



**SOLTORO LTD.**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011 & 2010**

## **MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING**

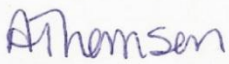
The accompanying unaudited interim consolidated financial statements of Soltoro Ltd. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



Andrew Thomson  
President and Chief Executive Officer



Brian Jennings  
Chief Financial Officer

### **NOTICE TO READER**

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2011 and 2010 have not been reviewed by the Company's auditors.

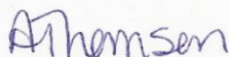
**SOLTORO LTD.****Unaudited Interim Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

<i>As at,</i>	<b>June 30, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		(Note 3)	(Note 3)
Current			
Cash and cash equivalents (Note 7)	<b>4,138,209</b>	3,993,725	493,066
Other financial assets (Note 8)	<b>386,500</b>	62,000	30,000
Value-added taxes receivable (Note 9)	<b>358,192</b>	154,998	121,714
Prepaid expenses	<b>63,266</b>	30,126	6,015
	<b>4,946,167</b>	4,240,849	650,795
Equipment (Note 10)	<b>74,314</b>	38,618	25,434
	<b>5,020,481</b>	4,279,467	676,229
<b>LIABILITIES</b>			
Current			
Trade and other payables (Notes 11 and 12)	<b>442,562</b>	238,271	211,652
	<b>442,562</b>	238,271	211,652
<b>Equity</b>			
Share capital (Note 13)	<b>14,138,173</b>	11,720,816	6,073,624
Reserve for warrants (Note 14)	<b>524,582</b>	706,899	102,085
Reserve for share based payments (Note 16)	<b>1,243,441</b>	757,039	657,881
Accumulated deficit	<b>(11,314,226)</b>	(9,135,835)	(6,369,013)
Accumulated other comprehensive loss	<b>(14,051)</b>	(7,723)	-
	<b>4,577,919</b>	4,041,196	464,577
	<b>5,020,481</b>	4,279,467	676,229

*Nature of Operation Going Concern (Note 1)**Commitments and Contingencies (Note 18)**Subsequent Events (Note 21)*

On behalf of the Board of Directors on August 26, 2011:

Andrew Thomson  
DirectorDouglas Reeson  
Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**SOLTORO LTD.****Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

For the periods ended June 30,	Three Months		Six Months	
	2011	2010	2011	2010
	\$	\$	\$	\$
		(Note 3)		(Note 3)
Exploration and evaluation expenditures (Note 17)	<b>859,897</b>	500,591	<b>1,578,798</b>	1,245,350
Shareholder information	<b>128,355</b>	39,939	<b>216,614</b>	67,044
Salaries and management fees (Note 12)	<b>67,714</b>	66,467	<b>130,449</b>	126,070
Legal and audit	<b>41,211</b>	14,413	<b>71,842</b>	22,355
Travel	<b>16,038</b>	3,762	<b>30,508</b>	10,597
Office and general	<b>16,454</b>	8,704	<b>28,395</b>	15,453
Rent	<b>15,612</b>	7,430	<b>21,615</b>	14,075
Foreign exchange loss (gain)	<b>13,047</b>	(3,592)	<b>12,592</b>	(2,181)
Share based payments (Note 15)	<b>203,313</b>	22,837	<b>553,045</b>	71,234
Amortization	<b>4,272</b>	616	<b>7,732</b>	1,538
<b>Total expenses</b>	<b>1,365,913</b>	661,167	<b>2,651,590</b>	1,571,535
<b>Other Income</b>				
Consideration under option agreements	<b>(670,000)</b>	-	<b>(705,000)</b>	-
Interest income	<b>(9,711)</b>	(211)	<b>(13,699)</b>	(324)
Unrealized loss on other financial assets (Note 8)	<b>237,500</b>	8,000	<b>245,500</b>	12,000
<b>Net loss</b>	<b>923,702</b>	668,956	<b>2,178,391</b>	1,583,211
<b>Loss per share - basic and diluted</b>	<b>0.02</b>	0.02	<b>0.05</b>	0.05
Weighted average number of common shares	<b>49,312,377</b>	31,694,399	<b>47,594,055</b>	34,977,850
<b>Other Comprehensive Loss</b>				
Net Loss	<b>923,702</b>	668,956	<b>2,178,391</b>	1,583,211
Exchange difference on translation of foreign subsidiary	<b>6,027</b>	-	<b>6,328</b>	-
<b>Net comprehensive loss</b>	<b>929,729</b>	668,956	<b>2,184,719</b>	1,583,211

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**SOLTORO LTD.****Unaudited Interim Consolidated Statement of Changes in Equity**

(Expressed in Canadian dollars)

	Share Capital		Reserves		Accumulated deficit	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Warrants	Share based payments			
Balance at January 1, 2010	28,083,650	\$ 6,073,623	\$ 102,085	\$ 657,881	\$ (6,369,013)	\$ -	\$ 464,576
Private placement, net of issue costs	6,914,200	2,240,773	-	-	-	-	2,240,773
Exercise of warrants	50,000	15,000	-	-	-	-	15,000
Reserve transferred on exercise of warrants	-	1,925	(1,925)	-	-	-	-
Warrants issued on private placement	-	(255,572)	255,572	-	-	-	-
Share based payments	-	-	-	71,234	-	-	71,234
Total loss for the period	-	-	-	-	(1,583,211)	-	(1,583,211)
<b>Balance at June 30, 2010</b>	<b>35,047,850</b>	<b>\$ 8,075,749</b>	<b>\$ 355,732</b>	<b>\$ 729,115</b>	<b>\$ (7,952,224)</b>	<b>\$ -</b>	<b>\$ 1,208,372</b>
Private placement, net of issue costs	6,922,223	2,910,464	-	-	-	-	2,910,464
Exercise of warrants	3,614,275	1,085,768	-	-	-	-	1,085,768
Reserve transferred on exercise of warrants	-	139,383	(139,383)	-	-	-	-
Warrants issued on private placement	-	(490,549)	490,549	-	-	-	-
Share based payments	-	-	-	27,924	-	-	27,924
Exchange difference on translation of foreign subsidiary	-	-	-	-	-	(7,723)	(7,723)
Total loss for the period	-	-	-	-	(1,183,611)	-	(1,183,611)
<b>Balance at December 31, 2010</b>	<b>45,584,348</b>	<b>\$ 11,720,815</b>	<b>\$ 706,898</b>	<b>\$ 757,039</b>	<b>\$ (9,135,835)</b>	<b>\$ (7,723)</b>	<b>\$ 4,041,194</b>
<b>Exercise of warrants</b>	<b>3,994,420</b>	<b>2,032,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,032,211</b>
<b>Reserve transferred on exercise of warrants</b>	<b>-</b>	<b>182,316</b>	<b>(182,316)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exercise of options</b>	<b>281,250</b>	<b>136,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,188</b>
<b>Reserve for share based payments transferred on exercise of options</b>	<b>-</b>	<b>66,643</b>	<b>-</b>	<b>(66,643)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share based payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>553,045</b>	<b>-</b>	<b>-</b>	<b>553,045</b>
<b>Exchange difference on translation of foreign subsidiary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,328)</b>	<b>(6,328)</b>
<b>Total loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,178,391)</b>	<b>-</b>	<b>(2,178,391)</b>
<b>Balance at June 30, 2011</b>	<b>49,860,018</b>	<b>\$ 14,138,173</b>	<b>\$ 524,582</b>	<b>\$ 1,243,441</b>	<b>\$(11,314,226)</b>	<b>\$ (14,051)</b>	<b>\$ 4,577,919</b>

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**SOLTORO LTD.****Unaudited Interim Consolidated Statements of Cash Flow**

(Expressed in Canadian dollars)

<b>Six month periods ended June 30,</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
		(Note 3)
<b>Operating activities</b>		
Net loss	(2,178,391)	(1,583,211)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share based payments (Note 15)	553,045	71,234
Amortization	7,732	8,952
Unrealized loss on other financial assets (Note 8)	245,500	12,000
Unrealized foreign exchange differences	(6,135)	-
Other financial assets	(570,000)	-
Change in non-cash working capital		
Value-added taxes receivable	(203,194)	(20,402)
Prepaid expenses	(33,140)	(8,689)
Trade and other payables	204,291	-
Cash used in operating activities	(1,980,292)	(1,520,116)
<b>Financing activities</b>		
Issuance of share capital, net of costs (Note 13)	-	2,002,126
Exercise of warrants, net of costs (Note 13 and 14)	2,032,211	253,647
Exercise of options, net of costs (Note 13 and 15)	136,188	-
Cash provided from financing activities	2,168,399	2,255,773
<b>Investing activities</b>		
Purchase of equipment	(43,623)	(25,788)
Cash used in investing activities	(43,623)	(25,778)
<b>Change in cash and cash equivalents</b>	<b>144,484</b>	<b>709,869</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,993,725</b>	<b>493,066</b>
<b>Cash and cash equivalents, end of period</b>	<b>4,138,209</b>	<b>1,202,935</b>
<b>Supplementary Information</b>		
Interest paid	-	-
Income tax paid	-	-

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Soltoro Ltd. (“Soltoro” or “the Company”) was incorporated on September 12, 2005 under the Canada Business Corporations Act. Soltoro is a development stage company focused on one business segment being the exploration for economic mineral deposits, exclusively in Mexico, through its wholly-owned subsidiary, Soltoro S.A. de C.V. (“Soltoro-Mexico”).

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Soltoro has no sources of revenue and is dependent on financings to fund its operations. In addition, the Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The ability of the Company to continue as a going concern and the recoverability of expenditures in respect of mineral properties and deferred exploration costs are dependent upon: the continuing financial support of shareholders or other investors; obtaining new financing on commercial terms acceptable to the Company to enable it to complete exploration and development; successfully establishing the existence of economically recoverable reserves; confirmation of the Company’s interest in the underlying mineral concessions; the acquisition of required permits to mine; and upon attaining profitable production once any or all of its properties have commenced operations, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern.

These consolidated financial statements do not include any adjustments to the carrying values of the Company’s assets, liabilities, and expenses and the related statement of financial position and statement of loss classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 ‘*Interim Financial Reporting*’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 26 2011, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company’s second IFRS interim consolidated financial statements for part of the period covered by the Company’s first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**2. BASIS OF PRESENTATION (continued)**

As these are the Company's second set of interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

**2.2 Basis of presentation**

The interim consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited.

**2.3 Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments,
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities,
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form,
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows, and
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**2. BASIS OF PRESENTATION (continued)**

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

**3. FIRST TIME ADOPTION OF IFRS**

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *First time Adoption of International Financial Reporting Standards*, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date,
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date, and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

Below is the Company's Consolidated Statement of Financial Position as at the transition date of January 1, 2010 under IFRS.

**Reconciliation of assets, liabilities and equity**

	As at January 1, 2010			Notes
	GAAP	Effect of transition to IFRS	IFRS	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 493,066	-	\$ 493,066	
Other financial assets	30,000	-	30,000	
Value-added taxes receivable	121,714	-	121,714	
Prepaid expenses	6,015	-	6,015	
	650,795	-	650,795	
<b>Equipment</b>	25,434	-	25,434	
<b>Mineral properties and deferred expenditures</b>	3,647,232	(3,647,232)	-	(a)
	\$ 4,323,461	(3,647,232)	\$ 676,229	
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	\$ 211,652	-	\$ 211,652	
	211,652	-	211,652	
<b>Equity</b>				
<b>Share capital</b>	6,073,624	-	6,073,624	
<b>Reserve for warrants</b>	102,085	-	102,085	
<b>Reserve for share based payments</b>	657,881	-	657,881	
<b>Accumulated deficit</b>	(2,721,781)	(3,647,232)	(6,369,013)	(a)
	4,111,809	(3,647,232)	464,577	
	\$ 4,323,461	(3,647,232)	\$ 676,229	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**3. FIRST TIME ADOPTION OF IFRS (continued)**

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

**Reconciliation of assets, liabilities and equity**

	As at June 30, 2010			
	GAAP	Effect of transition to IFRS	IFRS	Notes
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,202,935	-	\$ 1,202,935	
Value-added taxes receivable	148,131	-	148,131	
Other financial assets	18,000	-	18,000	
	1,369,066	-	1,369,066	
<b>Equipment</b>	42,270	-	42,270	
<b>Mineral properties and deferred expenditures</b>	4,892,582	(4,892,582)	-	(a)
	\$ 6,303,918	(4,892,582)	\$ 1,411,336	
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	\$ 202,963	-	\$ 202,963	
	202,963	-	202,963	
<b>Equity</b>				
<b>Share capital</b>	8,075,750	-	8,075,750	
<b>Reserve for warrants</b>	355,732	-	355,732	
<b>Reserve for share based payments</b>	729,115	-	729,115	
<b>Accumulated deficit</b>	(3,059,642)	(4,892,582)	(7,952,224)	(a)
	6,100,955	(4,892,582)	1,208,373	
	\$ 6,303,918	(4,892,582)	\$ 1,411,336	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of assets, liabilities and equity**

	As at December 31, 2010			
	GAAP	Effect of transition to IFRS	IFRS	Notes
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,993,725	-	\$ 3,993,725	
Other financial assets	62,000	-	62,000	
Value-added taxes receivable	154,998	-	154,998	
Prepaid expenses	30,126	-	30,126	
	4,240,849	-	4,240,849	
<b>Equipment</b>	46,341	(7,723)	38,618	(b)
<b>Mineral properties and deferred expenditures</b>	5,799,202	(5,799,202)	-	(a)
	\$ 10,086,392	(5,806,925)	\$ 4,279,467	
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	\$ 238,271	-	\$ 238,271	
	238,271	-	238,271	
<b>Equity</b>				
<b>Share capital</b>	11,720,816	-	11,720,816	
<b>Reserve for warrants</b>	706,899	-	706,899	
<b>Reserve for share based payments</b>	757,039	-	757,039	
<b>Accumulated deficit</b>	(3,336,633)	(5,799,202)	(9,135,835)	(a)
<b>Accumulated other comprehensive loss</b>	-	(7,723)	(7,723)	(b)
	9,848,121	(5,806,925)	4,041,196	
	\$ 10,086,392	(5,806,925)	\$ 4,279,467	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of statement of comprehensive loss**

	Three months ended June 30, 2010			
	GAAP	Effect of transition to IFRS	IFRS	Notes
<b>Administrative Expenses</b>				
Salaries and management fees	\$ 66,467	-	\$ 66,467	
Shareholder information	39,939	-	39,939	
Legal and audit	14,413	-	14,413	
Travel	3,762	-	3,762	
Rent	7,430	-	7,430	
Office and general	8,704	-	8,704	
Foreign exchange gain	(3,592)	-	(3,592)	
Share based payments	22,837	-	22,837	
Amortization	616	-	616	
Exploration and evaluation expenditures	-	500,591	500,591	(a)
	160,576	500,591	661,167	
Interest income	(211)	-	(211)	
Unrealized loss on held for trading securities	8,000	-	8,000	
<b>Net loss and comprehensive loss</b>	<b>\$ 168,365</b>	<b>500,591</b>	<b>\$ 668,956</b>	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the three and six month periods ended June 30, 2011 and 2010**

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**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of statement of comprehensive loss**

	Six months ended June 30, 2010			
	GAAP	Effect of transition to IFRS	IFRS	Notes
<b>Administrative Expenses</b>				
Salaries and management fees	\$ 126,070	-	\$ 126,070	
Shareholder information	67,044	-	67,044	
Legal and audit	22,355	-	22,355	
Travel	10,597	-	10,597	
Rent	14,075	-	14,075	
Office and general	15,453	-	15,453	
Foreign exchange gain	(2,181)	-	(2,181)	
Share based payments	71,234	-	71,234	
Amortization	1,538	-	1,538	
Exploration and evaluation expenditures	-	1,245,350	1,245,350	(a)
	326,185	1,245,350	1,571,535	
Interest income	(324)	-	(324)	
Unrealized loss on held for trading securities	12,000	-	12,000	
<b>Net loss and comprehensive loss</b>	<b>\$ 337,861</b>	<b>1,245,350</b>	<b>\$ 1,583,211</b>	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**3. FIRST TIME ADOPTION OF IFRS, (continued)**

**Reconciliation of statement of loss and comprehensive loss**

	Year ended December 31, 2010			Notes
	GAAP	Effect of transition to IFRS	IFRS	
<b>Administrative Expenses</b>				
Salaries and management fees	\$ 268,018	-	\$ 268,018	
Shareholder information	178,782	-	178,782	
Legal and audit	48,607	-	48,607	
Travel	39,012	-	39,012	
Rent	34,382	-	34,382	
Office and general	34,297	-	34,297	
Foreign exchange loss	6,023	-	6,023	
Share based payments	99,158	-	99,158	
Amortization	2,083	-	2,083	
Exploration and evaluation expenditures	-	2,192,518	2,192,518	(a)
	701,362	2,090,247	2,800,609	
Interest	(1,787)	-	(1,787)	
Mineral property payments	(61,723)	(40,548)	(102,271)	(a)
Unrealized loss on held for trading securities	(32,000)	-	(32,000)	
<b>Net loss</b>	<b>\$ 614,852</b>	<b>2,151,970</b>	<b>\$ 2,766,822</b>	
<b>Other Comprehensive Loss</b>				
Net Loss	\$ 614,852	2,151,970	\$ 2,766,822	
Exchange difference on translation of foreign subsidiary	-	7,723	7,723	(b)
<b>Net comprehensive loss</b>	<b>\$ 614,852</b>	<b>2,159,693</b>	<b>\$ 2,774,545</b>	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Reconciliation of Cash Flows**

	<b>Six months ended June 30, 2010</b>			<b>Notes</b>
	<b>GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>	
<b>Operations</b>				
Net loss	\$ (337,861)	\$(1,245,35)	\$ (1,583,211)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Amortization	1,538	7,414	8,952	(a)
Share based payments	71,234	-	71,234	
Unrealized gain on other financial assets	12,000	-	12,000	
Net change in non-cash operating working capital items:				
Value-added taxes receivable	(20,402)	-	(20,402)	
Trade and other payables	(8,689)	-	(8,689)	
	\$ (282,180)	\$(1,237,93)	\$ (1,520,116)	
<b>Financing</b>				
Issuance of common shares, net of issue costs	2,002,126	-	2,002,126	
Exercise of warrants, net of issue costs	253,647	-	253,647	
	\$2,255,773	-	\$ 2,255,773	
<b>Investing</b>				
Purchase of Equipment	(25,788)	-	(25,788)	
Expenditures on deferred exploration	(1,237,936)	1,237,936	-	(a)
	\$(1,263,724)	\$1,237,936	\$ (25,788)	
<b>Net increase in cash and cash equivalents</b>	<b>709,869</b>	<b>-</b>	<b>709,869</b>	
Cash and cash equivalents, beginning of period	493,066	-	493,066	
Cash and cash equivalents, end of period	\$ 1,202,935	-	\$ 1,202,935	

**SOLTORO LTD.**  
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**3. FIRST TIME ADOPTION OF IFRS, (continued)**

**Reconciliation of Cash Flows**

	Year ended December 31, 2010			Notes
	GAAP	Effect of transition to IFRS	IFRS	
<b>Operations</b>				
Net loss	\$ (614,852)	\$(2,151,970)	\$ (2,766,822)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Amortization	2,083	12,828	14,911	(a)
Share based payments	99,158	-	99,158	
Unrealized gain on other financial assets	(32,000)	-	(32,000)	
Net change in non-cash operating working capital items:				
Value-added taxes receivable	(33,284)	-	(33,284)	
Prepaid expenses	(24,111)	-	(24,111)	
Trade and other payables	26,619	-	26,619	
	\$ (576,387)	\$(2,139,142)	\$ (2,715,529)	
<b>Financing</b>				
Issuance of common shares, net of issue costs	5,647,192	-	5,647,192	
Exercise of warrants, net of issue costs	604,814	-	604,814	
	\$ 6,252,006	-	\$ 6,252,006	
<b>Investing</b>				
Purchase of equipment	(35,818)	-	(35,818)	
Expenditures on deferred exploration	(2,179,690)	2,179,690	-	(a)
Property option payments	40,548	(40,548)	-	(a)
	\$(2,174,960)	\$2,139,142	\$ (35,818)	
<b>Net increase in cash and cash equivalents</b>	<b>3,500,659</b>	<b>-</b>	<b>3,500,659</b>	
Cash and cash equivalents, beginning of year	493,066	-	493,066	
Cash and cash equivalents, end of year	\$ 3,993,725	-	\$ 3,993,725	

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**3. FIRST TIME ADOPTION OF IFRS (continued)**

**Notes to Reconciliations**

**a) Acquisition, exploration and evaluation expenditures**

*Under Canadian GAAP* – Prior to 2011, the Company’s accounting policy was to defer the cost of mineral properties and related exploration and development costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

*Under IFRS* – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale. Consideration received under option agreements is recorded as other income.

**b) Functional currency and foreign operations**

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – *Foreign exchange* and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The group’s functional currency is the Mexican Peso (“MXN”) for operations in Mexico and the Canadian dollar (“CDN”) for operations in Canada. The consolidated financial statements are presented in Canadian dollars which is the group’s presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognized as a separate component of equity.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Basis of consolidation**

The interim consolidated financial statements include the financial statements of the Company and its wholly controlled subsidiary, Soltoro S.A. de C.V. a company based in Mexico. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

**4.2 Mineral properties**

All acquisition and exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base. Consideration received under option agreements is recorded as other income.

**4.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method or unit-of-production method over the following expected useful lives:

• Automotive equipment	25%
• Equipment	10-30%

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.3 Property, plant and equipment (continued)**

disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

**4.4 Decommissioning, restoration and similar liabilities**  
**(“Asset retirement obligation” or “ARO”)**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

**4.5 Share-based payments**

***Share-based payment transactions***

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

***Equity-settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.5 Share-based payments (continued)**

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

**4.6 Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.6 Taxation (continued)**

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.7 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six months ended June 30, 2011 and 2010 all the outstanding stock options and warrants were antidilutive.

**4.8 Financial assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents and other financial assets are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s value-added taxes receivable are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company’s has no items classified as financial assets available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**4.9 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.9 Financial liabilities (continued)**

rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2011 the Company has not classified any financial liabilities as FVTPL.

**4.10 Impairment of financial assets**

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***Available-for-sale***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

**4.12 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

**4.13 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**SOLTORO LTD.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.14 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

**4.15 Foreign currency transactions**

***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the CDN\$, and the presentation of the subsidiaries in the Group is the MXN\$. The consolidated financial statements are presented in Canadian Dollars which is the Group's presentation currency.

***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

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**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**4.16 Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to: asset retirement obligations, property, plant and equipment, recoverability of value-added taxes receivable, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

**5. CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions, and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts, accumulated deficit and accumulated other comprehensive loss which at June 30, 2011 totaled \$4,577,919 (December 31, 2010 - \$4,041,996).

Soltoro manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2011. The Company is not subject to any capital requirements imposed by a lending institution.

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**Notes to the Unaudited Interim Consolidated Financial Statements**  
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**6. FAIR VALUE AND FINANCIAL RISK FACTORS**

**Fair value of financial instruments**

The Company has designated its cash and cash equivalents and other financial assets as fair value through profit and loss which are measured at fair value. Value-added taxes receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value. Trade and other payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value. Fair value of the above accounts has been measured in accordance with the below:

- 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 cash equivalents	4,138,209	-	-
Other financial assets	386,500	-	-
Value-added taxes receivable	-	358,192	-
Prepaid expenses	-	63,266	-
Trade and other payables	-	442,562	-

As at June 30, 2011 and December 31, 2010, both the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, other financial assets, value-added taxes receivable and trade and other payables are approximately equivalent.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

**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.

**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 cash equivalents and accounts receivable. Cash and cash equivalents consist of cash on hand deposited with reputable financial institutions which is closely monitored by management. Financial instruments included in accounts receivable consist of taxes receivable from government authorities in Canada and Mexico and prepaid expenses consist of deposits held with service providers. Management believes credit risk with respect to financial instruments included in cash and cash equivalents and accounts receivable is minimal.

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**6. FAIR VALUE AND FINANCIAL RISK FACTORS, (continued)**

**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 June 30, 2011, the Company had current assets of \$4,946,167 (December 31, 2010 - \$4,240,849) to settle current liabilities of \$442,562 (December 31, 2010 - \$238,271) for working capital of \$4,503,605 (December 31, 2010 - \$4,002,578). The Company will seek additional capital to increase liquidity when required.

**Market risk**

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

*Interest rate risk*

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As of June 30, 2011, the Company had cash and cash equivalents of \$4,138,209 (December 31, 2010 - \$3,993,725) which includes guaranteed investment certificates.

*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 and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to Mexican pesos and US dollars when required to fund expenditures.

*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 share price 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 securities is subject to fair value fluctuations arising from price changes in the resource sector and equity markets.

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**6. FAIR VALUE AND FINANCIAL RISK FACTORS, (continued)**

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents 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% with all other variables held constant, net loss for the six month period ended June 30, 2011 would have been approximately \$34,000 higher/lower. If the Mexican peso rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the six month period ended June 30, 2011 would have been approximately \$38,000 higher/lower.
- (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 June 30, 2011, 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 June 30, 2011, 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 and shareholders equity for the six month period ended June 30, 2011 would have been approximately \$38,650 lower/higher.

**7. CASH AND CASH EQUIVALENTS**

The balance at June 30, 2011, consists of cash on deposit with major Canadian and Mexican banks in general interest bearing accounts totaling \$826,680 (December 31, 2010 - \$3,673,725) and interest-generating money-market accounts with no stipulated terms of maturity of \$3,311,529 (December 31, 2010 - \$320,000) for total cash and cash equivalents of \$4,138,209 (December 31, 2010 - \$3,993,725)

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**8. OTHER FINANCIAL ASSETS**

Other financial assets consist of the following investments:

**Argentum Silver Corp.**

On April 26, 2011 the Company entered into an option agreement with Argentum Silver Corp. (“Argentum”) whereby Argentum may earn a 100% interest in the Victoria and Coyote silver gold projects by paying \$255,000 in total cash payments, issuing an aggregate 5,000,000 common shares of Argentum and spending a total of \$1.1 million on exploration over 2 years. The earn-in period can be accelerated at the discretion of Argentum. Soltoro retains a 3% net smelter return (“NSR”) royalty interest in each project. Argentum may acquire one third of the royalty (equal to 1% NSR) for \$1.5 million and a further one third of the royalty (equal to an additional 1% of the NSR) for an additional \$1.5 for each project.

On March 8, 2011 Argentum paid Soltoro a non refundable deposit of \$35,000 pursuant to a letter of intent. On April 28, 2011 the transaction was approved by the TSX Venture Exchange and pursuant to the option agreement Argentum paid \$100,000 and issued 1.5 million common shares of Argentum to Soltoro. The market value of the 1.5 million shares on the transaction closing date, or April 28, 2011 was \$570,000. The market value of the shares at June 30, 2011 was \$352,500. The unrealized loss for the period ended June 30, 2011 was \$217,500.

**Southern Silver Exploration Corp.**

The Company holds 200,000 common shares of Southern Silver Exploration Corp., a publicly traded Canadian company, focused on the acquisition, exploration and development of mineral properties in Mexico. The market value of the shares at June 30, 2011 was \$34,000 (December 31, 2010 - \$62,000). The unrealized loss for the three month period ended June 30, 2011 was \$20,000 (June 30, 2010 - \$4,000).

**9. VALUE-ADDED TAXES RECEIVABLE**

The Company’s value-added taxes receivable arise from two main sources: harmonized services tax (“HST”) due from the Canadian government and value added taxes (“VAT”) due from the Mexican government taxation authorities. These are broken down as follows:

	<b>June 30, 2011</b>	<b>As at, December 31, 2010</b>	<b>January 1, 2010</b>
	\$	\$	\$
Value-added taxes receivable	<b>358,192</b>	154,998	121,714
<b>Total value-added taxes receivable</b>	<b>358,192</b>	154,998	121,714

At June 30, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 6.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2011.

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**10. EQUIPMENT**

	Vehicles	Equipment	Total
	\$	\$	\$
<b>Cost</b>			
<b>As at January 1, 2010</b>	58,692	30,056	88,748
Additions	23,914	11,904	35,818
Foreign exchange translation	(13,156)	(4,134)	(17,290)
<b>As at December 31, 2010</b>	<b>69,450</b>	<b>37,826</b>	<b>107,276</b>
Additions	28,745	14,878	43,623
Disposals	-	(8,972)	(8,972)
Foreign exchange translation	1,511	86	1,597
<b>As at June 30, 2011</b>	<b>99,706</b>	<b>43,818</b>	<b>143,524</b>
<b>Accumulated depreciation</b>			
<b>As at January 1, 2010</b>	45,357	17,957	63,314
Depreciation expense	11,663	3,248	14,911
Foreign exchange translation	(7,545)	(2,022)	(9,567)
<b>As at December 31, 2010</b>	<b>49,475</b>	<b>19,183</b>	<b>68,658</b>
Depreciation expense	5,660	2,072	7,732
Disposals	-	(8,972)	(8,972)
Foreign exchange translation	517	1,275	1,792
<b>As at June 30, 2011</b>	<b>55,652</b>	<b>13,558</b>	<b>69,210</b>
As at December 31, 2010	19,975	18,643	38,618
<b>As at June 30, 2011</b>	<b>44,054</b>	<b>30,260</b>	<b>74,314</b>

**11. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is approximately 30 days.

The following is an aged analysis of the trade and other payables:

	June 30, 2011	As at, December 31, 2010	January 1, 2010
	\$	\$	\$
Less than 1 month	442,562	238,271	211,652
<b>Total Trade and Other Payables</b>	<b>442,562</b>	<b>238,271</b>	<b>211,652</b>

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**12. RELATED PARTY TRANSACTIONS**

The related party expenditures during the period are summarized as follows:

<b>Six months ended June 30</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Salaries – President and Director	<b>75,000</b>	64,500
Management fees – current and former CFO and director	<b>25,000</b>	17,000
Management fees – VP Exploration	<b>83,000</b>	75,000
Directors Fees	<b>7,400</b>	7,400
	<b>190,400</b>	163,900

The related party expenditures included in trade and other payables are summarized as follows:

<b>As at June 30</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Salaries – President and Director	-	25,000
Management fees – current and former CFO and director	<b>12,098</b>	5,925
Management fees – VP Exploration	<b>5,000</b>	25,000
Directors Fees	<b>7,400</b>	-
	<b>24,498</b>	55,925

**13. SHARE CAPITAL**

- a) Authorized:  
An unlimited number of common shares
- b) Issued and outstanding:

	<b>Number of Shares</b>	<b>Amount \$</b>
<b>Balance – January 1, 2010</b>	<b>28,083,650</b>	<b>6,073,623</b>
Issued for cash pursuant to private placement of 6,715,000 units, net of the amount attributable to warrants <sup>(i)</sup>	6,715,000	2,108,510
Share issue costs	-	(185,859)
Finance fee	199,200	62,550
Issued for cash pursuant to private placement of 6,922,223 units, net of the amount attributable to warrants <sup>(ii)</sup>	6,922,223	2,630,444
Share issue costs	-	(210,529)
Issued for cash upon exercise of warrants	3,664,275	1,100,768
Transferred from reserve for warrants	-	141,308
<b>Balance – December 31, 2010</b>	<b>45,584,348</b>	<b>11,720,815</b>
Issued for cash upon exercise of warrants	<b>3,994,420</b>	<b>2,032,211</b>
Transferred from reserve for warrants		<b>182,316</b>
Issued for cash upon exercise of options	<b>281,250</b>	<b>136,188</b>
Transferred from reserve for share based payments		<b>66,643</b>
<b>Balance – June 30, 2011</b>	<b>49,860,018</b>	<b>14,138,173</b>

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**13. SHARE CAPITAL (continued)**

- (i) On February 12, 2010, the Company completed a non-brokered private placement of 6,715,000 units at \$0.35 per unit for gross proceeds of \$2,350,250. 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 \$0.50 per share until August 12, 2011. In the event that at any time on or after June 14, 2010, 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 ("Accelerated Expiry Date"). On March 17, 2011, the Company gave notice to the warrant holders of an Accelerated Expiry Date of April 19, 2011. In connection with the financing, the Company issued to two separate brokerage firms a total 199,200 units in lieu of a cash finder's fee which are also subject to the Accelerated Expiry Date, 402,300 finder's warrants which are not subject to the Accelerated Expiry Date and a cash finder's fee of \$71,085. Each finder's warrant entitles the holder to subscribe for one additional common share at a price of \$0.50 per share until August 12, 2011. Issue costs amounted to \$209,772 consisting of \$109,477 of cash costs and \$100,295 of non-cash costs. The cost of issue was allocated: \$185,859 to common share capital and \$23,913 to warrants.
- (ii) On December 21, 2010, the Company completed a non-brokered private placement of 6,922,223 units at \$0.45 per unit for gross proceeds of \$3,115,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one common share at a price of \$0.70 per share until December 21, 2011 and \$0.85 per share thereafter until June 21, 2012. In the event that at any time on or after April 22, 2011, 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 \$1.20, 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 ("Accelerated Expiry Date"). In connection with the financing, the Company has paid eligible persons a cash finder's fee of \$175,709 and has issued 390,464 finder's warrants which are not subject to the Accelerated Expiry Date. Each finder's warrant entitles the holder to subscribe for one common share at a price of \$0.45 per share until June 21, 2012. Issue costs amounted to \$253,343 consisting of \$204,533 of cash costs and \$48,810 of non-cash costs. The cost of issue was allocated: \$210,529 to common share capital and \$42,814 to warrants.

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**14. RESERVE FOR WARRANTS**

The following table reflects the continuity of warrants for the year ended December 31, 2010 and six month period ended June 30, 2011.

	Number of Warrants	Amount \$
<b>Balance – January 1, 2010</b>	<b>3,681,850</b>	<b>102,085</b>
Issued pursuant to private placement <sup>(i)</sup>	3,357,500	241,740
Agent’s unit warrants issued <sup>(i)</sup>	99,600	7,171
Finance fee warrants issued	402,300	30,575
Issue costs		(23,914)
Issued pursuant to private placement <sup>(ii)</sup>	6,922,223	484,556
Finance fee warrants issued <sup>(ii)</sup>	390,464	48,808
Issue costs		(42,815)
Exercised	(3,664,275)	(141,308)
<b>Balance – December 31, 2010</b>	<b>11,189,662</b>	<b>706,898</b>
Exercised	<b>(3,994,420)</b>	<b>(182,316)</b>
<b>Balance – June 30, 2011</b>	<b>7,195,242</b>	<b>524,582</b>

(i) The warrants issued pursuant to the private placement on February 12, 2010, are described in Note 13(i) above, and have a fair value of \$241,740 which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2%	Expected volatility	85%
Dividend yield	nil	Expected life-units	1.2 years

The agent’s warrants issued pursuant to the private placement on February 12, 2010, are described in Note 13(i) above, and have a fair value of \$7,171 which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2%	Expected volatility	85%
Dividend yield	nil	Expected life-units	1.3 years

(ii) The warrants issued pursuant to the private placement on December 21, 2010, are described in Note 13(ii) above, and have a fair value of \$484,556 which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2%	Expected volatility	85%
Dividend yield	nil	Expected life-units	1.2 years

The agent’s warrants issued pursuant to the private placement on December 21, 2010, are described in Note 13(ii) above, and have a fair value of \$48,808 which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2%	Expected volatility	85%
Dividend yield	nil	Expected life units	1.3 years

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**14. RESERVE FOR WARRANTS (continued)**

Warrants to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price \$	Number of outstanding exercisable Warrants	Expiry Date	Remaining Contractual Life (years)
0.50	82,555	August 11, 2011	0.11
0.45	390,464	June 21, 2012	1.06
0.70-0.85 <sup>(i)</sup>	6,722,223	June 21, 2012	1.06

- <sup>(i)</sup> Pursuant to the non-brokered private placement described in 13(ii) above each warrant is exercisable into one common share at a price of \$0.70 per share until December 21, 2011 and \$0.85 per share thereafter until June 21, 2012.

**15. STOCK OPTIONS**

The Company has a stock option plan (the “Plan”) under which the Company may grant options to directors, officers and consultants. The maximum number of common shares reserved for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms up to 18 months from the date of grant.

The continuity of outstanding stock options for the year ended December 31, 2010 and six month period ended June 30, 2011 is as follows:

	Number of stock options	Weighted average exercise price per share \$
<b>Balance – January 1, 2010</b>	<b>2,800,000</b>	<b>0.37</b>
Issued during the period	-	-
Expired during the period	(440,000)	0.36
Cancelled during the period	(390,000)	0.42
<b>Balance – December 31, 2010</b>	<b>1,970,000</b>	<b>0.44</b>
<b>Issued during the period <sup>(i)</sup></b>	<b>3,125,000</b>	<b>0.63</b>
<b>Exercised during the period</b>	<b>(281,250)</b>	<b>0.48</b>
<b>Cancelled during the period</b>	<b>(93,750)</b>	<b>0.59</b>
<b>Balance – June 30, 2011</b>	<b>4,720,000</b>	<b>0.56</b>

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**15. STOCK OPTIONS (continued)**

- (i) On January 4, 2011, the Company granted 1,975,000 stock options to directors, officers and consultants of the Company. The options are exercisable at \$0.59 and expire on January 4, 2014. The resulting fair value of \$592,500 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95%; a risk-free interest rate of 2% and an expected average life of 2.1 years. The options have a vesting term of 25% at date of grant and 25% at 6, 12 and 18 month intervals.

On March 17, 2011, the Company granted 550,000 stock options to directors, officers and consultants of the Company. The options are exercisable at \$0.59 and expire on March 17, 2014. The resulting fair value of \$165,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95%; a risk-free interest rate of 2% and an expected average life of 2.1 years. The options have vesting terms as follows: 200,000 options that vest 25% at date of grant and 25% at 6, 12 and 18 month intervals and 350,000 options that vest equally over six quarters.

On June 28, 2011, the Company granted 600,000 stock options to directors, officers and consultants of the Company. The options are exercisable at \$0.82 and expire on June 27, 2014. The resulting fair value of \$255,360 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 95%; a risk-free interest rate of 2% and an expected average life of 2.1 years. The options have a vesting term of 25% at date of grant and 25% at 6, 12 and 18 month intervals.

Options to purchase common shares carry exercise prices and terms to maturity as follows:

Exercise price <sup>(1)</sup> \$	Number of options		Expiry Date	Remaining Contractual Life (years) <sup>(1)</sup>
	Outstanding	Exercisable		
0.63	245,000	245,000	January 31, 2012	0.59
0.45	190,000	190,000	June 28, 2012	1.00
0.42	985,000	985,000	September 8, 2012	1.19
0.35	375,000	375,000	December 10, 2012	1.45
0.59	1,775,000	443,750	January 4, 2014	2.52
0.59	550,000	166,900	March 17, 2014	2.72
0.82	600,000	150,000	June 27, 2014	2.99
<b>0.56</b>	<b>4,720,000</b>	<b>2,555,650</b>		<b>2.08</b>

(1) Total represents weighted average.

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**16. RESERVE FOR SHARE BASED PAYMENTS**

A summary of the changes in the Company's reserve for share based payments for the period ended June 30, 2011 and the year ended December 31, 2010 is set out below:

	<b>Amount</b> <b>\$</b>
<b>Balance – January 1, 2010</b>	<b>657,881</b>
Stock-based compensation	99,158
<b>Balance – December 31, 2010</b>	<b>757,039</b>
Stock-based compensation	553,045
Transfer to share capital	(66,643)
<b>Balance – June 30, 2011</b>	<b>1,243,441</b>

**17. EXPLORATION AND EVALUATION EXPENDITURES**

The evaluation and exploration expenses for the Company are broken down as follows:

	<b>Three months ended</b>		<b>Six months ended</b>		<b>Cumulative</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Exploration and evaluation expenditures</b>					
El Rayo	<b>682,161</b>	260,278	<b>1,256,797</b>	884,593	<b>5,617,610</b>
La Tortuga	-	435	<b>24,728</b>	29,382	<b>570,042</b>
Quila	<b>2,837</b>	-	<b>15,805</b>	11,913	<b>118,076</b>
Gavilan	<b>6,735</b>	-	<b>15,819</b>	956	<b>39,402</b>
El Santuario	<b>3,562</b>	-	<b>14,383</b>	4,108	<b>84,999</b>
Chinipas	<b>132,237</b>	2,595	<b>143,017</b>	4,398	<b>215,530</b>
Pena Grande	<b>2,754</b>	5,811	<b>47,490</b>	22,545	<b>189,272</b>
Victoria	<b>29,167</b>	190,183	<b>55,745</b>	239,508	<b>431,506</b>
Coyote	<b>22</b>	3,569	<b>2,393</b>	4,571	<b>95,236</b>
Margarita	-	-	<b>1,562</b>	1,303	<b>22,351</b>
San Pedro	-	13,086	<b>110</b>	13,086	<b>13,931</b>
Tecolote	-	20,386	<b>165</b>	20,432	<b>21,332</b>
Other Properties	-	4,202	<b>784</b>	8,555	<b>60,982</b>
	<b>859,897</b>	500,545	<b>1,578,798</b>	1,245,350	<b>7,480,269</b>

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**17. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**El Rayo Concessions**

Soltoro-Mexico holds 100% title interest to the “El Rayo” and “Guachinango 1” concessions. On November 24, 2006, Soltoro acquired 100% interest of the “Guachinango 1” concession from Silver Predator Mines Inc. (formerly Fury Explorations Ltd.) for a total consideration of US\$5,000 and a 2% net smelter return (“NSR”) royalty. The Company has the right to purchase 1.5% of this royalty for US\$1.5 million. There are no royalties payable on the El Rayo concession.

**La Tortuga Concessions**

The La Tortuga Property is located south of the El Rayo Project in the State of Jalisco. The Company has 100% title interest in 11 concessions.

**Quila Concession**

Soltoro-Mexico holds 100% title interest to the "Quila" concession located in the Quila district in the state of Jalisco, Mexico.

On November 23, 2010, Timmins Gold (“Timmins”) optioned the eastern portion of Soltoro’s Quila concession (“Quila East”). Timmins may earn 100% interest in Quila East by making a total of US\$1,000,000 in cash payments and incurring US\$2,000,000 in exploration expenditures over 3 years. Timmins made an initial US\$100,000 payment to Soltoro in the fourth quarter of 2010. Upon commencement of commercial production a 3% NSR royalty is payable to Soltoro from Timmins’ operations within a boundary outlined in the formal agreement. Timmins may acquire one-third of the royalty (equal to 1% of the NSR) for US\$1 million and a further one-third of the royalty (equal to an additional 1% of the NSR) for an additional US\$1 million up to six months from the date of commencement of commercial production.

**El Santuario Concessions**

The El Santuario concessions are held by Soltoro-Mexico which owns 100% title interest to the "El Santuario" and “Sant” concessions which are located in the Cardinal mining district in the state of Hidalgo, Mexico.

**Chinipas Concessions**

The Chinipas concessions are held by Soltoro-Mexico which owns 100% title interest and are located in the state of Chihuahua, Mexico.

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**17. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Coyote and Victoria Silver Gold Projects**

***Coyote Concessions***

Soltoro-Mexico holds 100% title interest to the “Xela” concession. Title was issued on January 25, 2008. On May 12, 2008 an option agreement was signed to acquire 3 additional concessions totaling 200 hectares (“Xela Optioned Concessions”). The Xela Optioned Concessions along with the “Xela” concession are referred to as the “Coyote” concessions. The Coyote Property is located approximately 120 kilometres southwest of Guadalajara.

Pursuant to the Xela Optioned Concessions, Soltoro paid the vendor US\$20,000 on closing and US\$20,000 in December 2010. Soltoro is obliged to pay a further US\$200,000 in advance royalty payments over 4 years from the date of transfer pursuant to the option agreement to retain the Xela Optioned Concessions. A 2% net smelter return (NSR) royalty is payable to the vendor upon commencement of commercial production. Soltoro may at any time purchase one-half of the royalty (equal to 1% of the NSR) for US\$400,000 and apply this payment to the advance royalty payments.

***Victoria Concession***

The Company holds 100% title interest in the Victoria concession located in the town of Mascota in Jalisco. In March 2010 Soltoro acquired 100% of the Lupita Mine property by making a US\$25,000 payment, agreeing to advance royalty payments of US\$535,000 over 10 years and granting a 2% NSR royalty payable to the vendor. Soltoro may at anytime purchase one-half of the royalty (equal to 1% of the NSR) for US\$1,000,000 and apply this payment to the advance royalty payments. The Victoria concession and the Lupita Mine claim together are referred to as the Victoria Project.

***Coyote and Victoria Option Agreement***

On April 26, 2011 the Company entered into an option agreement with Argentum Silver Corp (“Argentum”) whereby Argentum may earn a 100% interest in the Victoria and Coyote silver gold projects by paying \$255,000 in total cash payments, issuing an aggregate 5,000,000 common shares of Argentum and spending a total of \$1.1 million on exploration over 2 years. The earn-in period can be accelerated at the discretion of Argentum. Soltoro retains a 3% net smelter return (“NSR”) royalty interest in each project. Argentum may acquire one third of the royalty (equal to 1% NSR) for \$1.5 million and a further one third of the royalty (equal to an additional 1% of the NSR) for an additional \$1.5 for each project. On March 8, 2011 Argentum paid Soltoro a non refundable deposit of \$35,000 pursuant to a letter of intent. On April 28, 2011 the transaction was approved by the TSX Venture Exchange and pursuant to the option agreement Argentum paid \$100,000 and issued 1.5 million common shares of Argentum to Soltoro. The common shares are subject to a four month hold period which expires on August 29, 2011.

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**17. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Gavilan Concession**

Soltoro-Mexico holds 100% title interest to the "Gavilan" concession located in the San Joaquin mining district on the eastern border of the state of Queretaro, Mexico.

**Peña Grande Concession**

Soltoro-Mexico holds 100% title interest to the "Peña Grande" concession located in the state of San Luis Potosi. On October 1, 2010, Soltoro made application for the Peña-1 and Peña-2 claims but has not received title to these concessions.

**Margarita Concession**

The Margarita concessions are held by Soltoro-Mexico which owns 100% title interest and are located in the state of Michoacan, Mexico.

**San Pedro Application**

On June 25, 2010, the Company entered into a staking competition for the San Pedro concession. Soltoro was awarded the San Pedro property subject to submitting a legal survey to the government of Mexico for final approval and the granting of title.

**El Tecolote & El Tecolote 3 Applications**

On June 25, 2010, the Company entered into a staking competition for the El Tecolote and El Tecolote 3 claims. Soltoro was awarded the El Tecolote property and the El Tecolote 3 property subject to submitting a legal survey to the government of Mexico for final approval and the granting of title. Title for Tecolote was granted in December 2010 (official notification was received in July 2011). Title has not yet been received for the El Tecolote 3 concession.

**18. COMMITMENTS AND CONTINGENCIES**

Under the terms of the Company's mining concessions, the Company must make periodic tax payments and perform minimum levels of exploration to maintain these concessions in good standing. The failure of the Company to meet these requirements would lead to the forfeiture of the Company's rights to these properties.

**19. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period basis of presentation.

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**20. SEGMENTED INFORMATION**

**Operating Segments**

At June 30, 2011 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Mexico. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 '*Operating Segments*'. As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses,
- whose operating results are reviewed regularly by the entity's chief operating decision maker, and
- for which discrete financial information is available.

**Geographic Segments**

The Company currently has one reportable segment as at June 30, 2011 and December 31, 2010, being the exploration, development and production of mineral properties in Mexico. The following is a detailed breakdown of the Company's assets by Geographical location:

	<b>As at June 30, 2011</b>	<b>As at December 31, 2010</b>
	\$	\$
<hr/>		
Identifiable assets		
Canada	<b>4,236,696</b>	4,068,264
Mexico	<b>783,785</b>	211,203
	<b>5,020,481</b>	4,279,467
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**21. SUBSEQUENT EVENTS**

**Private Placement**

On July 19, 2011, the Company completed a non-brokered private placement of 4,500,000 common shares at \$1.00 per share for gross proceeds of \$4,500,000 with Coeur d'Alene Mines Corporation. As part of the Financing, Coeur d'Alene has been granted a first right of refusal to maintain its current proportionate interest in Soltoro by participating in each of the next two financings undertaken by Soltoro. In addition, Coeur d'Alene has agreed to a standstill, whereby it will not purchase any shares of Soltoro that would result in Coeur d'Alene, together with any affiliates, holding over 9.9% of the issued and outstanding shares of Soltoro, except in accordance with a take-over bid for 100% of the issued and outstanding shares of Soltoro. Upon completion of the Financing, Coeur d'Alene held approximately 8.2% of the issued and outstanding shares of Soltoro. The common shares issued pursuant to the Financing are subject to a four-month regulatory hold period from the date of closing.

**Warrants and stock options**

Subsequent to quarter end the following common share purchase warrants and stock options were exercised:

- 1,849,019 common share purchase warrants for total proceeds of \$1,229,186, and
- 457,500 stock options for total proceeds of \$199,815.