



Transcript of update interview with Mr. Andrew Thomson



President and CEO of Soltoro Ltd.



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Mr. Andrew Thomson - President and CEO of Soltoro Ltd. Mr. Thomson has 15 years of experience in mineral exploration in Central America. He's been actively exploring in Mexico, Honduras and Panama since 1993. Mr. Thomson is fluent in Spanish and currently on the Board of Directors for Gossan Resources Ltd. and Montero Mining and Exploration Ltd.

Smallcaps.us: Hello and welcome to another Smallcaps.us interview. With us today is the president and CEO of Soltoro Ltd., Mr Andrew Thomson. We've previously looked at this Company and its mineral exploration project in Central America, and we're thrilled to have the chance to catch up with its progress. Soltoro is listed on the TSX Venture Exchange under ticker symbol SOL. Andrew, it's a pleasure to speak with you again. Thanks for being here.

Andrew Thomson: Thank you. I'm glad to be back.

To start off, I'm hoping you can give us a brief refresher on Soltoro and its activities, especially in terms of the El Rayo property and its resource estimate.

The Company started as a project generation outfit. And we hold seven projects in Jalisco State, southwestern Mexico. We're seeing a fair amount of activity in that area and the Company has really moved forward with the El Rayo primary silver place.

So we're one of a few Companies in Mexico that actually has a silver resource that's approaching 100 million ounces. So we really are focusing 95% of our attention on expanding the resources on that deposit and showing the market the economics of the deposit. So that's primarily what we're working on.

Then, in terms of the balance of the portfolio, we've really been trying to monetize those assets in terms of finding partners and, in some cases, taking equity for those other properties.

Great, thank you. Now, the El Rayo Project has a number of attractive zones of which the Las Bolas, La Soledad and Highway Zones are especially interesting, given that the resource estimate is based on those

areas. What work is currently being conducted at those three zones?

Well, we've got three different deposit zones. In the last two years, we've increased the measured and indicated resource by 266%. We started around the 22 million ounce range and we've now got in excess of 77 million ounces of measured and indicated in-pit resource. The global resource is closer to 85 million, and then, since putting out that resource, we've completed an excess of 15,000 meters of drilling.

At the moment, we have to no plans to revise the resource. The drilling that we carried out since June of 2011 has been fairly successful, but candidly, we're really just focused on trying to determine: a) What's driving the mineralization of depth, and b) Expanding the high grade zone. So that's really been the focus in the last six months to a year, and we're having good success with it. We've just resumed drilling in La Soledad zone, and that's really what we're working on.

Let's also discuss the other zones at El Rayo. First, the Matachines and Matachines East Zones, what's the latest from those two?

Well, Matachines is on the south end of the Las Bolas Zone. During the summer this year, we had a fairly exciting discovery but we were unable to really prove up any tonnage in that area. We chased it to the north, to the south, to the west, and we do feel that there's a continuation to the northeast, but we've effectively gone back to the drawing board a little bit in that zone.

Part of our program over the summer was conducting a ground magnetic survey and really trying to get a better understanding of the deposit. We brought a consultant up from Peru. We're actually planning a couple of deep holes

in the first quarter of 2013 where we're going to test the structure at depth to figure out what's driving all the mineralization.

Okay. That's interesting. In order to identify new zones at El Rayo, you concluded a ground geophysical survey in 2012. One of the most promising areas that the Company discovered, based on the sampling, was the La Ocotera zone. What can you tell us about that zone?

When we initially started on the property, we did a regional drill program where we pushed different holes into different areas on all the structures. And on the northwest end of the El Rayo structure, which is really at the northwest end of the property and trending into Grupo Mexico's, El Barqueño gold deposit. There's an area called at El Rayo, it's an old gold mine that hasn't been active for some time. That mining area, we've defined to date, 22,000 ounces in the indicated category and another 18,900 in the inferred category. We had tested it to the southeast and we really hadn't tested it to the northwest.

Over the summer, we've covered the entire property with ground magnetics, by walking over all these hills to identify new zones including La Ocotera which is about three quarters of a kilometer from the El Rayo gold mine where we have the resource. We've also got decent gold values to the south. So both those areas require work, but we feel pretty confident, going into that area, that if we get good trenching results, it still warrants a drill program. So we're going to look at drilling that area because it is such an interesting gold target and we do feel that we should be able to add to the existing resource.

And, as a whole, what do you envision for the El Rayo property over the course of the next 6 to 12 months?

Well, we've done a fair amount of work towards putting out the PEA and showing the economics of the deposit. We did an internal study over the summer, and as part of our program, we've completed an environmental baseline study on

the entire project, which was positive.

We also completed the exploration agreement with the local farming communities. It's very important to start your community relations early and we've got quite a good relationship with them. We also did a fair amount of metallurgical testing, we did the ground geophysical program, and then we also did some limited IP on the property. So there's a lot of new data.

In the current environment, we feel that we want to try to add some more resources before we complete the PEA, but also we want to be sure that whatever we put into that document is accurate. The marketplace now is looking for projects that have CAPEX costs of less than \$100 million dollars, they want things that can go into production quickly and that can be permitted quickly.

Based on our internal studies, we're looking at something closer to 1,000- to 1,500-ton-a-day model, mining more of the higher grade, and setting aside some of the lower grade. We're pretty confident we will have something out next year.

We've been fairly resistant to the current trend which is to move towards micro-production. Because I think that it's a lot more difficult than people think, in Mexico, specifically. One has to be very conscious of the fact that those types of decisions also take money. We're not adverse to maybe merging with a group that has production, but the idea of putting this into production in the current environment, we're a bit of an ostrich. We've kind of got our heads in the sand and we're sort of listing, but at the same time, we're doing what we can just to preserve the underlying value of the project. We think it's a good project.

Okay. Moving along to your second property, Tecolote, which is also 100% owned and close to El Rayo. Can you describe the most recent developments at this project?

Yes. Tecolote is a very interesting project, where initial mapping and sampling resulted in

3.4 meters of over five grams gold and 40 grams silver. Since then, we've done additional work on the property and we've identified a 40-meter zone, with very high grade material. We've had up to 24 grams per ton gold and half a kilo of silver, but we're getting a fairly consistent grade between 2 to 24 grams gold. So there's a fairly good correlation between the gold and silver.

There's a fair amount of work that was done by Grupo Mexico, so even though the project appears to be grassroots in the sense that we haven't put a lot of information out, there are nine prior drill holes on the property from Grupo Mexico and a fair amount of mapping that's been done. So we're going to continue to move that project forward. We're going to keep that one for ourselves.

In the course of 2012, you sold two of your properties called Coyote and Victoria to Argentum Silver. Can you shed some light on this deal, and what's happening with these properties now?

Part of our mandate moving forward, we elected to spend all of our money more or less on El Rayo. We've been very focused on trying to find the right group to come in and do work on those properties because high grade gold, silver plays are fairly attractively right now as opposed to say tonnage plays. We currently hold 7 million shares, or more than 15% of Argentum Silver. So with this deal, they had a small expenditure but we really took a lot of equity.

The focused effort has been at Coyote, south of Victoria. The initial hole we put into it is 4 meters of 1.470 grams silver per ton, and 0.57 grams per ton gold. What you're seeing is a very nice high grade silver result with a good gold credit. These are the sorts of holes that we don't see very often.

Endeavor had a very similar drill result of over 5.6 meters at San Sebastian, and their stock went up significantly and they have a billion dollar market cap. So while Argentum hasn't seen the same momentum, they're actually getting as good a result.

They're putting out a target deposit calculation which will give the market some idea of the ounce count, to date. I think the market may be surprised with the limited amount of drilling, the high grade resource. And if we can build that to somewhere in the neighbourhood of 40 to 50 million ounces in the next year and a half which, which is perfectly possible if we continue to have success.

That's very interesting. And your La Tortuga property was optioned to Gold Reserve Inc. How was this deal crafted, and what's next for La Tortuga?

Well, La Tortuga is translated as the turtle. So it's a slow-moving project, but it's one of these projects that has a lot of disseminated mineralization and we've always felt that there's a big system at depth. We've had many offers on it. At one point in our history we auctioned it to Sumitomo and they returned it in the bottom of the downturn, but we did complete 160 kilometers of IP that took over a year.

Gold Reserve, who now optioned it owned the Las Brisas property in Venezuela, which was effectively taken away by the Chavez government. They have 55 million in cash, and since they had no operating project, they chose La Tortuga to get back in the mining game. So I'm pretty excited by it.

Looking beyond the El Rayo project, what do you see coming up for Soltoro in the near future?

Well, we're going to proceed with our work and Tecolote and El Rayo. Those are our main focuses.

Candidly, we've seen quite a few CAs. There's a real focus right now from major Companies coming into Mexico, looking for advanced exploration projects. Most Companies believe that there's a lot of production plays waiting to be bought, but the reality is that there aren't. So we've actually had a fair amount of interest.

We're going to continue to monetize our assets. And at some point we also may look at spinning

out part of the Company. The clear picture for me right now is to, either advance El Rayo to production and/or sell it. Another part is moving Tecolote forward.

And what can you tell us about Soltoro's financing activities and its significant shareholders?

Well, we've had a lot of the funds are in what we call "redemption mode". Over the summer, one of our main holders reduced their position substantially. There were about 3 million shares that came into our marketplace, but candidly, there have been two buyers in our marketplace that have been buying it. I think in these markets, the best thing you can do is try to move the stock from weaker hands to stronger hands and that's really what we're focused on doing in terms of what I would call "corporate structuring".

We know where a lot of the stock is, so we're not really that worried about a takeover bid because we hold enough equity in strong hands that they can't take the Company away from us. Coeur D'alene has been an exceptionally good equity holder. They haven't done anything with their position. So we're continuing to foster that relationship and then we've got a series of funds that are invested that are looking at us long-term.

Now, Andrew, last time we spoke, our listeners and readers were treated to an informative look at Soltoro's management team. Your own start with the Company, however, didn't get much of a spotlight, so can you take a few moments to describe that beginning for us today?

Well, I have an entrepreneurial background. So I've owned many businesses. In the early 90s, I funded a group that went down to Mexico when the country opened up to 100% foreign ownership and I got to see what are a lot of the success stories today.

Penasquito was kind of the first. I think in the last quarter they did \$220 million net, and Coeur d'Alene's Palmarejo is doing about a half billion.

These are very significant projects that have come upstream very quickly and when you look at the investments that went into them, and the results in the fairly short period of time, there's a lot of wealth creation for both Mexico and the Companies and the investors. So, from that perspective, I was fairly intrigued.

I don't have a geological background or a mining engineer background, but I'm very keen on things with good leverage. So I've been able to put together a portfolio of projects that really have some value. So from that perspective, I really just try to watch the treasury in terms of making sure 80% of the money goes into the end of a drill bit, which isn't the easiest thing to do with the price of running public Companies these days. That's sort of the business that I have, good people, good projects and making sure that the money goes where it's going to add value through adding resources.

And as a final question, what would you say are the two or three most compelling reasons for a long-term investor to consider Soltoro today?

I think the most compelling reason is that we've got a primary silver deposit in the 100 million-ounce category. And, for people that aren't aware, there's a lot of projects out there that are what we call "equivalencies". In other words, they take copper, lead and zinc and they combine them to come up with a resource.

But most of the senior silver Companies really don't want to buy lead mines or zinc mines which effectively a lot of those are--they're being reflected as silver equivalency. So we sit in a very unique category. Our project is at surface, it's open-pittable, so it's quite inexpensive and easy to develop and quick to put into production. But most importantly, the marketplace right now is looking for merger acquisition.

The senior companies are not fully valued but they're valuations are much more in sync with the commodity prices. We've been penalized because we're in the high risk category, and because we don't generate revenues.

So the M&A activity and takeover activity has been the only activity in the marketplace. The senior companies that have a requirement to put something into production in the next 10 years to not go out of business that are really active. And so they're having their pick of the litter in the sense that they're not really paying up for these deposits in terms of the risk that's out there.

So we're unique in the sense that we're one of a few companies that has a primary silver deposit at this stage. In Mexico, a lot of the, what I would call "barking dog deposits", the ones that

had been sitting around for sale forever, have all gone. They've all been picked up, so we're sort of next on the list.

Well, thanks so much, Andrew. We appreciate your time and insight and we'll be looking forward to speaking with you again as Soltoro takes on new challenges.

Thanks for granting me the interview. I'm always thrilled to be able to reach out to new investors and investors that had been following this story to bring them up-to-date on our progress.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/soltoro-ceo-gives-details-about-significant-progress-and-potential-in-update-interview>

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