along strike with an average width of about 1 m with swells up to 3 or 4 metres wide.

Detailed mapping has been completed along the surface portion of the Catarina Mine on the El Rayo structure south of the gold zone. Further drilling is planned to test the Catarina mine area and the El Camino gold zone with a view to defining further silver and gold resources.

### **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 the same region as El Rayo. 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”). Under the terms of the letter of intent, Sumitomo could earn a 51% interest in the property by contributing US\$4,000,000 in expenditures over the next five years. In January of 2009, Sumitomo advised Soltoro that it intended to terminate its option to earn an interest in the La Tortuga project subject to receiving the results from the first two drill holes of a planned 2,000 metre drill program that commenced in December 2008. On February 5, 2009, all assay results for these holes were submitted to Sumitomo. Upon review of the results and due to current economic conditions, Sumitomo elected to withdraw from its option to earn an interest in La Tortuga. During the term of the option Sumitomo contributed a total of CDN\$1,154,773 in exploration expense and terminated the option without earning any interest in the property. Final settlement of the accounts resulted in Soltoro Ltd. repaying Sumitomo US\$200,000 in prior advances. Soltoro-Mexico retains 100% title interest to the La Tortuga concession.

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 Garrochas 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 outlined several zones of mineralization. The Company’s exploration programs at La Tortuga were designed to determine whether a large mineralized porphyry copper type deposit is responsible for the various styles of mineralization seen on the property.

In 2006 and 2007, the Company completed Induced Polarization (“I.P.”) surveys covering 102 line-km which outlined a 4 km by 0.6 km I.P. anomaly. In August 2007, following these initial I.P. surveys the property was optioned to Sumitomo. In November 2007 an additional 10 line-km pole-dipole I.P. survey was completed over a portion of a 4 km by 0.6 km chargeability anomaly identified in the earlier program in order to more precisely define source depth of these chargeability anomalies. Soltoro retained Sumiko Consultants of Japan to complete 2D inversions of the I.P. data. Samples collected from mapping were stained to evaluate the extent of potassic alteration on the property, and the results outlined an anomalous area immediately to the west of an area known as Papagayo ridge. This potassic alteration zone coincides with the strongest area of pole-dipole chargeability. Subsequently, a diamond drill program was carried out to test what were considered the most favourable targets for porphyry copper-gold mineralization in the area of Papagayo ridge.

Drilling of the area of Papagayo ridge area in January to March 2008 totaled 2,005 metres in five holes. These holes intersected extensive potassic alteration of intrusive rocks which had been affected by at least five phases of fracturing, brecciation and quartz veins. No copper mineralization was encountered, with the chargeability anomalies likely caused by disseminated pyrite.

In November of 2007, reconnaissance mapping and sampling of the Lauralito Area, on the south-east extension of the La Tortuga claim, 10 km to the east of Papagayo Ridge, identified a 10 square kilometre copper-gold zone which was considered to be favourable for porphyry style mineralization. Four channel samples and two samples from surface dumps returned over 1% copper. A sample from a historic dump at El Macho contained 3.7% Cu, while a channel sample over 2 metres from the Natividad Prospect assayed 2.73% Cu. A 1.2 metre chip sample from a prospect known as Labor del Cerro returned 12.6 gpt Au, 1.32 % Cu and 18.4 gpt Ag. These prospects extend over a 4.5 kilometre long trend which straddle a large magnetic high in an area of outcrops of granodiorite and diorite intrusions. In April 2008 an I.P. survey over 32.5 line-kilometres in the Lauralito zone outlined weak chargeability anomalies, none of which were considered to be of sufficient size to justify drilling.

In the third and fourth quarters of 2008, follow-up mapping and sampling were completed in the historic Las Garrochas and Macuchi mine areas with a view to drilling beneath the shallow working in order to locate a significant copper deposit. In October 2008, three lines of pole-dipole I.P., each 2 km long were completed in the area of the historic Las Garrochas mine where earlier I.P. surveys had identified a zone of chargeability anomalies. The Las Garrochas and Macuchi mines were last mined at the turn of the 19<sup>th</sup> century for gold and silver. Significant copper assays up to 9% Cu have been obtained from both from mapping, sampling and drilling from the 1990's by companies other than Soltoro as well as from Soltoro's sampling programs.

Geological mapping at Las Garrochas identified additional intrusive phases. Several significant chargeability anomalies were located along the third I.P. line north-east of Las Garrochas mine. Mapping and sampling at Macuchi, outlined two separate zones of hematite-matrix mega-breccia with specularite, indicating the possibility for iron-ore-copper-gold mineralisation ("I.O.G.C.") on this part of the property. Two third party consultants visited the property and confirmed the I.O.C.G. potential following which Sumitomo and Soltoro decided to drill seven diamond holes, three to test Las Garrochas area and four holes to test the I.O.C.G. target in the Macuchi area.

Of the three holes at Las Garrochas, two were to explore the chargeability anomaly at a depth of 300 metres, while the hole to test below the historical mine at a depth of 500 metres. The first two holes were completed prior to Sumitomo's decision to withdraw from the project. They intersected substantial pyrite, thereby explaining the cause of the I.P. chargeability anomaly, but failed to locate any copper mineralization. The third hole was never drilled.

In January and February 2009, following Sumitomo's decision to withdraw from the project, Soltoro tested the potential at depth in the area of the historical Macuchi mine for more extensive I.O.C.G. mineralization. A total of 1,005 metres of core drilling was completed in four holes which intersected several specularite hematite-matrix mega-breccias. Hole Mac09-03 intersected a narrow intervals with specularite veins with gold, silver and copper as follows:

Drill hole	Sample	From	To	Interval - m	Gold-gpt	Silver-gpt	Cu %
Mac09-03	697390	223.0	225.0	2.0	0.318	0.7	0.04
Mac09-03	697394	230.0	231.5	1.5	0.045	35	1.74

A report summarizing all of the work conducted during the course of the joint venture with Sumitomo was completed in April of 2009.

In July 2009, a geophysical operator was contracted to carry out 80 line kilometres of ground magnetics over the Macuchi area in order to better understand local structures and their relationship to the magnetic rocks, as well as the potential of the area for I.O.C.G. style mineralization. Results of this magnetic survey were received on November 23, 2009 and are being evaluated by the Company to help guide future work. The Company is seeking a joint venture partner to carry out further exploration on the property.

### **Quila Bulk Tonnage Copper Gold Silver 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 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 could acquire a 70% interest in Soltoro’s Quila property by issuing a total of 500,000 shares to Soltoro and spending US\$3,000,000 on exploration over five years. Once Southern Silver has earned its option in the property, Soltoro would retain a carried 30% interest until delivery by Southern Silver of a definitive feasibility study and thereafter would participate as a 30% working interest partner.

On July 5, 2007, Southern Silver’s Mexican subsidiary acquired the “Altavista Del Ramos”, a 91 hectare concession within the Quila claim block. The property is subject to the terms of the earn-in agreement. The claim was subsequently dropped in the summer of 2009.

In September 2007, Southern Silver provided Soltoro with an exploration update which included mapping, sampling and the results of an I.P. survey. Drilling later tested a 1.5 km by 0.5 km chargeability anomaly. Southern Silver completed hole 07QU-01 on the Quila claim in early 2008, which intersected several intervals of moderate to strong argillic alteration and pyrite.

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.

On November 3, 2008, Southern Silver issued a press release stating they had completed 1,020 metres of core drilling in five holes in the Altavista de Ramos area. Drilling targeted widespread copper-gold-bearing hematite-specularite breccias and quartz-sulphide veins and returned thick intervals of highly anomalous gold and copper in two holes ranging from 27.1 metres averaging 0.1 gpt gold and 0.15% copper in drill hole QAL08-05 and 0.02 gpt gold and 0.28% copper in drill hole QAL08-03. The option held by Southern Silver on this property was allowed to lapse in the summer of 2009.

Additional drilling targeted the El Texcalame area where two drill holes were completed for a total of 418.4 metres. Drilling intersected a strongly fractured zone over 90 metres containing traces of chalcopyrite, bornite and native copper throughout the interval and returned 1 to 7.8 metre thick intervals of strongly anomalous copper ranging from 0.1% to 0.6%.

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 styles and distribution of alteration and mineralization throughout the entire Quila concession, and particularly the association of copper and gold mineralization with iron-oxides such as hematite, specularite and magnetite indicate a large-scale I.O.C.G.-style target. Within this framework Southern Silver concentrated its exploration activity on five favourable areas in the northern part of the Quila concession, namely Altavista, Texcalame, San Jose de Pena, Minas de Claudio and Los Copales. The gold, silver and copper mineralization in these areas was to be explored by detailed mapping, sampling and ground geophysical surveys, to be followed by diamond drilling.

Timmins Gold Corp. holds a 234 hectare claim known as the Cocula Project within Soltoro's 22,760 hectare Quila claim. On February 17, 2009, Timmins Gold announced assay results of a 26 hole, 1,974 meter reverse circulation drill program at Cocula. Timmins Gold has identified a bulk tonnage gold target with a potential low strip ratio. The Cocula discovery occurs on the flank of a magnetic high. This discovery supports Southern Silver's theory that a much larger potential I.O.C.G. or porphyry mineralized system underlies the Quila claim and may be responsible for the numerous mines and surface showings within the 'Minas De Ameca' district.

On January 13, 2010, Soltoro received notice from Southern Silver Exploration Corp, that they would not proceed with their earn-in option. Southern Silver subsequently provided a data package detailing all of the work carried out to the date of termination of the option and reported a total expenditure of CDN\$ 814,640. The Company currently holds 200,000 shares in Southern Silver. Soltoro retains a 100% interest in the property.

## **El Santuario Gold Project**

On November 10, 2006, Soltoro-Mexico received 100% title interest to the 2,000 hectare El Santuario property in the Cardinal mining district in the state of Hidalgo, to cover the historic San Clemente gold district. The San Clemente district is located approximately 70km NW of Pachuca, which is the largest Ag and second largest Au mine in Mexico having produced over 1.1 B oz. of Ag and 7 to 10 M Oz. of Au. Access to the property is very good with paved highways reaching both the east and west sides of the property and electric power servicing the small towns also located on the east and west sides. The property is at an elevation of between 2200 and 2700 masl and has a climate that is workable year round.

Numerous old gold mines are distributed across the property as well as a dozens of prospect pits. The last mine worked was the San Severano Mine during the 1950's which operated continuously for 6 years, milling the material at the mouth of the adit, then packing out the crushed material by mule train. The adit to San Severano is almost completely blocked by talus from the slope above, but could easily be reopened. One of the mine workers still lives in San Clemente and acted as a guide for initial Soltoro property visits. Other mines in the zone closed earlier and are partially collapsed now. The area was put into a National Mineral Reserve in the 1970's and extensive mapping and sampling was completed by the Consejo de Recursos Minerales in the early 1980's. Soltoro has acquired some but not all of the old reports from this work period.

A six day initial geological program was completed at Santuario in January 2007 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 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. Title to the Sant claim was granted on October 30, 2008.

In April of 2009, a follow-up geologic mapping and sampling program was completed at Santuario to confirm reports from locals that visible gold has been observed in areas outside the known mine areas. The program confirmed that there are numerous prospects and other old mines outside the previous known area of approximately 600m by 600m. The area of known mineralization now extends about 3km NE-SW to the northern side of the property within the newly titled Sant claim. The mineralization was found to be related to a series of rhyolite dikes that cuts the host andesite package and a possible rhyolite flow dome. A series of stream sediment samples were collected to help identify new areas of mineralization along with a number of rock samples from the newly located mines. Results confirm that mineralization continues outside of the previously known area into a soil covered area with no workings. Soil sampling is being planned to follow-up in this newly prospective area. In August of 2009, a third party consultant was retained to produce an independent geological report on the area. A final report was completed in September of 2009. The report was produced to be used in conjunction with seeking a joint venture partner for the property.

### **Chinipas Gold Project**

On February 6, 2008, Soltoro-Mexico received 100% title to the 1,371 hectare Chinipas property and on July 14, 2009 received 100% title to an additional 50 hectare internal concession to hold a total 1,421 hectares in the state of Chihuahua. The property is located in the western portion of the Sierra Madre Occidental, one of the worlds’ largest and most prolific epithermal gold and silver belts. Soltoro’s Chinipas Property is located 14km NNE of the town of Chinipas and 16km NNW of the new Palmarejo Au-Ag Mine. The property can be accessed year round on gravel roads from Chinipas. The town of Guadalupe de Victoria is on the north boundary of the claim and has a serviceable airstrip for small plane access. The local town also provides local labour for working on the project. Local prospectors have worked a few prospect pits where they have extracted coarse visible gold.

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 tourmaline and pyrite bearing quartz veins and veinlets over a strike length of over 3km’s. 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 February of 2009, a follow-up mapping and sampling program was completed. The property is located in the Lower Series of the Sierra Madre Occidental which is a series of andesite flows intercalated with rhyolite flows and volcanoclastic units. On the property this sequence has been intruded by multiple intrusive units. Mapping confirmed that the veining occurs over 3.4km of strike trending roughly NE-SW by about 500m wide and is hosted in a quartz feldspar porphyry intrusive. The veins vary from very fine to 10’s of cm in width and while there is a prominent direction to the larger veins, there are extensive zones of veinlet stockworks between those larger veins. The host intrusive is also frequently silicified. The intrusive appears to be fault bounded and has zones of iron skarn developed along the contact zone in the SW and along parts of the north boundary. Locally the iron skarn is gold bearing, though little sampling has been done to confirm the continuity or extent of that style of mineralization.

Highlights of the sampling program are shown in the table that follows:

Sample #	Sample Type	Gold-gpt
691717	2m channel	2.92
691755	3m x 3m panel	0.83
691759	3m x 3m panel	2.41
691763	Grab	3.15
691764	4m x 2m panel	0.86
691811	1.3m channel	2.49

In July 2009, the Company conducted a new mapping and channel sampling program to test the distribution of coarse gold within the tourmaline quartz veinlets. All 29 samples collected returned anomalous values with the two highest samples returning 1.58 gpt across 2m and 2.23 gpt across 2m in diamond saw cut channel samples.

### Coyote Silver Gold 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. The vendor will hold a 2% NSR and Soltoro shall have the right to purchase 1% of the NSR for US\$400,000. On November 10, 2008, Soltoro and the vendor signed a ratification letter extending the due date for the US\$20,000 transfer payment for the internal concession to May 12, 2009. On May 12, 2009, Soltoro signed a second ratification letter agreement with the vendor extending the title transfer date to November 12, 2009. Soltoro made a partial payment of US\$5,000 to the vendor on signing with the balance of US\$15,000 due on November 12, 2009. On November 12, 2009, Soltoro signed a third ratification letter agreement with the vendor extending the title transfer date to May 12, 2010. Soltoro made a partial payment of US\$5,000 to the vendor on signing with the balance of US\$10,000 due on May 12, 2010. Soltoro is obliged to pay a further US\$200,000 in advance royalty payments over 4 years from the date of transfer to retain the concessions.

The Coyote concession is a drill-ready silver-gold project where the series of known vein systems cumulatively extends for over 5 kilometres in five principle veins.

Initial sampling by Soltoro returned the following selected values:

Sample #	Channel Length (m)	Gold-gpt	Silver-gpt
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. 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. Mineralization exists over at least a 100m vertical distance.

A mapping, trenching and channel sampling program over the vein systems was completed in September 2008 and returned the following select results:

Trench #	Area	Chip Sample (Width in Metres)	Gold (gpt)	Silver (gpt)
1	San Rafael	1.40	0.03	167
2	San Rafael	2.70	0.06	228
3	San Rafael	2.00	0.16	168
4	San Rafael	1.00	0.35	224
5	San Rafael	12.75	0.10	126
6	San Rafael	0.80	0.13	284
7	San Rafael	3.55	0.09	191
8	San Rafael	3.50	0.01	282
9	El Tajo Sur	2.00	0.35	122
10	Florida	1.00	0.42	123
11	El Tajo	1.60	0.33	427
12	El Tajo	0.55	0.46	176
13	El Tajo	0.90	0.04	117
14	El Tajo	0.75	1.78	348
15	El Tajo	2.00	0.15	445
16	El Tajo	2.40	0.15	440
17	El Tajo	1.40	0.24	216
18	El Tajo	1.65	1.02	110
19	El Tajo	2.10	0.11	199
20	El Tajo	0.30	0.27	364
21	El Tajo Norte	1.90	0.07	164
22	El Tajo Norte	1.10	0.28	145
23	La Manuela	0.80	0.02	133
24	La Colorada	0.50	0.03	184
25	La Colorada	1.10	0.04	250
26	La Colorada	1.50	0.14	272
27	Florida	1.50	0.18	270
28	Florida	2.90	0.18	373
29	Florida	1.50	0.21	187
30	Florida	1.70	0.29	179
31	Florida	0.80	0.06	144
32	Florida	0.40	0.02	140
33	Florida	1.10	0.22	348
34	Florida	0.90	0.05	481
35	Florida	0.45	0.04	302
36	Florida	0.60	0.00	175
37	Boca Ancha	1.50	0.28	498
38	Boca Ancha	3.00	0.07	191
39	Boca Ancha	2.00	0.26	223
40	Boca Ancha	2.00	0.37	172

## **Victoria Project**

Soltoro holds 100% title interest the 10,985 hectare Victoria concession in Jalisco state. A brief field program carried out in April, 2009 returned a strong gold-in-soil geochemical anomaly along the northern extension of the historic Lupita gold-silver mine. One soil sample assayed 1.23 gpt gold, while flanking samples outlined the overall anomaly. A follow-up program was completed in order to further delineate the extent of this target which together outlined gold anomalies over a strike length of approximately 500 metres, corresponding to quartz float observed in the soil. Two collapsed old workings were located in the area of the anomaly, confirming the source of the quartz. The Company has received approval from the applicable government environmental agency for drilling in this area.

On March 2, 2010, Soltoro acquired 100% of the 120 hectare Lupita Mine property by making a US\$25,000 payment on signing, agreeing to advance royalty payments totalling US\$535,000 over 10 years and granted a 2% NSR payable to the vendor. Soltoro may at anytime purchase 1% of the NSR for US\$1,000,000 and apply any advance royalty payments made to the buy-out. The Lupita Mine claim is internal to the Victoria Project and increases the project's area to 11,105 hectares.

In April of 2010, two Soltoro geologists visited to the property in order to prepare for a diamond drill program to test the gold-in-soil anomaly area, below the historical Lupita Mine and possibly to test a mineralized outcrop located south of the Lupita Mine. Drilling is planned in late April of 2010.

## **Gavilan Concession**

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.

## **Peña Grande Concession**

On December 7, 2006, Soltoro Mexico applied for a 31,669 hectare claim in the state of San Luis Potosi. The claim is an alluvium covered area surrounding a strong magnetic high that is thought to be prospective for a Peñasquito style of deposit. In 2007, ASTER data was acquired over the property area which identified numerous areas of silicification, clay alteration and iron alteration. A preliminary evaluation was completed in June 2009 which identified a number of non metallic (clays and marble) prospects within the Soltoro concession as well as locating a sizeable area of skarn alteration. Further work is needed to determine the size and potential of the skarn zone.

## **Margarita Concession**

On April 22, 2009, Soltoro-Mexico received 100% title interest to the Margarita Fracc I and Margarita Fracc II concessions covering a total 1,500 hectares adjacent to the historic Tiamaro mine in the state of Michoacan. Tiamaro is located in a prospective copper district. A brief sampling program was carried out in September 2008 with a third party consultant where quartz veins and quartz veinlet stockworks hosting chalcopyrite mineralization were noted on the Tiamaro property.

## Mineral Properties and Deferred Development Expenditures:

At December 31, 2009, cumulative acquisition and deferred exploration costs with respect to the Company's interests in mineral properties owned, leased or under option, consisted of the following:

	Balance December 31, 2008	Additions	Balance December 31, 2009
	\$	\$	\$
<b>El Rayo Concessions</b>			
Acquisition costs	162,114	17,843	179,957
Deferred exploration costs	1,831,782	712,186	2,543,968
	1,993,896	730,029	2,723,925
<b>La Tortuga Concessions</b>			
Acquisition costs	127,673	22,856	150,529
Deferred exploration costs	1,246,376	251,737	1,498,113
Partner funding	(1,154,773)	-	(1,154,773)
	219,276	274,593	493,869
<b>Quila Concession</b>			
Acquisition costs	19,189	-	19,189
Deferred exploration costs	6,917	-	6,917
Property payment from JV partner	(43,250)	17,145	(26,105)
	(17,144)	17,145	1
<b>El Santuario Concession</b>			
Acquisition costs	12,609	3,912	16,521
Deferred exploration costs	20,629	26,057	46,686
	33,238	29,969	63,207
<b>Chinipas Concession</b>			
Acquisition costs	4,922	1,305	6,227
Deferred exploration costs	20,587	40,430	61,017
	25,509	41,735	67,244
<b>Coyote Concession</b>			
Acquisition costs	25,357	7,687	33,044
Deferred exploration costs	38,197	10,212	48,409
	63,554	17,899	81,453
<b>Victoria Concession</b>			
Acquisition costs	15,931	9,799	25,730
Deferred exploration costs	40,053	27,136	67,189
	55,984	36,935	92,919
<b>Gavilan Concession</b>			
Acquisition costs	10,427	1,109	11,536
Deferred exploration costs	7,855	2,191	10,046
	18,282	3,300	21,582
<b>Peña Grande Concession</b>			
Acquisition costs	12,086	-	12,086
Deferred exploration costs	16,012	10,824	26,836
	28,098	10,824	38,922
<b>Margarita Concession</b>			
Acquisition costs	3,824	264	4,088
Deferred exploration costs	14,628	146	14,774
	18,452	410	18,862
<b>Other</b>			
	30,439	14,809	45,248
	2,469,584	1,177,648	3,647,232

### Other Cumulative Expenditures since Inception

	Balance December 31, 2008	Additions	Balance December 31, 2009
	\$	\$	\$
<b>Opening Balance</b>	2,469,584	1,177,648	3,647,232
<b>Discontinued Properties</b>			
Bacanora Concession	597,003	-	597,003
Midas Concession	8,968	-	8,968
	605,971	-	605,971
<b>Total Cumulative Mineral Expenditures since Inception</b>	3,075,555	1,177,648	4,253,203
<b>Joint Venture Earn-In Expenditures</b>			
La Tortuga Concession	1,154,773	-	1,154,773
Quila Concession	571,361	74,668	646,029
	1,726,134	74,668	1,800,802
<b>Total Cumulative Mineral Expenditures including JV Earn-In Activities</b>	4,801,689	74,668	6,054,005

Mr. Terence J. Bottrill, P.Eng., a consultant, member of the advisory board of the Company and a qualified person as defined by NI 43-101 has reviewed the contents of this MD&A. Field supervision of the projects is provided by Mr. Chris Lloyd, M.Sc., Vice President, Exploration.

### 3. RESULTS OF OPERATIONS

The net loss and comprehensive loss for the three months ended December 31, 2009 was \$194,531 as compared to a net loss and comprehensive loss of \$625,594 for the three month period ended December 31, 2008. The \$431,063 decrease in the loss is primarily attributable to a \$605,971 write-off of mineral properties in the prior period related to the Bacanora and Midas properties which was offset by a \$154,500 increase in non-cash stock-based compensation expense. Administrative expenses increased by \$30,892.

The net loss and comprehensive loss for the year ended December 31, 2009 was \$567,194 as compared to a net loss and comprehensive loss of \$1,068,980 for the year ended December 31, 2008. The decrease in the loss of \$501,786 for the year is primarily attributable to a \$605,971 write-off of mineral properties in the prior period related to the Bacanora and Midas properties which was offset by a \$146,631 increase in administrative expenses. The increase in administrative expenses primarily reflects an increase in non-cash stock-based compensation expense of \$198,465 offset by a decline in legal and audit expenses of \$49,025 which was partially timing related. Interest income also declined by \$24,949. In regard to the comprehensive loss, an unrealized gain of \$12,500 was booked in the current year while in 2008 a \$30,250 unrealized loss was booked resulting in a favourable change of \$42,750.

The net loss and comprehensive loss for the year ended December 31, 2008 was \$1,068,980 as compared to a net loss and comprehensive loss of \$737,146 for the year ended December 31, 2007. The increase in the loss of \$331,834 for the year is primarily attributable to the write off of the Bacanora and Midas concessions totalling \$605,971, offset by a \$343,798 reduction in Administrative expenses. Other factors contributing to the increased loss were a larger revaluation loss on marketable securities held for trading of \$27,250 due to a decline in the share price of Southern Silver Exploration Corporation and a decline in interest income of \$42,411.

The \$343,798 reduction in administration expenses primarily reflects: an increase in salaries and management fees of \$21,714; decrease in investor relations costs by \$80,577; an increase in rent

of \$24,616; with these increases offset by the foreign exchange gain of \$100,126 attributable with the fluctuation of the Mexican Pesos, US Dollar and Canadian Dollar. Non-cash stock-based compensation decreased by \$227,719 from the year ended December 31, 2007.

The net loss and comprehensive loss for the year ended December 31, 2007 was \$737,146 as compared to a net loss of \$320,503 for the period ended December 31, 2006. The December 31, 2006 loss reflects the increase in Company activity since incorporation on September 12, 2005 and the reverse takeover with Blue Fyre One Inc. completed on August 31, 2006. Further details are outlined in the audited financial statements for year ended December 31, 2007. The increase in the loss of \$416,643 for the year is primarily attributable to: an increase in salaries and management costs of \$35,095; legal and audit fees of \$21,171 and total administration expenses of \$29,598 made up of rent, office expenses, regulatory fees, transfer agent fees, communications and travel. The foreign exchange loss of \$70,721 was attributable to the fluctuation of the Mexican Pesos, US Dollar and Canadian Dollar. The stock based compensation increased by \$138,027 and will continue be a material expense to the Company in the future.

#### **4. FINANCING AND CAPITALIZATION**

As at December 31, 2009 the Company had 28,083,650 shares issued and outstanding and after giving effect to 2,800,000 outstanding stock options and 3,681,850 outstanding warrants, there were 34,565,500 shares on a fully diluted basis.

On June 24, 2009, Soltoro Limited closed the first tranche of a \$1,350,000 brokered private placement. The second tranche was closed on July 3, 2009. The first tranche consisted of 4,470,000 units at \$0.20 per Unit for gross proceeds of \$894,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of \$0.30 per share until December 24, 2010. The compensation to the broker was comprised of \$15,220 cash, 154,700 common shares and 288,500 agent's warrants (exercisable at \$0.30 for one common share for 18 months). An additional corporate finance fee was paid comprised of 75,000 Units and legal fees of \$8,000 cash. Issue costs pursuant to the first tranche amounted to \$127,629 consisting of \$69,572 of cash costs and \$58,057 of non-cash costs. The cost of issue was allocated: \$100,512 to common share capital and \$27,112 to warrants.

On July 3, 2009, the second tranche of the private placement was closed completing a financing totalling \$1,350,000 financing. The second tranche consisted of 2,280,000 units at \$0.20 per Unit for gross proceeds of \$456,000. Each unit consisted of one common share and one half of one share purchase warrant, with each warrant exercisable into one common share at a price of \$0.30 per share until January 3, 2011. The compensation to the broker was comprised of \$28,750 cash, 12,250 common shares and 195,000 agent's warrants (exercisable at \$0.30 for one common share for 18 months). An additional corporate finance fee was paid of 21,700 units and legal fees of \$2,000 cash.

During the year there were 630,000 stock options and 225,000 warrants exercised for proceeds of \$124,500 and \$67,500 respectively.

Subsequent to December 31, 2009, a non-brokered private placement of 6,715,000 units at \$0.35 per Unit for total gross proceeds of \$2,350,250, was closed. Each Unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of \$0.50 per Warrant Share for a period of 18 months from the date of closing. In the event that after four months and one day after the closing, the volume weighted average trading price of the Company's common shares

on the TSX Venture Exchange (or such other stock exchange on which the Company's shares are listed and where a majority of the trading volume occurs), for a period of 20 consecutive trading days exceeds \$0.65, the Company may, within five days after such an event, provide notice to the warrant holders of early expiry and thereafter, the Warrants will expire on the date which is 30 days after the date of the notice to the warrant holders. In connection with the financing, the Company issued a total 199,200 Units, in lieu of a cash finder's fee, 402,300 Finder's Warrants and a cash finder's fee of \$71,085 to two separate brokerage firms. Each Finder's Warrant entitles the holder to subscribe for one additional common share at a price of \$0.50 per Warrant Share for a period of 18 months from the date of closing.

As at April 23, 2010, the Company had 34,997,850 shares issued and outstanding and after giving effect to 2,800,000 outstanding stock options and 7,541,250 outstanding warrants, there were 45,339,100 shares on a fully diluted basis.

## **5. LIQUIDITY AND CASH FLOW**

At December 31, 2009, the Company had liquid resources, including cash of \$493,066 and marketable securities with a fair value of \$30,000. The significant sources and outflows of cash during the year ended December 31, 2009 are detailed in the cash flow statement and include:

- a. The financing activities of a two tranche brokered private placement for 6,750,000 units with gross proceeds of \$1,350,000;
- b. Total cash outlays of \$1,171,755 on equipment, acquisition and exploration costs associated with the Company's mineral properties; and
- c. Total cash outlays of \$595,628 on operations, with a net loss of \$579,694; an increase in accounts receivable and prepaid expenses of \$43,005 and a decrease in accounts payable and accrued liabilities of \$166,728.

The Company's ability to raise additional funds and its future performance is largely tied to the financial markets related to junior exploration companies. Although economic conditions in Canada and elsewhere have improved since the beginning of the year, the Company remains cautious in case the economic factors that impact the mining industry deteriorate. These factors include uncertainty regarding the price of gold, silver and copper and the availability of equity financing for the purposes of mineral exploration and development. The price of gold, silver and copper has been volatile in recent periods and financial markets have become unpredictable to the point where it has become difficult for companies, particularly junior exploration companies, to raise new capital. The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets are likely to be volatile for the remainder of 2010, reflecting ongoing concerns about the global economy. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, the Company's current strategy is to continue exploration of its Mexican properties and to seek out other prospective business opportunities including entering into option arrangements and/or joint ventures. The Company believes that this focused strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its Mexican properties, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

On February 12, 2010, Soltoro closed a non-brokered private placement with total gross proceeds of \$2,350,250.

The Company's cash resources are considered sufficient to enable the Company to continue work on its properties, but additional funds will be required going forward to advance exploration on the Company's properties and replenish working capital.

## 6. ANNUAL INFORMATION

Selected financial information of the Company for the annual periods indicated:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Audited</b>	(\$)	(\$)	(\$)
Interest income	<b>316</b>	25,265	67,676
Stock-based compensation	<b>221,480</b>	23,015	250,734
Administrative expenses – net	<b>383,175</b>	435,009	551,088
Mineral property write-offs			
Unrealised gain (loss) on investment	<b>12,500</b>	(30,250)	(3,000)
Net loss and comprehensive loss	<b>567,194</b>	1,068,980	737,146
Loss per common share – basic and diluted	<b>0.02</b>	0.05	0.04
Exploration & acquisition expenditures	<b>1,177,648</b>	1,511,051	1,977,113

## 7. QUARTERLY INFORMATION

Selected financial information of the Company for the quarterly periods indicated:

	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter</b>
<b>2009 Unaudited</b>	(\$)	(\$)	(\$)	(\$)
Interest income	1,071	(894)	48	91
Stock-based compensation	-	-	131,701	89,779
Administrative expenses – net	78,088	99,784	90,460	114,843
Property payment	-	(24,645)	-	-
Mineral properties written-off (income)	-	-	-	-
Unrealised gain (loss) on investment	3,500	(6,000)	-	(10,000)
Net loss and comprehensive loss	80,517	70,033	222,113	194,531
Loss per common share – basic and diluted	0.01	0.01	0.01	0.02
Exploration & acquisition expenditures	296,735	112,710	178,005	590,198
<b>2008 Unaudited</b>	(\$)	(\$)	(\$)	(\$)
Interest income	6,338	10,357	8,963	(393)
Stock-based compensation	65,333	17,483	4,919	(64,721)
Administrative expenses – net	129,748	125,968	95,342	83,951
Mineral properties written-off	-	-	-	(605,971)
Unrealised gain (loss) on investment	9,000	5,000	16,250	-
Net loss and comprehensive loss	197,743	138,094	107,548	625,594
Loss per common share – basic and diluted	0.01	0.01	0.00	0.01
Exploration & acquisition expenditures	416,438	323,273	512,132	259,207

Over the past eight quarters net administrative expenses have ranged between \$129,748 and \$78,088 with quarter ending December 31, 2009 being \$114,843. Administrative expenses have

trended upward over the past few quarters. This trend reflects the Company's increasing exploration activity. Stock-based compensation expense for stock options, which can be highly material and irregular, occurs over the vesting period of options granted. This non-cash expense may be significant to the magnitude of the Company's loss. Mineral properties are written off from time to time when the management believes their value is impaired. For additional information regarding period to period variations, kindly refer to the Results of Operations and other sections of this MD&A.

## **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.

The Company continues to actively explore its Mexican properties. Future quarterly results, in terms of both corporate expenditures charged to operations and exploration expenditures charged to deferred exploration costs, may be constrained by difficult market conditions and lack of financing available to junior mining companies.

The Company's cash resources are considered sufficient to enable the Company to continue exploration work on its properties, but additional funds will be required going forward to advance exploration on the Company's properties and replenish working capital.

## **9. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2009, the Company incurred management and geological consultancy fees of \$287,451 (December 31, 2008 - \$274,346) 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, \$147,044 (December 31, 2008, - \$153,044) was charged to operations for officers of the Company, and \$140,407 (December 31, 2008 - \$121,302) 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 National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (Form 52-109FV2), 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 NI 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 NI 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. NEW ACCOUNTING POLICIES**

### **Goodwill and Intangible Assets**

Effective January 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged.

The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2009.

### **Fair Value Hierarchy and Liquidity Risk Disclosure**

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applied to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below. The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to

the relatively short period to maturity. These include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Equity investments classified as available for sale that do not have an active trading market are recorded at cost. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future.

The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash and short term investments	\$ 493,066	\$ -	\$ -
Marketable securities	\$ 30,000	\$ -	\$ -

## 12. FUTURE ACCOUNTING CHANGES

### International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (“IFRS”) will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

### *IFRS Transition Plan*

The Company has established a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Complete.
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q2 2010
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q2 2010
Quantification of the Financial Statement impact of changes in accounting policies.	Throughout 2010
Management and employee education and training.	Throughout the transition process

### ***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

### ***First-time adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

the Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply the transition provisions of IFRIC 14 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ended March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### ***Impact of Adopting IFRS on the Company's Financial Statements***

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) *Exploration and Evaluation Expenditures*

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

The Company expects to retain its current policy of deferring exploration and evaluation expenditures as incurred. Therefore the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2) *Impairment of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of assets will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

3) *Foreign Currency*

IFRS requires that the functional currency of the Company, and its subsidiary be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

4) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5) *Asset Retirement Obligations (Decommissioning Liabilities)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets.

6) *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

### ***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for the 2010 interim periods and the year ended December 31, 2010 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (as at January 1, 2010).

## **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. CAPITAL MANAGEMENT**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2009 total shareholders' equity (managed capital) was \$4,111,809 (December 31, 2008 - \$3,032,907).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

## **15. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND SENSITIVITY**

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Director also provides regular guidance for overall risk management.

### *(i) Property risk*

The Company's major mineral properties are in the exploration stage (the "Properties"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing Properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

### *(ii) Credit risk*

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand deposited with reputable financial institutions which is closely monitored by management. Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada and Mexico and deposits held with service providers. Management believes credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

### *(iii) Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had a cash balance of \$493,066; (December 31, 2008 - \$803,689) to settle current liabilities of \$211,652 (December 31, 2008 - \$378,380). The Company is seeking additional capital to increase liquidity.

### *(iv) Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and equity.

### *(v) Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As of December 31, 2009, the Company had cash balance of \$493,066 (December 31, 2008 - \$803,689) which includes investment-grade short-term deposit certificates.

### *(vi) Foreign currency risk*

The Company's exploration activities are conducted entirely in Mexico. Major purchases and exploration expenditures are transacted in Mexican Pesos and US dollars. Administrative expenditures and cash balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk.

(vii) *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold, silver, copper, and zinc, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

The Company's investment in marketable security is subject to fair value fluctuations arising from changes in the resource sector and equity markets.

**Sensitivity analysis**

The Company has, for accounting purposes, designated its marketable securities as held-for-trading, which is measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value.

As at December 31, 2009, both the carrying and fair value amounts of the Company's financial instruments related to cash, accounts receivable and accounts payable and accrued liabilities are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (i) Interest rate risk is limited to cash balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company holds balances in US dollars and Mexican Pesos that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5%, the effect on the financial statements as at December 31, 2009 would be a change in foreign exchange of +/- CDN \$630. If the Mexican Pesos rose or fell in relation to the Canadian dollar by 5%, the effect on the financial statements as at December 31, 2009 would be a change in foreign exchange of +/- CDN \$1,702. Similarly, as at December 31, 2009, the Company's reported shareholders' equity would have been approximately \$2,332 lower/higher as a result of a 5% decrease/increase in foreign exchange.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of December 31, 2009, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.
- (iv) The Company's marketable securities are denominated in Canadian dollars and are subject to fair value fluctuations. As at December 31, 2009, if the fair value of the Company's marketable securities had increased/decreased by 10% with all other variables held constant, accumulated other comprehensive loss for the year ended

December 31, 2009 would have been approximately \$3,000 lower/higher. Similarly, as at December 31, 2009, the Company's reported shareholders' equity would have been approximately \$3,000 lower/higher as a result of a 10% decrease/increase in marketable securities.

## **16. RISK FACTORS**

The Company's business requires and will continue to require significant financings and is subject to risks associated with industry and economic factors, 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.

### **Industry and economic factors affecting the Company**

The Company's future performance is largely tied to the financial markets related to junior exploration companies. Although economic conditions in Canada and elsewhere have improved since the beginning of the year, the Company remains cautious in case the economic factors that impact the mining industry deteriorate. These factors include uncertainty regarding the price of gold, silver and copper and the availability of equity financing for the purposes of mineral exploration and development. The price of gold, silver and copper has been volatile in recent periods and financial markets have become unpredictable to the point where it has become difficult for companies, particularly junior exploration companies, to raise new capital. . The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets are likely to be volatile for the remainder of 2010, reflecting ongoing concerns about the global economy. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, the Company's current strategy is to continue exploration of its Mexican properties and to seek out other prospective business opportunities including entering into option arrangements and/or joint ventures. The Company believes that this focused strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its Mexican properties, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

### **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; (v) availability and cost of additional funding; and (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.

### **Cautionary Note Regarding Forward-Looking Information**

Except for statements of historical fact relating to Soltoro, certain information contained in this MD&A constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company’s properties; the future price of precious and/or base metals; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company’s expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Soltoro has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, 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 information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

**April 23, 2010**

(Signed) “*Andrew Thomson*”  
Andrew Thomson  
President and Chief Executive Officer

(Signed) “*Douglas Reeson*”  
Douglas Reeson  
Chief Financial Officer