



# SOLTORO LTD.

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007  
(UNAUDITED)**

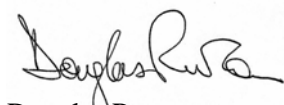
The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditors, Bolton & Bolton, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**SOLTORO LTD. (formerly Blue Fyre One Inc.)**  
**Consolidated Balance Sheets**  
(Unaudited - expressed in Canadian dollars)

	September 30 2007 \$	December 31 2006 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and short term investments	1,720,406	2,749,924
Marketable securities, at fair market value	24,000	-
Accounts receivable and prepaid expenses	274,799	78,011
	<u>2,019,205</u>	<u>2,827,935</u>
<b>Equipment (note 5)</b>	<b>64,007</b>	<b>60,553</b>
<b>Mineral properties and deferred exploration expenditures (note 6)</b>	<b>2,096,891</b>	<b>652,443</b>
	<u><b>4,180,103</b></u>	<u><b>3,540,931</b></u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 7)	<u>42,396</u>	<u>87,597</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 8)	4,623,203	3,629,527
Warrants (note 9)	108,004	59,561
Contributed surplus (note 10)	319,151	112,707
Deficit	(912,651)	(348,461)
	<u>4,137,707</u>	<u>3,453,334</u>
	<u><b>4,180,103</b></u>	<u><b>3,540,931</b></u>

**Basis of Presentation** (note 1)  
**Reverse takeover of Blue Fyre One Inc.** (note 3)

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 three and nine months ended September 30, 2007 and 2006**  
**(Unaudited - expressed in Canadian dollars)**

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
	\$	\$	\$	
<b>Expenses</b>				
Salaries and management fees (note 7)	40,024	33,000	113,998	84,735
Legal and audit	19,965	5,547	52,129	16,645
Investor relations	29,980	4,126	124,952	7,912
Regulatory fees	-	532	5,200	532
Transfer agent	1,539	4,818	7,532	4,818
Office expenses	4,888	2,650	12,616	6,641
Rent	3,812	2,230	11,779	4,209
Communications	1,346	2,243	4,422	3882
Travel	1,281	7,024	15,810	12,762
Foreign exchange loss (gain)	29,688	(10,311)	62,965	(8,552)
Amortization	737	445	1,914	445
Stock-based compensation (note 10)	23,195	46,971	211,613	76,049
<b>Total administrative expenses</b>	<b>156,455</b>	<b>99,275</b>	<b>624,930</b>	<b>210,078</b>
<b>Revaluation gain (loss) on marketable securities</b>	<b>(7,000)</b>	<b>-</b>	<b>4,000</b>	<b>-</b>
<b>Interest income</b>	<b>15,234</b>	<b>35,774</b>	<b>56,740</b>	<b>36,724</b>
<b>Net loss</b>	<b>148,221</b>	<b>63,501</b>	<b>564,190</b>	<b>173,354</b>
<b>Deficit, beginning of period</b>	<b>764,430</b>	<b>137,811</b>	<b>348,461</b>	<b>27,958</b>
<b>Deficit, end of period</b>	<b>912,651</b>	<b>201,312</b>	<b>912,651</b>	<b>201,312</b>
<b>Loss per share - basic and diluted</b>	<b>0.008</b>	<b>0.004</b>	<b>0.029</b>	<b>0.016</b>
<b>Weighted average number of common shares</b>	<b>19,690,383</b>	<b>14,417,283</b>	<b>19,300,446</b>	<b>10,571,099</b>

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 three and nine months ended September 30, 2007 and 2006**  
**(Unaudited - expressed in Canadian dollars)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2007</b>	<b>2,006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>				
Net loss	<b>(148,221)</b>	(63,501)	<b>(564,190)</b>	(173,354)
Amortization charged to operations	<b>737</b>	445	<b>1,914</b>	445
Stock based compensation	<b>23,195</b>	46,971	<b>211,613</b>	76,049
Gain (loss) on revaluation of marketable securities	<b>7,000</b>	-	<b>(4,000)</b>	-
Increase in accounts receivable and prepaid expenses	<b>(35,136)</b>	(26,572)	<b>(196,788)</b>	(56,277)
Increase (Decrease) in accounts payable and accrued liabilities	<b>19,215</b>	(2,641)	<b>(45,201)</b>	9,877
	<b>(133,210)</b>	(45,298)	<b>(596,652)</b>	(143,260)
<b>Investing activities</b>				
Exploration expenditures	<b>(364,364)</b>	(183,716)	<b>(1,453,257)</b>	(334,498)
Purchase of equipment	<b>(2,236)</b>	(4,851)	<b>(16,559)</b>	(45,360)
	<b>(366,600)</b>	(188,567)	<b>(1,469,816)</b>	(379,858)
<b>Financing activities</b>				
Issuance of share capital	<b>308,200</b>	1,712,638	<b>1,036,950</b>	2,390,592
Cash acquired on completion of reverse takeover		576,777		576,777
	<b>308,200</b>	2,289,415	<b>1,036,950</b>	2,967,369
<b>Change in cash</b>	<b>(191,610)</b>	2,055,550	<b>(1,029,518)</b>	2,444,251
<b>Cash, beginning of period</b>	<b>1,912,016</b>	408,959	<b>2,749,924</b>	20,258
<b>Cash, end of period</b>	<b>1,720,406</b>	2,464,509	<b>1,720,406</b>	2,464,509

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 THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007**

**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 period ended September 30, 2007 through the use of existing cash reserves, a private placement which raised net proceeds of \$642,750 and \$324,200 realized upon the exercise of outstanding broker warrants and stock options. 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 the 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)
<b>Net assets acquired</b>	<b>570,695</b>
<b>Attributed to:</b>	
Share capital	537,335
Warrants (note 9)	33,360
	<b>570,695</b>

The financial statements for the period ended September 30, 2007 reflect the assets, liabilities, and operations of Public Soltoro, post-amalgamation. The comparative results of operations and cash flows for the period from January 1, 2006 to September 30, 2006 reflect the assets, liabilities and results of operations of Private Soltoro, the legal subsidiary for the period from January 1, 2006 through August 31, 2006 and those of Public Soltoro thereafter.

**SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2006. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable for the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accounting policies used in the preparation of the unaudited interim consolidated financial statements are the same as those described in note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2006, except for the prospective application of the accounting standards described below. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

On January 1, 2007, the Company adopted prospectively the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*.

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of expenditures and deficit and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

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(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the nine month period ended September 30, 2007, the Company had no hedges.

As at January 1, 2007, there was no effect on the Company's balance sheet of adopting these standards.

**5. EQUIPMENT**

**September 30, 2007**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Equipment	24,766	4,744	20,022
Vehicles	58,693	14,708	43,985
<b>Total</b>	<b>83,459</b>	<b>19,452</b>	<b>64,007</b>

**December 31, 2006**

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

During the period ended September 30, 2007, the Company charged amortization expense of \$11,232 related to equipment used in exploration activities to deferred exploration expenditures.

**SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)**  
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**6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES**

At September 30, 2007, 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:

	<b>Balance December 31 2006</b>	<b>Additions</b>	<b>Balance September 30 2007</b>
	\$	\$	\$
<b>La Tortuga Concessions</b>			
Acquisition costs	80,462	12,101	92,563
Deferred exploration costs	289,970	98,275	388,245
Joint venture contributions		(177,598)	(177,598)
<b>El Rayo Concessions</b>			
Acquisition costs	15,341	7,576	22,917
Deferred exploration costs	162,908	1,147,405	1,310,313
<b>Bacanora Concessions</b>			
Acquisition costs	27,454	80,656	108,110
Deferred exploration costs	3,560	207,533	211,093
<b>Gavilan Concession</b>			
Acquisition costs	3,485	11,171	14,656
Deferred exploration costs	7,213	38	7,251
<b>Quila Concession</b>			
Acquisition costs	7,467	11,722	19,189
Deferred exploration costs	3,246	2,146	5,392
Proceeds upon optioning property	-	(20,000)	(20,000)
<b>El Santuario Concession</b>			
Acquisition costs	3,734	1,932	5,666
Deferred exploration costs	5,772	276	6,048
<b>Chinipas Application</b>			
Acquisition costs	3,647	-	3,647
Deferred exploration costs	13,114	7,473	20,587
<b>Peña Grande Application</b>			
Acquisition costs	11,690	396	12,086
Deferred exploration costs	2,032	13,015	15,047
<b>Victoria Application</b>			
Acquisition costs	-	5,858	5,858
Deferred exploration costs	-	22,695	22,695
<b>Midas Application</b>			
Acquisition costs	-	3,165	3,165
Deferred exploration costs	-	2,038	2,038
<b>Coyote Application</b>			
Acquisition costs	-	3,749	3,749
Deferred exploration costs	-	2,266	2,266
<b>Other</b>	11,348	560	11,908
	<b>652,443</b>	<b>1,444,448</b>	<b>2,096,891</b>

**SOLTORO LTD. (FORMERLY BLUE FYRE ONE INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 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 11,526~~23~~ hectares with 2,808 hectares under application. On August 20, 2007 Soltoro Ltd. signed a letter of intent with Sumitomo Metal Mining Exploration Ltd. (a subsidiary of Sumitomo Metal Mining Co., Ltd.) whereby Sumitomo may earn a 70% interest in the property by expending US\$ 20 million. Sumitomo has committed to spend US\$ 500,000 in the first year and may earn a 51% interest in the property by contributing a total of US\$ 4 million in expenditures over five years. An additional 19% may be earned by Sumitomo by making additional expenditures of US\$ 16 million or by delivery of a bankable feasibility study.

**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 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. On April 20, 2007 the vendor and Soltoro entered into an amending agreement in which Soltoro agreed to issue the vendor 175,000 common shares as the full and final payment for the “La Dorada Fracc 1” and “La Dorada 2” concessions. Soltoro Ltd. issued and paid 175,000 common shares to the vendor on May 15, 2007. During the period ended September 30, 2007, the Company staked and applied for the mining rights to acquire an additional 4,000 hectares named the “La Dorada 3” concession.

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**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.

On January 19, 2007, the Company entered into an earn-in agreement on the property with Southern Silver Exploration Corporation. Southern Silver may acquire a 51% interest in the property by issuing a total of 500,000 shares to Soltoro and spending US\$ 3 million on exploration over five years with US\$ 150,000 as a firm commitment in the first year of the agreement. Once Southern Silver has earned a 51% interest in the property, Southern Silver shall deliver a definitive feasibility study to earn an additional 19% interest. Thereafter Soltoro shall participate as a 30% working interest partner.

In the period ended June 30, 2007, Southern Silver issued to the Company a total of 50,000 shares with a fair value of \$20,000. On July 5, 2007 Southern Silver's Mexican subsidiary acquired the "Altavista Del Ramos" 91 hectare concession, located within the Quila claim block. The property is subject to the terms of the earn-in agreement.

**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.

**g) Other**

The Company has made numerous applications for properties awaiting title: the Chinipas property, to cover 1,600 hectares in Chihuahua state, the Peña Grande property to cover 31,678 hectares in San Luis Potosi state and in Jalisco state, the Victoria property to cover 12,600 hectares, the Midas property to cover 954 hectares and the Coyote property to cover 1,235 hectares.

**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 \$Nil (December 31, 2006 -\$25,579). 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 period ended September 30, 2007, the Company incurred management fees of \$145,513 (2006 - \$192,150) with respect to management services provided by

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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, \$54,000 (2006 - \$84,735) was charged to operations, and \$91,513 (2006 - \$107,415) was capitalized as a component of the Company's mineral properties and deferred exploration expenditures.

**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 <sup>(i)</sup>	1,500,000	45,000
Issued in exchange for property <sup>(ii)</sup>	1,000,000	1,000
Private placement <sup>(iii)</sup>	1,020,000	1,020
Private placement <sup>(iv)</sup>	250,000	1,250
Private placement <sup>(v)</sup>	1,500,000	150,000
<b>Balance – December 31, 2005</b>	<b>5,270,000</b>	<b>198,270</b>
Private placement <sup>(vi)</sup>	750,000	75,000
Private placement <sup>(vii)</sup>	1,100,000	110,000
Private placement <sup>(viii)</sup>	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 warrants	3,600	1,800
Transferred from warrants upon exercise	-	199
Private placement <sup>(ix)</sup>	1,000,000	600,000
<b>Balance – December 31, 2006</b>	<b>18,023,600</b>	<b>3,629,527</b>
Issued for cash pursuant to private placement of 1,000,000 units, net of \$108,004 attributable to warrants <sup>(x)</sup>	1,000,000	541,996
Issued as consideration for a property acquisition	175,000	70,000
Issued for cash upon exercise of warrants	716,400	298,200
Transferred from warrants upon exercise	-	59,561
Issued for cash upon exercise of stock options	200,000	26,000
Transferred from contributed surplus	-	5,169
Share issue costs	-	(7,250)
<b>Balance – September 30, 2007</b>	<b>20,115,000</b>	<b>4,623,203</b>

- 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

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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.
- 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. 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 an 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.
- x) 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 January 29, 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 May 29, 2007, the Company has the right to accelerate the expiry of the warrants by providing 30 days notice to the warrant holder.

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**9. WARRANTS**

The following table reflects the continuity of warrants for the period ending September 30, 2007.

	<b>Number of warrants</b>	<b>Amount \$</b>
<b>Balance - December 31, 2005</b>	-	-
Issued pursuant to private placement	480,000	26,400
Assumed pursuant to reverse takeover	240,000	33,360
Exercised	(3,600)	(199)
<b>Balance - December 31, 2006</b>	<b>716,400</b>	<b>59,561</b>
Issued pursuant to private placement	500,000	108,004
Exercised	(716,400)	(59,561)
<b>Balance - September 30, 2007</b>	<b>500,000</b>	<b>108,004</b>

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. These warrants were exercised on September 21, 2007.

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. These warrants were exercised on February 22, 2007.

The fair value of the 480,000 broker warrants issued to Union Securities 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 model and the following weighted average assumptions:

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

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On January 29, 2007, pursuant to the private placement of units described in note 8(b)(x), the Company issued 500,000 share purchase warrants exercisable into 500,000 common shares at a price of \$0.75 per share and expiring on January 29, 2009. The fair value of these warrants was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk free interest rate	4%
Dividend yield	-
Volatility	85%
Expected term	1.5 years

The warrants outstanding at September 30, 2007 are set out below.

Exercise price	Number of warrants	Expiry date
\$0.75	500,000	January 29, 2009
<b>\$0.75</b>	<b>500,000</b>	

**10. CONTRIBUTED SURPLUS AND STOCK-BASED COMPENSATION**

The following table reflects the continuity of contributed surplus during the period ended September 30, 2007.

	\$
Balance -December 31, 2005	-
Stock-based compensation	112,707
<b>Balance - December 31, 2006</b>	<b>112,707</b>
Stock-based compensation	211,613
Transferred to share capital upon exercise	(5,169)
<b>Balance - September 30, 2007</b>	<b>319,151</b>

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

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

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The following table reflects the continuity of outstanding stock options for the period ended September 30, 2007.

	Number of stock options	Weighted average exercise price per share
Balance - September 12, 2005	-	-
Issued during the period	380,000	\$0.10
<b>Balance - December 31, 2005</b>	<b>380,000</b>	<b>\$0.10</b>
Issued during the year	930,000	\$0.31
<b>Balance -December 31, 2006</b>	<b>1,310,000</b>	<b>\$0.25</b>
Issued during the period	770,000	\$0.63
Exercised during the period	(200,000)	\$0.13
<b>Balance - September 30, 2007</b>	<b>1,880,000</b>	<b>\$0.29</b>

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

Exercise price \$	Number of options		Expiry date	Contractual life (years)
	Outstanding	Exercisable		
0.10	220,000	220,000	November 30, 2009	2.2
0.25	410,000	297,500	October 24, 2009	2.1
0.36	480,000	360,000	September 22, 2010	3.0
0.63	150,000	75,000	January 31, 2009	1.3
0.63	330,000	222,500	January 31, 2012	4.3
0.45	290,000	145,000	June 28, 2012	4.7
<b>0.32</b>	<b>1,880,000</b>	<b>1,320,000</b>		<b>3.1</b>

During the period ended September 30, 2007, the Company granted 150,000 options at an exercise price of \$0.63 per share expiring on January 31, 2009, 330,000 options at an exercise price of \$0.63 per share expiring on January 31, 2012, and 290,000 options at an exercise price of \$0.45 per share expiring on June 28, 2012.

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

	<b>Three months ended September 30 2007</b>	<b>Nine months ended September 30 2007</b>
Dividend yield	-	Nil
Risk free interest rate	-	4%
Expected volatility	-	85%
Expected life	-	3.0 years
Weighted average fair value per option	-	\$0.31

During the period ended September 30, 2007, the Company recognized a total expense of \$211,613 in stock-based compensation, which has been charged to operations. In addition, the Company will recognize an additional expense of \$67,350 subsequent to September 30, 2007 in respect of options issued but unvested at September 30, 2007.

#### **11. COMMITMENTS AND CONTINGENCIES**

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

#### **12. INCOME TAX INFORMATION**

The estimated taxable income for the period ended September 30, 2007 is \$Nil (2006: \$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.

#### **13. COMPARATIVE FIGURES**

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