



SOLTORO LTD.

**(A DEVELOPMENT STAGE ENTERPRISE)
(FORMERLY BLUE FYRE ONE INC.)**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

April 27, 2007

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Soltoro Ltd. were prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 4 to the financial statements.

Bolton & Bolton, the Company's independent auditors, perform an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. As well, they assess the accounting principles used and significant estimates made by management, and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are members of the Board of Directors and the majority are independent. The Audit Committee meets with the independent auditors to discuss the results of their audit and their audit report prior to submitting the consolidated financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the financial statements.

(signed) "Andrew Thomson"		(signed) "James Kirke"
Andrew Thomson		James Kirke
President and Chief Executive Officer		Vice-President and Chief Financial Officer

BOLTON & BOLTON
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of Soltoro Ltd.

We have audited the consolidated balance sheets of Soltoro Ltd. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the periods then ended. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion of these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

“Bolton & Bolton”
Chartered Accountants
Licensed Public Accountants

Markham, Ontario
April 19, 2007

SOLTORO LTD. (formerly Blue Fyre One Inc.)
Consolidated Balance Sheets
As at December 31

	2006 \$	2005 \$
ASSETS		
Current		
Cash and short term investments	2,749,924	20,258
Accounts receivable and prepaid expenses	78,011	3,146
Subscriptions receivable	-	90,770
	<u>2,827,935</u>	<u>114,174</u>
Equipment (note 5)	60,553	-
Mineral properties and deferred exploration expenditures (note 6)	652,443	78,864
	<u><u>3,540,931</u></u>	<u><u>193,038</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	<u>87,597</u>	<u>22,726</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	3,629,527	198,270
Broker warrants (note 9)	59,561	-
Contributed surplus (note 10)	112,707	-
Deficit	(348,461)	(27,958)
	<u>3,453,334</u>	<u>170,312</u>
	<u><u>3,540,931</u></u>	<u><u>193,038</u></u>

Basis of Presentation (note 1)
Reverse takeover of Blue Fyre One Inc. (note 3)
Subsequent events (note 12)

On behalf of the Board of Directors:



Douglas Reeson
 Director



Andrew Thomson
 Director

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

SOLTORO LTD. (formerly Blue Fyre One Inc.)
Consolidated Statements of Operations and Deficit
For the year ended December 31, 2006
and the period from September 12, 2005 (date of incorporation) to December 31, 2005

	2006	2005
	\$	\$
Expenses		
Management fees (note 7)	120,735	11,235
Legal and audit	56,455	5,221
Investor relations	38,316	-
Regulatory fees	1,132	-
Transfer agent	2,999	
Office expenses	10,482	9,050
Rent	8,151	-
Communications	4,937	-
Travel	18,531	2,452
Foreign exchange	3,272	-
Amortization	993	-
Stock-based compensation (note 10)	112,707	-
	<u>378,710</u>	<u>27,958</u>
Total administrative expenses		
	<u>58,207</u>	<u>-</u>
Interest income		
	320,503	27,958
Net loss		
	<u>27,958</u>	<u>-</u>
Deficit, beginning of period		
	<u>348,461</u>	<u>27,958</u>
Deficit, end of period		
	<u>0.03</u>	<u>0.01</u>
Loss per share - basic and diluted		
	<u>12,222,810</u>	<u>4,021,712</u>
Weighted average number of common shares		

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

SOLTORO LTD. (formerly Blue Fyre One Inc.)
Consolidated Statements of Cash Flows
For the year ended December 31, 2006
and the period from September 12, 2005 (date of incorporation) to December 31, 2005

	2006	2005
	\$	\$
Operating activities		
Net loss	(320,503)	(27,958)
Amortization charged to operations	993	-
Stock based compensation	112,707	-
Increase in accounts receivable and prepaid expenses	15,905	(3,146)
Increase in accounts payable and accrued liabilities	58,790	22,726
	<u>(132,108)</u>	<u>(8,378)</u>
Investing activities		
Exploration expenditures	(568,226)	(32,864)
Purchase of equipment	(66,899)	-
	<u>(635,125)</u>	<u>(32,864)</u>
Financing activities		
Cash acquired on completion of reverse takeover	576,777	-
Issuance of share capital, net of costs	2,920,122	61,500
	<u>3,496,899</u>	<u>61,500</u>
Change in cash	2,729,666	20,258
Cash, beginning of period	<u>20,258</u>	<u>-</u>
Cash, end of period	<u>2,749,924</u>	<u>20,258</u>

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

SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. BASIS OF PRESENTATION

The accompanying 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.

The Company 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 amounts capitalized 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; establishing successfully the existence of economically recoverable reserves; 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 Company funded its operations in the year ended December 31, 2006 through four private placements which generated gross proceeds of \$3,285,000 and from cash of \$576,777 obtained as a result of the reverse takeover of Blue Fyre One Inc. These financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related balance sheet and income statement classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

2. NATURE OF BUSINESS

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

3. BUSINESS COMBINATION

The consolidated financial statements of Soltoro Ltd. (formerly Blue Fyre One Inc., a capital pool company) reflect the reverse takeover by Soltoro Ltd. ("Private Soltoro") of Blue Fyre One Inc. ("Blue Fyre"), a capital pool company under the policies of the TSX Venture Exchange.

The reverse takeover by Private Soltoro of Blue Fyre was approved by the shareholders of each company and was completed on August 31, 2006, at which time:

- a) Private Soltoro was amalgamated with Blue Fyre by means of a three-cornered amalgamation;
- b) Shareholders of Private Soltoro exchanged their common shares for shares of Blue Fyre on a one-for-one basis;
- c) Holders of options and broker warrants exercisable into common shares of Private Soltoro exchanged these securities for identical instruments exercisable into common shares of Blue Fyre on identical terms; and

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- d) Upon completion of the business combination the name of Blue Fyre was changed with the name Soltoro Ltd. retained (“Public Soltoro”).

On August 31, 2006, a subsidiary of Blue Fyre issued 13,120,000 common shares to the shareholders of Private Soltoro to complete its acquisition of 100% of the issued and outstanding shares of Private Soltoro. The subsidiary was then combined with Blue Fyre. As a result of the business combination, the former shareholders of Private Soltoro controlled 77% of the issued and outstanding share capital of Public Soltoro immediately after the acquisition, constituting a reverse takeover with Private Soltoro being the acquiring company.

The acquisition of Private Soltoro by Blue Fyre has been accounted for as a reverse takeover in accordance with guidance provided in CICA Emerging Issues Committee Abstract No. 10. The transaction has been accounted for as an issuance of shares and assumption of Blue Fyre’s outstanding broker warrants by Private Soltoro for the net monetary assets of Blue Fyre.

The net monetary assets of Blue Fyre were as follows:

	\$
Cash	576,777
Current liabilities	(6,082)
Net assets acquired	570,695
<hr/>	
Attributed to:	
Share capital	537,335
Warrants (note 9)	33,360
	570,695
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The financial statements for the period from January 1, 2006 to August 31, 2006 reflect the assets, liabilities and results of operations of Private Soltoro, the legal subsidiary. After August 31, 2006, the financial statements include the assets, liabilities and results of operations of Public Soltoro, post-amalgamation. The comparative results of operations and cash flows for the period ended December 31, 2005 are those of Private Soltoro.

The following supplementary information summarizes the results of operations and deficit of Blue Fyre for the period from January 1, 2006 to August 31, 2006:

	\$
Marketing and investor relations	9,697
Professional fees	21,184
Stock-based compensation	81,004
Transfer agent and press releases	16,084
Bank charges	446
Loss for the period	128,415
Deficit – beginning of period	88,681
Deficit – end of period	217,096
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SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Soltoro S.A. de C.V.

a) Mineral properties and deferred exploration expenditures

The Company capitalizes the acquisition costs of mineral properties and all direct costs relating to exploration on its mineral properties. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method. Options or sales of mineral properties are accounted for by applying the proceeds from such sales to the carrying costs of the property and reducing costs to zero prior to recognizing any gains. Costs related to abandoned projects are written off.

The amounts shown for mineral properties represent costs incurred to date and do not necessarily represent present or future values. Periodically, a determination will be made by management as to the status of each property. Where a property shows no promise from prior exploration results and is dormant, the concessions may be allowed to lapse. At management's discretion, the claims will be written off or written down to a nominal value where an interest in the concession remains. Management will also periodically determine, where the value of an exploration property is impaired, whether the carrying value of such property should be written down.

b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated on a straight line basis at rates which range from 10% to 30%. Amortization on assets used for exploration activities is charged to deferred exploration expenditures.

c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. Actual results could differ from those estimates.

d) Financial instruments

The Company's financial instruments consist of cash, accounts receivable and prepaid expenses, subscriptions receivable and accounts payable (including amounts due to related parties). Unless otherwise stated the fair value of these financial instruments approximates their carrying value. The Company does not believe it is subject to any significant concentration of credit risk or interest rate risk.

SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

e) Foreign exchange

The financial statements of integrated foreign operations and transactions in foreign currencies entered into by the Company are translated using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date, and non-monetary items are translated at historical exchange rates. Revenue and expense items denominated in foreign currencies are translated at the exchange rates in effect on the dates of the transactions, except for amortization of equipment and mineral properties and deferred exploration costs which are translated at the same exchange rates as the assets to which they relate. Exchange gains and losses arising from these transactions are included in the determination of net income for the year.

f) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying value of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

g) Earnings per share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of shares outstanding for the period. The impact of outstanding options and warrants is not considered, as the impact is anti-dilutive.

h) Stock-based compensation

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “Stock-Based Compensation and Other Stock-Based Payments”. This section requires the use of a fair-value based method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations. Under this accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in results from operations.

i) Impairment of long-lived assets

The Company has adopted the CICA Handbook Section 3063, “Impairment of Long-Lived Assets”. This section requires the Company to assess the impairment of long-lived assets, which consist primarily of mineral property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future undiscounted net cash flows expected to be generated by the

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asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

For the Company, the adoption of CICA Handbook Section 3063 had no impact on results of operations.

j) Asset retirement obligations

The Company has adopted the CICA Handbook Section 3110, "Asset Retirement Obligations". This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The estimate excludes the residual value of the related assets. The associated retirement costs are capitalized as part of the carrying amount of the long lived assets and amortized over the life of the asset. The amount of liability is subject to re-measurement at each reporting period. This differs from prior practice which involved accruing for the estimated retirement obligation through annual changes to earnings over the estimated life of the property.

At December 31, 2006, there are no asset retirement obligations associated with any of the Company's properties.

5. EQUIPMENT

	December 31, 2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Equipment	20,319	1,376	18,943
Vehicles	46,580	4,970	41,610
Total	66,899	6,346	60,553

During the year ended December 31, 2006, the Company charged amortization expense of \$5,353 related to equipment used in exploration activities to deferred exploration expenditures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES

At December 31, 2006, cumulative acquisition and deferred exploration costs with respect to the Company's interests in mineral properties owned, leased or under option, consisted of the following:

	Balance December 31 2005	Additions	Balance December 31 2006
	\$	\$	\$
La Tortuga Concessions			
Acquisition costs	48,496	31,966	80,462
Deferred exploration costs	29,368	260,602	289,970
El Rayo Concessions			
Acquisition costs	1,000	14,341	15,341
Deferred exploration costs	-	162,908	162,908
Bacanora Concessions			
Acquisition costs	-	27,454	27,454
Deferred exploration costs	-	3,560	3,560
Gavilan Concession			
Acquisition costs	-	3,485	3,485
Deferred exploration costs	-	7,213	7,213
Quila Concession			
Acquisition costs	-	7,467	7,467
Deferred exploration costs	-	3,246	3,246
El Santuario Concession			
Acquisition costs	-	3,734	3,734
Deferred exploration costs	-	5,772	5,772
Chinipas Application			
Acquisition costs	-	3,647	3,647
Deferred exploration costs	-	13,114	13,114
Peña Grande Application			
Acquisition costs	-	11,690	11,690
Deferred exploration costs	-	2,032	2,032
Other	-	11,348	11,348
	78,864	573,579	652,443

Mineral exploration concessions:

a) **La Tortuga Concessions**

The La Tortuga Project comprises numerous contiguous titled concessions and a concession under application in the district of Atengo, Jalisco state, Mexico. Soltoro

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S.A. de C.V. holds a 100% interest in the titled concessions and is the sole applicant for the untitled concession. Titled concessions make up 11,523 hectares with 2,808 hectares under application.

b) El Rayo Concessions

Soltoro S.A. de C.V. holds 100% title interest to the "El Rayo" and "Guachinango 1" concessions. These two concessions make up the 10,036 hectare El Rayo project located adjacent to the town of Guachinango in the state of Jalisco, Mexico. On November 24, 2006 Soltoro acquired 100% interest of the "Guachinango 1" concession from Fury Explorations Ltd. for a total consideration of \$US 5,000 and a 2% net smelter return royalty. The Company has the right to purchase 1.5% of this royalty for \$US 1.5 million. In addition, the Company is obligated to make advance royalty payments of \$US 25,000 and \$US 50,000 on the first and second anniversaries of the purchase agreement.

c) Bacanora Concessions

Soltoro S.A. de C.V. holds 100% title interest to the "La Dorada Fracc 1" and "La Dorada 2" concessions. These two concessions make up Soltoro's Bacanora Project and cover a total area of 4,712 hectares and are located 157 kilometers east of the city of Hermosillo in the state of Sonora, Mexico. On September 1, 2006, the Company paid \$US 19,000 to effect 100% transfer of the concessions and agreed to pay an additional \$US 30,000 and issue 100,000 shares of Soltoro Ltd. to the vendor within 6 months of the date of transfer. A letter agreement extending the payments for 3 months was signed on February 28, 2007 as per subsequent event note 12(d).

d) Gavilan Concession

Soltoro S.A. de C.V. holds 100% title interest to the 780 hectare "Gavilan" concession located in the San Joaquin mining district on the eastern border of the state of Queretaro, Mexico.

e) Quila Concession

Soltoro S.A. de C.V. holds 100% title interest to the 22,428 hectare "Quila" concession located in the Quila district in the state of Jalisco, Mexico. Soltoro entered into an option agreement on the property as per subsequent event note 12(c).

f) El Santuario Concession

Soltoro S.A. de C.V. holds 100% title interest to the 2,000 hectare "El Santuario" concession located in the Cardonal mining district in the state of Hidalgo, Mexico.

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g) Other Properties under Application

During the year ended December 31, 2006, the Company applied for title on the Chinipas property, to cover 1,600 hectares in Chihuahua state, and the Peña Grande property to cover 31,678 hectares in San Luis Potosi state.

7. RELATED PARTY TRANSACTIONS

- a) Accounts payable and accrued liabilities includes amounts due to an officer and director of the Company in the amount of \$25,579 (2005 -\$13,972). This liability was incurred in the normal course of business and is unsecured, non-interest bearing and has no fixed terms of repayment.
- b) During the year ended December 31, 2006, the Company incurred management fees of \$236,754 under management service agreements with officers and directors of the Company and its wholly owned subsidiary. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount established and agreed to by the related parties. Of the total amount, \$120,735 was charged to operations, and \$116,019 was capitalized as a component of the Company's mineral properties and deferred exploration expenditures.

SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

8. CAPITAL STOCK

a) Authorized:

An unlimited number of common shares

b) Issued and outstanding:

	Number of Shares	Amount
		\$
Issued as compensation for pre-acquisition development costs ⁽ⁱ⁾	1,500,000	45,000
Issued in exchange for property ⁽ⁱⁱ⁾	1,000,000	1,000
Private placement ⁽ⁱⁱⁱ⁾	1,020,000	1,020
Private placement ^(iv)	250,000	1,250
Private placement ^(v)	1,500,000	150,000
Balance – December 31, 2005	5,270,000	198,270
Private placement ^(vi)	750,000	75,000
Private placement ^(vii)	1,100,000	110,000
Private placement ^(viii)	6,000,000	2,500,000
Share issue costs	-	(411,577)
Subtotal immediately before completion of reverse takeover – August 31, 2006	13,120,000	2,471,693
Fair value of shares deemed to be issued to the shareholders of Blue Fyre upon completion of reverse takeover (note 3)	3,850,000	537,335
Issued in connection with exploration expenditure	50,000	18,500
Issued for cash upon exercise of 3,600 broker warrants	3,600	1,800
Transferred from broker warrants upon exercise	-	199
Private placement ^(ix)	1,000,000	600,000
Balance – December 31, 2006	18,023,600	3,629,527

- i) On September 12, 2005, the Company issued 1,000,000 common shares to a director of the Company and 500,000 common shares to a company controlled by the director. These shares were issued at a deemed fair value of \$0.03 per share as compensation for certain development and exploration expenditures incurred by the director on behalf of the Company prior to incorporation and prior to the Company's acquisition of the title interest in the La Tortuga concession.
- ii) In September 2005, the Company issued 1,000,000 common shares at a price of \$0.001 per share to an officer of Soltoro S.A. de C.V. and his spouse in exchange for a 100% title interest in the El Rayo concession.
- iii) On October 10, 2005, the Company issued 1,020,000 common shares at a price of \$0.001 per share.
- iv) On October 10, 2005, the Company issued 250,000 common shares at a price of \$0.005 per share.
- v) In November and December 2005, the Company issued 1,500,000 common shares at a price of \$0.10 per share.

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FOR THE YEAR ENDED DECEMBER 31, 2006

- vi) On February 28, 2006, the Company issued 750,000 common shares at a price of \$0.10 per share.
- vii) On April 18, 2006, the Company issued 1,100,000 common shares at a price of \$0.10 per share.
- viii) On April 4, 2006, the Company reached an agreement with Union Securities Inc. (“Union”) to raise a total of \$2,500,000 in two private placements: an initial placement of 2,000,000 common shares at a price of \$0.25 per share, and a subsequent placement of 4,000,000 common shares at a price of \$0.50 per share. Soltoro agreed to pay a 8% cash commission and issue 480,000 broker warrants exercisable at a price of \$0.50 per share for 18 months from closing on completion of the financing.

These financings closed on April 18, 2006, generating net proceeds after share issue costs of \$2,114,824.
- ix) On December 21, 2006, the Company issued 1,000,000 common shares at a price of \$0.60 per share.

9. BROKER WARRANTS

The following table reflects the continuity of warrants for the period ending December 31, 2006.

	Number of warrants	Amount \$
Balance - December 31, 2005	-	-
Issued in connection with private placement	480,000	26,400
Assumed pursuant to reverse takeover	240,000	33,360
Exercised	(3,600)	(199)
Balance - December 31, 2006	716,400	59,561

Pursuant to the private placement which closed on April 20, 2006, the Company issued 480,000 broker compensation warrants. Each warrant has an exercise price of \$0.50 and expires on October 18, 2007. The Company attributed a fair value of \$26,400 to these broker warrants, which amount has been charged to share issue costs.

Pursuant to the reverse takeover of Blue Fyre, the Company assumed Blue Fyre’s obligations with respect to 240,000 broker warrants issued in September 2005 in connection with Blue Fyre’s initial public offering, with each warrant exercisable into one common share of the Company at a price of \$0.25 per share until September 2007. The Company attributed a fair value of \$33,360 to these broker warrants.

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The fair value of the 480,000 broker warrants issued to Union in connection with the private placement and the 240,000 outstanding broker warrants issued previously by Blue Fyre and assumed by the Company upon completion of the reverse takeover of Blue Fyre was estimated using the Black-Scholes option pricing and the following weighted average assumptions:

Risk free interest rate	4%
Dividend yield	-
Volatility	85%
Expected term	1.2 years

10. CONTRIBUTED SURPLUS AND STOCK BASED COMPENSATION

The following table reflects the continuity of contributed surplus during the year ended December 31, 2006.

Balance -December 31, 2005	-
Stock-based compensation	112,707
Balance - December 31, 2006	112,707

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

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest 50% on the date of grant, 25% six months from the date of grant, and 25% eighteen months from the date of grant.

The following table reflects the continuity of outstanding stock options for the period ended December 31, 2005 and the year ended December 31, 2006.

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	Number of stock options	Weighted average exercise price per share
Balance - September 12, 2005	-	-
Issued during the period	380,000	0.10
Balance - December 31, 2005	380,000	0.10
Issued during the year	930,000	0.31
Balance -December 31, 2006	1,310,000	0.25

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

Exercise price	Number of options			Expiry date	Contractual life
	Outstanding	Exercisable	(years)		
\$ 0.10	380,000	285,000	November 30, 2009	2.9	
0.25	450,000	337,500	October 24, 2009	2.8	
0.36	480,000	240,000	September 22, 2010	3.8	
0.25	1,310,000	862,500		3.2	

During the year ended December 31, 2006, the Company granted 450,000 options at an exercise price of \$0.25 per share expiring on October 24, 2009 and 480,000 options at an exercise price of \$0.36 per share expiring on September 22, 2010.

The fair value of the options issued in the period was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	Nil
Risk free interest rate	4%
Expected volatility	85%
Expected life	2.7 years

Weighted average fair value per option	\$0.16
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During the year ended December 31, 2006, the Company recognized a total expense of \$112,707 in stock-based compensation, which has been charged to operations. In addition, the Company will recognize an additional expense of \$39,392 subsequent to December 31, 2006 in respect of options issued but unvested at December 31, 2006.

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11. INCOME TAX INFORMATION

The estimated taxable income for the period ended December 31, 2006 is \$Nil (2005: \$Nil). It cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated taxable temporary difference valuation adjustment.

The estimated taxable temporary valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

The Company has available non-capital Canadian losses of \$284,188 and Mexican losses of \$29,325 which may be offset against future Canadian taxable income. To the extent the Company cannot utilize these loss carry forwards to reduce taxable income in future periods, these loss carry forwards will expire as follows:

	\$
2015	27,690
2016	285,823
	<hr/>
	313,513
	<hr/>

12. SUBSEQUENT EVENTS

a) Financing

On January 29, 2007, the Company completed a private placement of 1,000,000 units at a price of \$0.65 per unit, generating gross cash proceeds of \$650,000. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.75 per share until February 26, 2009.

In the event that the Company's common shares trade above \$1.25 per share for a period of 20 trading days commencing after June 26, 2007, the Company has the right to accelerate the expiry of the warrants by providing 30 days notice to the warrant holder.

b) Warrant Exercise

On February 22, 2007, 240,000 broker warrants were exercised into 240,000 common shares, generating cash proceeds of \$60,000.

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c) Quila Concession

On January 17, 2007, the Company entered into a joint venture agreement with Southern Silver Exploration Corporation (“Southern”) whereby Southern may acquire a 70% interest in the Company’s wholly owned Quila property by issuing to the Company a total of 500,000 shares and spending US\$3 million on exploration over five years with \$150,000 as a firm commitment in the first year of the agreement. Once Southern has earned its interest in the property, the Company shall retain a carried 30% interest until delivery by Southern of a definitive feasibility study and shall participate as a 30% working interest partner thereafter.

d) Bacanora Concessions

On February 28, 2007 the Company signed a letter agreement extending the term of the Bacanora agreement for 3 months. Under the revised terms Soltoro must pay an additional \$US 30,000 and issue 100,000 shares of Soltoro Ltd. to the vendor by June 28, 2007.

e) Investor Relations Contract

On January 31, 2007, the Company entered into a contract with Tim Gallagher for the provision of investor relations services for an initial period from January 31, 2007 to December 31, 2007. The Company issued 150,000 stock options exercisable at a price of \$0.63 per share and expiring January 31, 2009, paid \$15,000 in the form of an initial fee and committed to pay a monthly fee of \$6,000 for these services.

f) Stock Options

On January 31, 2007, in addition to the stock options referred to in item e) above, the Company issued 330,000 stock options exercisable at a price of \$0.63 and expiring on January 31, 2012.