



SOLTORO LTD.

**MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE INTERIM PERIODS ENDED JUNE 30, 2011**

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Soltoro Ltd. ("Soltoro" or the "Company") for the three and six month periods ended June 30, 2011. The MD&A was prepared as of August 26, 2011 and should be read in conjunction with the unaudited consolidated financial statements for the three and six month periods ended June 30, 2011 and the audited consolidated financial statements for the year ended December 31, 2010 and 2009, including the notes thereto. All figures are in Canadian dollars unless stated otherwise. The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010. Additional information relevant to the Companies activities, including the Company's audited consolidated financial statements can be found on SEDAR at www.sedar.com.

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

OVERVIEW

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

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

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

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

PROPERTY PORTFOLIO

El Rayo Primary Silver-Gold Project

Overview

The El Rayo Primary Silver-Gold Project ("El Rayo Project" or "the Project") is located in southwestern Mexico in the State of Jalisco. The Project is located adjacent to the town of Guachinango, which is approximately 110 kilometers west-northwest of Guadalajara, the capital city of the Jalisco. Access to the Project is by paved road from Guadalajara and Puerto Vallarta and the infrastructure in the town of Guachinango is excellent.

The Project is comprised of two concessions covering a total 10,036 hectares; the 3,848 hectare "El Rayo" concession and the 6,188 hectare "Guachinango 1" concession. Soltoro purchased a 100% interest in the mineral rights of the properties from the registered land holders in 2006 through Soltoro S.A. de C.V., its wholly owned subsidiary in Mexico. As part of the Guachinango 1 acquisition, the vendor retains a 2% Net Smelter Return ("NSR") royalty, of which Soltoro has the right to purchase 1.5% of the royalty for US\$1,500,000. There are no royalties payable on the El Rayo concession.

Geological Setting and Mineralization

The Project is situated within the east-west-trending Trans-Mexican Volcanic Belt ("TMVB") in central Mexico. The TMVB is a volcanic belt similar to, but somewhat younger than, the Sierra Madre Occidental ("SMO") volcanic belt. The SMO is a north-northwest-trending, Oligocene to Miocene volcanic belt that extends from the states of Sonora and Chihuahua in the north to Jalisco in the south, which hosts numerous large epithermal gold, gold-silver and silver-lead-zinc deposits.

There are four main mineralized trends within the El Rayo Project, which include at least fourteen mineralized zones. These are:

- **Aguacero-Highway-Matachines-Las Bolas-Structure:** a 2.7 kilometers long, northeast-trending structure which includes the Matachines target in the southwest, Las Bolas and Arturo targets in the central segment, and the Ernesto target in the northeastern part of the trend. The Highway Zone may represent a faulted segment of the Aguacero-Matachines-Las Bolas structure, which has been displaced to the east from Matachines along a west-northwest-trending structural zone.
- **Catarina-El Rayo Structure:** a 2.5 kilometers long, northwest-trending structure which includes the Catarina target in the southeastern part, the Gavilan target in the central part, and the El Rayo target in the northwestern part of the trend.
- **Soledad:** a 600 metre long, east-west-trending structure that shares the same trend as the Ocote-Nueva Suerte structure but occurs along a structural zone that may offset the Matachines zone from the Highway Zone. The Soledad structure is the present focus of Soltoro's exploration and is open in both directions along strike.
- **Ocote-Nueva Suerte Structure:** a 3.0 kilometers long, east-west-trending structure which includes the Rafael and Sacramento targets in the western part, Ocote target in the central part, and the Nueva Suerte target in the eastern part of the trend.

Exploration

Since Soltoro began exploration on the El Rayo project in 2006, the primary exploration focus has been on the Las Bolas, Highway Zone and El Rayo areas. Emphasis shifted to the Soledad area late in the first quarter of 2011 when the drilling program designed to test the structure intersected a significant mineralized zone. Drilling on the project to date consists of 120 reverse-circulation holes totaling 16,482 meters and 85 diamond drill holes totaling 14,890 meters and has been conducted in conjunction with geologic mapping, surface and underground rock and channel sampling, soil sampling and interpretation of satellite imagery.

Exploration up to National Instrument (“NI”) 43-101 Resource Estimate

On July 29, 2011 Soltoro filed on Sedar, a Technical Report on the El Rayo Silver Gold Project. The report was prepared by Roscoe Postle Associates Inc. (“RPA”) and includes a NI 43-101 compliant resource estimate that updates a previous report dated April 20, 2010. The report includes estimated silver resources for the Las Bolas and Highway Zone, and estimated gold resource for the northern extension of the El Rayo Structures. The resources are based on approximately 4,171 metres of diamond drilling in 29 holes and 15,399 metres of reverse-circulation drilling in 114 holes in the Las Bolas, Highway Zone and El Rayo areas. Drilling on the Project to December 2010 was included in the resource estimates.

The report indicates that Soltoro has defined significant bulk-tonnage silver resources at the Las Bolas and Highway Zone structures. The table below lists the Mineral Resources for the Las Bolas and Highway Zones:

Las Bolas & Highway Zone Deposit Silver Resource				
Deposit Area	Cut-off grade (g/t Ag)	Tonnes (millions)	Average Grade (g/t Ag)	Contained ounces of Silver
Measured Mineral Resources				
Las Bolas	20	5.90	63.86	12,100,000
Indicated Mineral Resources				
Las Bolas	20	24.20	51.17	39,900,000
Highway Zone	20	3.50	56.54	6,300,000
Total Measured and Indicated Mineral Resources				
Las Bolas & Highway Zone	20	33.60	54.00	58,300,000

Inferred Mineral Resources				
Highway Zone	20	0.20	44.34	300,000

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources were estimated using prices of US\$27/oz Ag. No credits are assigned for other metals.
3. Metallurgical recovery is assumed to be 74% of the contained silver.
4. High silver values are cut to 400 g/t Ag.
5. The Las Bolas and Highway Zone deposits are modeled at a minimum of 5 metres true thickness of mineralization.
6. The numbers for tonnage, average grade and contained ounces of silver are rounded figures.

- The above resources are constrained by a Whittle optimized pit shell and constitute 87% of the modelled mineralization within a conceptual open pit for the Las Bolas Structure and 64% for the Highway Zone.

The Company has also been investigating the gold potential at the north end of the El Rayo structure. Previous drilling identified a gold zone one kilometre in strike length. At a pit discard cut-off grade of 0.35 g/t Au, the resource estimate for the northernmost 250 metres of the gold structure is reported by RPA as follows:

El Rayo Northern Zone Gold Resource				
Deposit Area	Cut-off grade (g/t Au)	Tonnes (thousands)	Average Grade (g/t Au)	Contained ounces of Gold
Indicated Mineral Resources				
El Rayo North	0.35	380	1.85	22,600
Inferred Mineral Resources				
El Rayo North	0.35	365	1.61	18,900

Notes:

- CIM definitions were followed for mineral resources.
- Mineral Resources were estimated using prices of US\$1,300/oz Au. No credits were assigned for other metals.
- Metallurgical recovery is assumed to be 90% of the contained gold.
- The Rayo Extension deposit is modeled at a minimum of 5 metres vertical thickness of mineralization.
- The numbers for tonnage, average grade and contained ounces of gold are rounded figures.
- The above resources are constrained by a Whittle optimized pit shell.

The mineral resources were estimated by Hrayr Agnerian, M.Sc. (Applied), P.Geo., Associate Principal Consulting Geologist with RPA. Mr. Agnerian is the Qualified Person for the purposes of National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators, and has verified the data disclosed in this MD&A.

Diamond RC Twinning

Outlined below are four diamond drill holes completed in late 2010 to twin Reverse Circulation (“RC”) drill holes completed in 2008. The diamond drill holes were completed to test the upper portions of the RC drill holes that were previously unsampled. Results from diamond drilling do not compare favorably with those from the reverse circulation. In general, assay results of the two datasets show a similar distribution of silver values, but with a systematic bias of lower values for the samples of diamond drill core. Results are presented in the table below.

Section Line	Drill Hole	From	To	Width¹ (metres)	Silver (g/t)
S2	RC08-21	49.5	79.5	30.0	96
	Ray10-53	49.0	79.6	30.6	74
S2	RC08-28	81.0	127.5	46.6	143
	Ray10-51 ²	82.0	127.5	45.5	94
	uncut	82.0	127.5	45.5	116
S3	RC08-27	96.0	126.0	30.0	148
	Ray10-50	96.0	126.0	30.0	97
S3	RC08-17	27.0	57.0	30.0	122
	Ray10-52	27.0	58.0	31.0	89

¹All intersections are reported as drilled thickness.

²Sample 320457 from 103.0 to 104.0 metres down-hole depth was cut from 1,980 g/t Ag to 1,000 g/t Ag.

Section Line	Drill Hole	From (m)	To (m)	Width¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut)²
30875	Ray10-50	0	124.0	124.0	46	46
	including	101.8	122.0	20.2	132	132
	including	104.9	122.0	9.8	212	212
30925	Ray10-51	0	120.5	120.5	67	59
	including	89.0	120.5	31.5	149	118
	including	103.0	120.5	17.5	227	171
	including	103.0	104.0	1.0	1980	1000
30875	Ray10-52	0	62.4	62.4	56	56
	including	29.0	62.4	33.4	89	89
	including	36.0	56.0	20.0	111	111
30925	Ray10-53	0	81.0	81.0	45	45
	including	58.0	81.0	23.0	92	92
	including	73.6	81.0	7.4	148	148

¹All intersections are reported as drilled thickness. True widths are not known at this time.

²All assays greater than 1,000 g/t Ag cut to 1,000 g/t Ag.

Drill Results Released Subsequent to December 31, 2010 and Not Included in the NI 43-101 Resource Estimate

First Quarter 2011

Soltoro's primary focus in the first quarter of 2011 was defining additional resources in the northern part of the Las Bolas deposit. Emphasis shifted to the Soledad area late in the quarter when the drilling program designed to test the structure intersected a significant mineralized zone. In the first quarter, Soltoro completed 11 diamond drill holes for 2,586 meters. Four holes totaling 1,317 meters were drilled in the northern Las Bolas area, two holes totaling 511 meters were drilled in the Highway Zone area, four holes totaling 503 meters were drilled in the Soledad area, and one hole of 255 meters were drilled in the Matachines area. The results of drilling at Las Bolas and the Highway Zone are outlined below. The results of drilling during the first quarter of 2011 at Soledad and Matachines are combined with results for the second quarter of 2011 and are outlined below under Second Quarter 2011.

Results for Las Bolas drilling:

Section Line	Drill Hole	From (m)	To (m)	Width ¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut) ²
30825	Ray11-54	76.1	85.7	9.6	63	63
		227.5	245.0	17.5	44	44
	including	227.5	231.6	4.1	78	78
		268.7	385.0	116.3	47	47
	including	268.7	279.5	10.8	69	69
	including	285.5	289.2	3.7	102	102
	including	373.5	383.4	9.9	72	72
30875	Ray11-55	94.0	99.5	5.5	60	60
		198.0	220.0	22.0	50	50
		252.1	338.9	86.6	44	44
30825	Ray11-56	5.0	12.0	7.0	43	43
		27.0	44.2	17.2	44	44
		61.0	66.7	5.7	47	47
		105.0	128.7	23.7	43	43
		174.0	199.0	25.0	42	42
		222.0	258.9	36.9	49	49
30975	Ray11-57	16.0	26.0	10.0	42	42
		81.0	241.0	160.0	47	47
		81.0	154.5	72.0	50	50
		124.0	140.0	16.0	80	80
		210.0	241.0	31.0	81	81
		216.0	224.0	6.0	120	120

¹All intersections are reported as drilled thickness. True widths are not known at this time.

²All assays greater than 1,000 g/t Ag cut to 1,000 g/t Ag.

Two holes were drilled in the Highway Zone. These holes were intended to test the hypothesis that the shallow mineralization encountered in reverse-circulation hole RC10-88 (15 metres averaging 57 gpt silver) represented the Soledad structure along strike to the east. The two holes intersected narrow low-grade mineralization, suggesting that the mineralization encountered in RC10-88 was not related to the Soledad structure but rather represents previously unknown mineralization.

Results from the Highway Zone drilling:

Section Line	Drill Hole	From (m)	To (m)	Width ¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut) ²
20450	Ray11-63	162.0	189.0	27.0	39	39
	Including	162.0	169.5	7.5	61	61
	including	183.5	189.0	5.5	42	42
20550	Ray11-64	37.0	41.0	4.0	60	60
		98.3	106.0	7.7	22	22

¹All intersections are reported as drilled thickness. True widths are not known at this time.

²All assays greater than 1,000 g/t Ag cut to 1,000 g/t Ag.

Second Quarter 2011

Soltoro's primary exploration focus during the second quarter of 2011 was on the Soledad structure. A total of 19 diamond drill holes totaling 3,152 metres were completed at Soledad and two diamond drill holes totaling 810 metres were completed in the Matachines area.

Drilling at Soledad has defined a mineralized shoot measuring 225 metres in length that remains open to the east. Mineralization has been drill tested to a depth of 150 metres with one row of shallow holes drilled on 25 metres centers and deeper holes drilled on 50 metres centers. Drilling to date on the first high grade silver ore shoot has returned an average drilled length of 49 metres at 140 gpt silver clearly demonstrating open pit potential. Drilling will continue at depth in the third quarter of 2011.

Drilling to the west of the mineralized shoot has delineated a barren zone measuring approximately 225metres in length. A second shoot west of the barren zone was identified with hole Ray11-73 and drill hole Ray 11-85 confirms the presence of the second shoot as well as the robust nature of the mineralization. This area will be further tested in the third quarter of 2011.

Results from La Soledad drilling:

Section Line	Drill Hole	From (m)	To (m)	Width ¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut) ²
565600	Ray11-59	58.5	68.7	10.2	78	78
	including	66.0	68.7	2.7	203	203
565800	Ray11-60	26.0	47.6	21.6	388	286
	including	40.6	47.6	7.0	1,010	695
	including	40.6	42.5	1.9	2,160	1000
		59.7	66.6	6.9	527	511
	including	65.0	66.6	1.6	1,070	1000

Section Line	Drill Hole	From (m)	To (m)	Width ¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut) ²
565800	Ray11-61	48.1	54.5	6.4	164	124
	including	49.1	49.7	0.6	1,420	1000
566025	Ray11-62	90.5	97.6	7.1	122	122
	including	94.1	97.6	1.6	245	245
565800	Ray11-66	19.2	62.9	43.7	222	217
	including	35.0	39.8	4.8	446	446
	including	59.5	62.9	3.4	730	670
	including	60.5	61.7	1.2	1,170	1,000
565775	Ray11-67	24.0	33.0	9.0	82	82
565825	Ray11-68	51.3	95.0	43.7	300	234
	including	86.0	95.0	9.0	738	414
	including	87.3	88.5	1.2	1,840	1,000
	including	91.9	92.9	1.0	2,910	1,000
565850	Ray11-69	46.5	51.4	4.9	84	84
		66.6	120.3	53.7	115	115
	including	71.0	72.5	1.5	565	565
	including	117.5	120.3	2.8	297	297
565625	Ray11-70	No significant results				
565975	Ray11-71	48.5	114.1	65.6	120	120
	including	60.5	62.9	2.4	563	563
	including	81.5	86.0	4.5	213	213
	including	111.2	113.0	1.8	328	328
565925	Ray11-72	50.6	79.5	28.9	67	67
	including	54.0	69.0	15.0	96	96
565550	Ray11-73	36.2	69.7	33.5	198	198
	including	40.7	52.5	11.8	317	317
	including	48.0	49.6	1.6	921	921
	including	68.6	69.7	1.1	777	777
565750	Ray11-74	No significant results				
565875	Ray11-75	68.0	93.0	25.0	124	124
		99.0	102.4	3.4	60	60
		112.5	117.5	5.0	247	247
565800	Ray11-77	No significant results				
565700	Ray11-78	No significant results				
565850	Ray11-79 ³	133.0	176.4	43.4	173	173
	including	136.0	143.5	7.5	234	234
	including	159.0	174.0	15.0	273	273
565900	Ray11-80	65.4	122.9	58.5	59	59

Section Line	Drill Hole	From (m)	To (m)	Width ¹ (m)	Ag (g/t) (uncut)	Ag (g/t) (cut) ²
	including	102.3	122.9	20.6	86	86
	including	103.5	109.5	6.0	190	190
565900	Ray11-81	123.6	185.6	62.0	182	180
	including	140.0	185.6	45.6	237	235
	including	144.6	167.0	22.4	324	319
	including	144.6	156.0	11.4	419	411
	including	144.6	146.0	1.4	1,070	1,000
	including	171.0	172.0	1.0	1,020	1,000
565950	Ray11-82	32.8	61	28.2	65	65
	including	47.0	58.0	11.0	100	100
566075	Ray11-83	76.7	78.0	1.3	34	34
		94.0	94.5	0.5	491	491
565950	Ray11-84	No significant results				
565575	Ray11-85	44.0	65.6	21.6	130	130
	including	53.5	59.5	6.0	273	273

¹All intersections are reported as drilled thickness. True widths are not known at this time.

²All assays greater than 1,000 g/t Ag cut to 1,000 g/t Ag.

³Includes a 3.0 metres interval from 156.0 metres to 159.0 metres down hole depth that was included at 0 g/t Ag due to poor core recovery.

Two diamond drill holes were completed in the Matachines area. Hole Ray11-65 encountered significant lead mineralization as well as strong gold, silver and zinc values. Hole Ray11-76 was drilled to test the intersection of the Matachines and Las Bolas but it was drilled almost entirely in a fault zone that appears to offset the Highway Zone from the Matachines area, and did not encounter mineralization. Additional drilling is required to understand the relationship between this mineralization and that in the Las Bolas area to the north and the Soledad area to the south.

Results for drilling at Matachines:

Section Line	Drill Hole	From	To	Width ¹ (m)	Au (g/t)	Pb %	Zn %	Ag (g/t)	Ag Equ. ² (g/t)
29925	Ray11-58	51.5	66.5	15.0	0.08	4.39	1.50	23	118
	including	56.0	60.0	4.0	0.15	8.08	0.07	41	214
		72.0	77.0	5.0	0.03	2.67	0.24	14	73
		231.0	245.0	14.0	0.01	0.08	0.05	43	43
29925	Ray11-65	159.0	196.0	25.3	0.14	5.73	0.78	44	185
	including	159.0	168.0	9.0	0.29	11.46	1.59	89	371
	including	160.9	165.3	4.4	0.53	33.07	2.64	128	619
29850	Ray11-76	No significant results							

¹ All intersections are reported as drilled thickness. True widths are not known at this time but are believed to be similar to drilled widths.

² \$1,519 Au, \$37.19 Ag, \$1.14 Pb, \$1.01 Zn were used to calculate the silver equivalent, metallurgical recoveries & net smelter returns are assumed to be 100%.

Approximately 677 soil samples were collected in the area between Las Bolas and the Santa Fe area northeast of Las Bolas during the second quarter. The intention of this sampling program was to locate the extension of the Las Bolas mineralization and to further define the mineralization in the Santa Fe area. Several Ag and Pb anomalies were identified in the footwall of the Las Bolas structure and in the Santa Fe area that will require follow-up in the third quarter of 2011.

Soil sampling began in the second quarter in the area between the Catarina mine and the Las Bolas – Santa Fe soil grid. Sampling will be completed and the data compiled and analyzed in the third quarter of 2011.

Detailed geologic mapping was conducted in the area including the Highway Zone, La Soledad, Aguacero and the Catarina mine. Mapping clarified geologic relationships and structural controls on mineralization. Two diamond drills continue to test the Soledad structure.

Chinipas Gold Project

In February 2008 the Company received 100% title interest to the 1,371 hectare Chinipas property and in July 2009 received 100% title interest to an additional 50 hectare internal concession to hold a total 1,421 hectares in the state of Chihuahua. The Property is located in the western portion of the Sierra Madre Occidental, one of the worlds' largest and most prolific epithermal gold and silver belts. The Property is located 14 kilometers north-northeast of the town of Chinipas and 16 kilometers north-northwest of the Palmarejo gold-silver mine owned by Coeur d'Alene Mines Corporation.

In March 2007 an orientation sampling program was conducted at Chinipas to assess the style of mineralization and to determine its extent. Gold was found to be hosted in tourmaline- and pyrite-bearing quartz veins and veinlets over a strike length of over three kilometres. Sampling returned values up to 17.65 gpt gold in a 15 centimeter chip sample, and 5.43% copper and 110 gpt silver respectively from two mine dump samples.

In May 2011 Soltoro commenced a drilling program designed to test the bulk tonnage gold potential at Chinipas. Eight diamond drill holes totalling approximately 1,800 metres were completed in the first phase of drilling. Assay results are expected to be completed in the third quarter of 2011.

La Tortuga Copper Gold and Potential IOCG Project

The La Tortuga Property is located south of the El Rayo Project in the State of Jalisco, a three hour drive south-west of Guadalajara. The Company has 100% title interest in 11,562 hectares.

From 2006 to 2008 the Company completed Induced Polarization (“IP”) surveys covering 151 line-kilometres. In 2008 the Company completed seven diamond drill holes totalling 3,016 meters to test high chargeability anomalies in the historic Las Garrochas and Macuchi mine areas and along the Papagayo Ridge. Drilling was designed to identify a significant copper–gold deposit but failed to intersect any copper mineralization.

In the Macuchi mine area which is located within the La Tortuga property, mapping and sampling identified two separate zones of hematite matrix mega breccia containing specularite suggesting a possible Iron Oxide Copper Gold (“IOCG”) system as the source of the copper–gold mineralization in this portion of the property. In February of 2009 Soltoro drill tested the Macuchi mine area to investigate the IOCG potential. A total of 1,005 metres of drilling was completed in four separate drill holes which confirmed the geologic concept. In July 2009 the Company completed 80 line–kilometres of ground magnetics in the Macuchi area in order to better understand local structures and their relationship to the magnetic rocks as well as the potential of the area for IOCG–style mineralization. The work completed to date indicates that further drilling is warranted to test the IOCG potential on the property.

The Company continues to seek a joint venture partner to further test the potential of the La Tortuga property.

El Santuario Gold Project

In November 2006 the Company received 100% title interest to the 2,000 hectare El Santuario property in the Cardinal mining district in the state of Hidalgo which includes the historic San Clemente gold district. The San Clemente district is located approximately 70 kilometers NW of Pachuca which is the largest silver mine and second largest gold mine in Mexico.

Numerous historical gold mines are distributed across the property as well as dozens of prospect pits. The area was classified as a National Mineral Reserve property in the 1970’s and extensive mapping and sampling was completed by the Consejo de Recursos Minerales in the early 1980’s. The Company has acquired some of the old reports completed during this period.

An initial mapping and sampling program was completed at Santuario in January 2007. Sample results from this program ranged up to 10.2 gpt gold and geologic mapping provided an understanding of the structural controls on the mineralization. As a result, a second 1,200 hectare concession intended to include the strike extension of mineralization was added in October 2008 bringing Soltoro’s total title interest to 3,200 hectares.

In April of 2009 an expanded geologic mapping and sampling program confirmed that there are numerous prospects and old mines outside the previous known area of mineralization, which is now known to occur over a northeast-trending zone measuring three kilometers in length and 600 meters in width. A broader rock and stream sediment sampling program further demonstrated that mineralization continues outside of the previously known area. The Company is seeking a joint venture partner to conduct further exploration on the property.

Gavilan Concession

In August 2006, the Company received 100% title interest to the 780 hectare Gavilan concession located in the San Joaquin district in the state of Queretaro. The Gavilan prospect was staked, based on historical reports, to investigate the potential for the area to host zinc-silver-gold replacement and skarn mineralization. A limited geological reconnaissance program was completed in 2006 to identify mineralized areas and evaluate the style and extent of alteration. Further work is required to advance the project.

Peña Grande Concession

In November 2009, the Company received 100% title interest to 31,670 hectare Peña Grande Concession in the state of San Luis Potosi. In October 2010 the Company made application for the Peña-1, 15,857 hectare claim and Peña-2, 21,795 hectare claim but has not yet received title to these concessions. The Company does not expect to receive title to the entire area covered by the staking as several small internal claims will slightly reduce the ground to be titled to the Company. These areas were staked to include the strong magnetic high west of the Peña Grande Concession.

The geology and geophysics suggest the possibility of a Peñasquito-type target at depth. A data compilation was completed by a third party in the second quarter of 2011. The data will be evaluated in the third quarter with preliminary work scheduled to begin later in 2011.

Margarita Concession

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

San Pedro Gold Project

The San Pedro property was staked to include a high sulphidation gold target formerly held by Teck Cominco Ltd. When the property was released by Teck Cominco for staking in 2010, Soltoro applied for a concession covering 2,880 hectares. At the same time, Almaden Minerals Ltd. submitted applications in the area but the applications partly overlapped. Almaden was successful in gaining the overlapping portions through the lottery process and as a result, Soltoro's application area is expected to be reduced by ~1,000 hectares on title. Soltoro plans to carry out a reconnaissance program on the property once title has been received.

El Tecolote

On June 25, 2010, the Company entered into a staking competition for a series of claims north of El Rayo in Jalisco state that had been published as coming open for staking by the government of Mexico. The Company was successful in obtaining the El Tecolote property covering 2,250 hectares and the El Tecolote 3 property covering 801 hectares. 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.

There are two known areas of mineralization on the concessions controlled by Soltoro: the northern Fundición area and the southern El Tecolote area. Mineralization in these areas consists of a series of northeast-trending quartz veins hosted by andesite and rhyolite. Quartz veins contain sulphides and oxides of copper and lead with silver values reported from the property. Soltoro will begin an initial review of the Tecolote area in the third quarter of 2011.

OPTIONED PROPERTY PORTFOLIO

Quila Bulk Tonnage Copper Gold Silver Project

Soltoro holds 100% title interest to the 22,428 hectare Quila concession located east of the La Tortuga project in the state of Jalisco, Mexico. The property is host to numerous bornite-bearing veins, southeast-trending magnetic highs and numerous historical silver/lead targets.

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.

Soltoro has retained approximately 45% of the surface area of the Quila concession located to the west of Quila East which is excluded from the Timmins option agreement. This area includes the Texcalame zone, where drilling in 2008 intersected a strong fracture zone over 90 metres in length containing traces of chalcopyrite, bornite and native copper. The styles and distribution of alteration and mineralization, and particularly the association of copper and gold mineralization with iron-oxides such as hematite, specularite and magnetite, indicate the potential for a large scale IOCG target.

Coyote and Victoria Silver Gold Project

Coyote Project

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 totalling 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 at an elevation of between 1600 and 2200 metres above sea level.

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.

The El Tajo mine, which is located with the Coyote Property, is the largest former silver producer in the area and was in production from around 1890 through to 1915. Two other underground mines are known to exist on the property in addition to numerous smaller surface workings. Mineralization at the Coyote project is predominantly silver with lesser gold values hosted in banded and brecciated quartz veins. The mineralized zone extends over an area approximately 2.5 kilometers by 2 kilometers. Mineralization occurs over at least a 100m vertical distance.

Victoria Project

The Company holds 100% title interest in the 10,985 hectare Victoria concession located approximately 130 kilometres west of Guadalajara and ten kilometers northeast of 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 and comprise a total area of 11,105 hectares.

Mineralization at the historic Lupita Mine occurs within a set of quartz veins with a known surface strike length of 150 metres. Near surface, high-grade gold-silver mineralization was between one and two metres in width and high-grade veins up to six metres in width have been reported 87 metres below surface in historical reports. The high-grade gold-silver veins were mined down to a depth of 230 metres over 11 levels.

In April of 2009, Soltoro identified a 500 metre-long gold-in-soil anomaly with a high value of 1.23 g/t gold over a similar zone approximately 600 metres north-east of the Lupita Mine. Four holes totalling 1,354 metres of drilling were completed to test the anomaly. These holes returned anomalous gold values over narrow intercepts. A fifth drill hole was completed below the historic Lupita Mine which tested for the mineralized structure at a 270 depth but failed to intersect mineralization. Additional mapping and sampling was also completed on surface and in the first level at the historic Lupita Mine. The Company determined further underground sampling and drilling, along with regional exploration, is warranted at Lupita to better understand the nature of the high-grade silver gold potential.

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% 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 million 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.

Mr. Steven T. Priesmeyer, C.P.G., Vice President of Exploration for Soltoro Ltd. and a qualified person as defined by NI 43-101 has reviewed the contents of this MD&A. During the quarter, field supervision of the El Rayo project was provided by Mr. Patrick Toth, P. Geo., Vice President of Operations, Soltoro Mexico.

EXPLORATION AND EVALUATION EXPENDITURES

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

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

Other cumulative mineral expenditures since inception

Active properties at June 30, 2011	7,480,269
Joint venture earn-in expenditures	
La Tortuga concessions - Sumitomo	1,154,773
Quila concessions - Southern Silver	646,029
	<u>1,800,802</u>
Discontinued properties	
Bacanora concession	597,003
Midas concession	8,968
	<u>605,971</u>
Total cumulative mineral expenditures since inception	<u>9,887,042</u>

OVERALL PERFORMANCE

Results of Operations

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Year Ended December 31 2010	Year Ended December 31 2009 (CDN GAAP)
	\$	\$	\$	\$	\$	\$
Exploration and evaluation expenditures	859,897	500,591	1,578,798	1,245,350	2,192,518	-
Administrative expenses	302,703	137,739	519,747	254,951	611,204	358,530
Stock-based compensation	203,313	22,837	553,045	71,234	99,158	221,480
Consideration under options agreements	(670,000)	-	(705,000)	-	(102,271)	
Interest (income)	(9,711)	(211)	(13,699)	(324)	(1,787)	(316)
Unrealized (gain) loss on investment	237,500	8,000	245,500	12,000	(32,000)	(12,500)
Net loss	923,702	668,956	2,178,391	1,583,211	2,766,822	567,194
Loss per common share – basic and diluted	0.02	0.02	0.05	0.05	0.08	0.02

The net loss for the three months ended June 30, 2011 was \$923,702 as compared to a net loss of \$668,956 for the three month period ended June 30, 2010. The \$254,746 increase in the net loss is primarily attributable to the following:

- Increase of \$359,306 in exploration and evaluation expenditures for the three months ending June 30, 2011 compared to the same period in 2010 which relates to a more active exploration program in 2011 as compared to 2010.
- Increase of \$180,476 in non-cash stock-based compensation expense for the three months ending June 30, 2011 compared to the same period in 2010. The increase is the result of the non-cash expense related to the Black-Scholes valuation and graded vesting of a larger number of stock options in 2011 compared to 2010.
- The increase of \$88,416 in shareholder information expenses, increase of \$26,798 in legal expense, increase of \$33,111 in other miscellaneous items for the three months ending June 30, 2011 compared to the same period in 2010 which is the result of a more active investor relations and head office function in 2011 compared to the same period in 2010.
- The increase of \$16,639 in foreign exchange loss for the three months ending June 30, 2011 compared to the same period in 2010 which is the result of the conversion of US dollar cash balances to Canadian dollars during a period of a strengthening Canadian dollar against the US dollar.
- Increase of \$670,000 in consideration under option agreements for the three months ending June 30, 2011 compared to the same period in 2010 which relates to the receipt of 1,500,000 common shares of Argentum Silver Corp recorded at a fair value of \$570,000 and cash of \$100,000.
- The increase of \$229,500 in unrealized loss on other financial assets for the three months ending June 30, 2011 compared to the same period in 2010 is the result of the decline in market value of other financial assets of \$237,500 in 2011 compared to \$8,000 in 2010. The decline in market value in 2011 is comprised of \$217,500 with respect to the 1,500,000 shares of Argentum Silver Corp. and \$20,000 with respect to the 200,000 shares of Southern Silver Corp. The decline in 2010 relates entirely to Southern Silver Corp.

The net loss for the six months ended June 30, 2011 was \$2,178,391 as compared to a net loss of \$1,583,211 for the six month period ended June 30, 2010. The \$595,180 increase in the net loss is attributable to the following:

- Increase of \$333,448 in exploration and evaluation expenditures for the six months ending June 30, 2011 compared to the same period in 2010 which relates to a more active exploration program in 2011 as compared to 2010.
- Increase of \$481,811 in non-cash stock-based compensation expense for the six months ending June 30, 2011 compared to the same period in 2010. The increase is the result of the non-cash expense related to the Black-Scholes valuation and graded vesting of a larger number of stock options in 2011 compared to 2010.
- The increase of \$149,570 in shareholder information expenses, increase of \$49,487 in legal expense, increase of \$50,966 in other miscellaneous items for the six months ending June 30, 2011 compared to the same period in 2010 is the result of a more active investor relations and head office function in 2011 compared to the same period in 2010.
- The increase of \$14,773 in foreign exchange loss for the six months ending June 30, 2011 compared to the same period in 2010 is the result of the conversion of US dollar cash balances to Canadian dollars during a period of a strengthening Canadian dollar against the US dollar.
- Increase of \$705,000 in consideration under option agreements for the three months ending June 30, 2011 compared to the same period in 2010 which relates to the receipt of 1,500,000 common shares of Argentum Silver Corp recorded at a fair value of \$570,000 and cash of \$135,000.
- The increase of \$233,500 in unrealized loss on other financial assets for the six months ending June 30, 2011 compared to the same period in 2010 is the result of the decline in market value of other financial assets of \$245,500 in 2011 compared to \$12,000 in 2010. The decline in market value in 2011 is comprised of \$217,500 with respect to the 1,500,000 shares of Argentum Silver Corp. and \$28,000 with respect to the 200,000 shares of Southern Silver Corp. The decline in 2010 relates entirely to Southern Silver Corp.

The net loss for the year ended December 31, 2010, was \$2,766,822 as compared to a net loss of \$567,194 for the year ended December 31, 2009. The \$2,199,628 increase in net loss is primarily attributable to an increase of \$2,192,518 in exploration and evaluation expenditures recorded as an expense in the year ended December 31, 2010 compared to 1,177,648 capitalized in the year ended December 31, 2009. This difference relates to the change in accounting policy from capitalizing exploration and evaluation expenditures under Canadian GAAP (“CDN GAAP”) to expensing exploration and evaluation expenditures under International Financial Reporting Standards (“IFRS”). The results of operations summarized above is presented in CDN GAAP for the year ended December 31, 2009 as it relates to a period prior to the Company’s IFRS transition date of January 1, 2010. Administration expenses also increased in 2010 compared to 2009 by \$227,667 which is the result of the overall increase in activity relating to advancement of the project in Mexico. Non-cash stock-based compensation also decreased in 2010 by \$122,322 as a result of fewer stock options vesting during 2010 compared to 2009.

Financial Position and Liquidity and Capital Resources

As at June 30, 2011 the Company had assets of \$5,020,481 and an equity position of \$4,577,919. This compares with assets of \$4,279,467 and an equity position of \$4,041,196 as at December 31, 2010. Total assets for the period ended June 30, 2011 consisted of cash and cash equivalents of \$4,138,209 compared to \$3,993,725 at December 31, 2010. The increase of \$144,484 relates to cash generated from the exercise of warrants and stock options of \$2,032,211 and \$136,188 respectively, offset by cash disbursements of \$2,023,915.

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.

The significant sources and uses of cash for the quarter ended June 30, 2011 and 2010 are summarized below.

	Six Months ended June	
	2011	2010
	\$	\$
Net loss and comprehensive loss	(2,178,391)	(1,583,211)
Items not affecting cash	230,142	92,186
Change in non-cash working capital	(32,043)	(29,091)
Cash used in operating activities	(1,980,292)	(1,520,116)
Cash provided from financing activities	2,168,399	2,255,773
Cash used in investing activities	(43,623)	(25,788)
Change in cash and cash equivalents	144,484	709,879
Cash and cash equivalents, beginning of period	3,993,725	493,066
Cash and cash equivalents, end of period	4,138,209	1,202,945

Operating activities

- The Company used \$1,948,249 of cash in operating activities during the six months ended June 30, 2011 which consisted of \$1,578,798 of exploration and evaluation expenditures and \$369,451 in operating expenditures. Increase in working capital balances during the period also resulted in a use of cash of \$32,043. During the six months ended June 30, 2010 the Company utilized \$1,491,025 of cash in operating activities which consisted of \$1,245,350 of exploration and evaluation expenditures, and \$245,675 in operating expenditures. Increase in working capital balances during the period also resulted in a use of cash of \$29,091.

Financing activities

- The Company generated cash of \$2,168,399 which consisted of \$2,032,211 from the exercise of common share purchase warrants and \$136,188 from the exercise of stock options during the six months ended June 30, 2011. During the six months ended June 30, 2010 the Company generated cash of \$2,255,773 which consisted of \$2,002,126 from a private placement and \$253,647 from the exercise of common share purchase warrants.

Investing activities

- The Company used \$43,623 of cash for the purchase of equipment during the six months ended June 30, 2011 compared to \$25,788 during the six months ended June 30, 2010.

The Company's cash resources are considered sufficient to enable the Company to continue exploration on its properties in the near term but additional funds will be required in the future to advance exploration on the Company's properties. The Company does not have any long-term debt or credit facilities with financial institutions. At this time, the Company is not anticipating an operating profit from mining activities and will continue to rely on equity financing to fund its growth.

SUMMARY OF QUARTERLY RESULTS

	June 30	March 31	Dec 31	Sept 30
	2011	2011	2010	2010
Statement of Loss - Unaudited	\$	\$	\$	\$
Exploration and evaluation expenditures	859,897	719,401	363,360	583,808
Administrative expenses	302,703	217,044	196,606	159,648
Stock-based compensation	203,313	349,732	13,962	13,962
Consideration under option agreements	(670,000)	(35,500)	(102,271)	-
Interest income	(9,711)	(3,988)	(300)	(1,163)
Unrealized (gain) loss on held for trading securities	237,500	8,000	(36,000)	(8,000)
Net loss	923,702	1,254,689	435,357	748,255
Loss per common share – basic and diluted	0.02	0.03	0.01	0.02

	June 30	March 31	Dec 31	Sept 30
	2010	2010	2009⁽¹⁾	2009⁽¹⁾
Statement of Loss - Unaudited	\$	\$	\$	\$
Exploration and evaluation expenditures	500,591	744,758		
Administrative expenses	137,739	117,213	94,661	90,364
Stock-based compensation	22,837	48,397	89,779	131,701
Interest income	(211)	(113)	91	48
Unrealized (gain) loss on held for trading securities	8,000	4,000	10,000	-
Net loss	668,956	914,255	194,531	222,113
Loss per common share – basic and diluted	0.02	0.03	0.02	0.01

Balance Sheet - Unaudited

Exploration and evaluation expenditures during quarter	-	590,198	178,005
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⁽¹⁾ Quarterly financial information presented prior to the transition to IFRS, or the quarter ended December 31, 2009 is reported pursuant to CDN GAAP. Exploration and evaluation expenditures during quarter are shown for information purposes only.

Over the past eight quarters exploration and evaluation expenditures have ranged from approximately \$178,000 in the third quarter of 2009 to \$860,000 in the second quarter of 2011. The general increasing trend is a result of the expanding exploration program in Mexico. Administrative expenses have gradually increased from approximately \$90,000 for the third quarter of 2009 to approximately \$303,000

for the second quarter of 2011. Administrative expenses have trended upward over the past several quarters as a result of the increasing head office activity overseeing a more advanced project in Mexico and an increase in investor relations activities. Stock-based compensation expense, which is a non cash item, has ranged between a low of approximately \$13,000 in the third quarter of 2010 to \$350,000 in the first quarter of 2011. The fluctuations result from the timing associated with the granting and vesting of stock options and the recording of the associated stock-based compensation expense estimated pursuant to the Black-Scholes valuation model.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

OUTSTANDING SHARE DATA

Share capital transactions for the period January 1, 2010 to June 30, 2011 were as follows:

	Number of Shares	Amount \$
Balance – January 1, 2010	28,083,650	6,073,623
Issued for cash pursuant to private placement of 6,715,000 units, net of the amount attributable to warrants ⁽ⁱ⁾	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 ⁽ⁱⁱ⁾	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
Balance – December 31, 2010	45,584,348	11,720,815
Issued for cash upon exercise of warrants	3,994,420	2,032,211
Transferred from reserve for warrants		182,316
Issued for cash upon exercise of options	281,250	136,188
Transferred from reserve for share based payments		66,643
Balance – June 30, 2011	49,860,018	14,138,173

Warrants to purchase common shares outstanding at June 30, 2011 are as follows:

Exercise price \$	Number of outstanding warrants exercisable Warrants	Expiry Date	Remaining Contractual Life (years)
0.50	88,555	August 11, 2011	0.11
0.45	390,464	June 21, 2012	1.06
0.70-0.85 ⁽ⁱ⁾	6,722,223	June 21, 2012	1.06

- (i) 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.

Options to purchase common shares transactions for the period January 1, 2010 to June 30, 2011 were as follows:

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

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

Exercise price ⁽¹⁾ \$	Number of options		Expiry Date	Remaining Contractual Life (years) ⁽¹⁾
	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
0.56	4,720,000	2,555,650		2.08

(1) Total represents weighted average.

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.

Subsequent to the exercise of the above common share purchase warrants and stock options the following equity instruments were outstanding:

	<u>Number</u>
Common shares	55,126,537
Common share purchase warrants	6,786,223
Common share stock options	<u>4,300,000</u>
	<u>66,212,760</u>

RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of business and were measured at the exchange amount established and agreed to by the related parties.

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

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

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

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

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.

SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The 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.

The 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.

The reader is also directed to review the risk management section of the MD&A.

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.

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.

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 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.

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.

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.

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.

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
- 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.

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 months ended June 30, 2011 and 2010 all the outstanding stock options and warrants were antidilutive.

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.

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 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.

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.

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.

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.

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.

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.

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.

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has implemented a new accounting system, which will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS does not change the actual cash flows of the Company, the adoption results in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash

flows of the Company. The changes made to the statements of financial position and comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the net cash position.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled “Initial Adoption – IFRS 1”, with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

Initial Adoption of International Accounting Standards

IFRS 1 “First Time Adoption of International Accounting Standards” sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has chosen to take the following exemptions under IFRS 1:

- 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.

Comparative Information

The Company has restated all periods from January 1, 2010 onwards in accordance with IFRS.

FAIR VALUE AND FINANCIAL RISK FACTORS

Capital Management

Soltoro 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 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 for warrants, reserve for share based payments, accumulated deficit, and accumulated other comprehensive loss which at June 30, 2011 totaled \$4,577,919 (December 31, 2010 - \$4,041,196).

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.

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	-	63,226	-
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.

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.

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.

OTHER RISK FACTORS

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

Industry and economic factors affecting the Company

The Company's future performance is largely tied to the financial markets related to junior exploration companies. Although economic conditions in Canada and elsewhere have improved over the last several months, the Company remains cautious in case the economic factors that impact the mining industry deteriorate. These factors include uncertainty regarding the price of gold, silver and copper and the availability of equity financing for the purposes of mineral exploration and development. The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets are likely to continue to be volatile reflecting ongoing concerns about the global economy and sovereign defaults throughout the world. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, the Company's current strategy is to continue exploration of its Mexican properties using cash generated through equity financings when available at attractive valuations and to seek out other prospective business opportunities including entering into option arrangements and/or joint ventures. The Company believes that this focused strategy will enable it to maintain momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its Mexican properties, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

Exploration, Development and Operating Risks

The exploration for and development of mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties which are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of Soltoro to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be

required. It is impossible to ensure that the exploration or development programs planned by Soltoro will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; (v) availability and cost of additional funding; and (vi) local community and landowner opposition to access mineral rights.

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

Additional Capital

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

Early Stage Projects

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

Environmental Risks and Hazards

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

violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on Soltoro and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

Uninsurable Risks

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

Permitting

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

Infrastructure

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

Title to Mining Concessions

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

Competition

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

Market Factors and Volatility of Commodity Prices

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

Foreign Operations

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

Exchange Rate Fluctuations

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

Key Executives

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

Conflicts of Interest

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

DISCLOSURE AND INTERNAL CONTROLS

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

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (Form 52-109FV2), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

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

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

Cautionary Note Regarding Forward-Looking Information

Except for statements of historical fact relating to Soltoro, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of precious and/or base metals; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of

the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Soltoro has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the unaudited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the unaudited consolidated financial statements with management. The Board of Directors has approved the unaudited consolidated financial statements on the recommendation of the Audit Committee.

August 26, 2011

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

(Signed) "*Brian Jennings*"
Brian Jennings
Chief Financial Officer