

Soho Resources Corp



Soho's key Tahuehueto project is a promising property in the prolific Sierra Madre Mountains. Soho has completed approximately 30,000 metres of drilling in roughly 160 drill holes with potentially exploitable quantities of gold, silver and base metals

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Initiation Report

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Key Points

4 December 2007

Price: C\$0.22

Soho Resources Corp is a junior mineral exploration company focusing on precious and base metals in northwestern Mexico. Its Tahuehueto project is a promising property in the prolific Sierra Madre Mountains. The project does not yet have a defined NI 43-101 compliant resource, but it contains 6,400 metres of underground workings. More recently, Soho completed approximately 30,000 metres of drilling in roughly 160 drill holes with potentially exploitable quantities of gold, silver and base metals.

- **Soho's Tahuehueto deposit lies in a favourable region...**

Soho's 99.4-percent indirectly-owned Tahuehueto property is centrally located along the Sierra Madre Occidental Mineral Belt, north of the Topia deposit and northwest of both the Tayoltita and La Cienega deposits and southeast of El Sauzal gold mine. The belt contains many current and historical gold, silver, lead-zinc and copper mines.

- **... and contains known mineralised zones...**

The Tahuehueto property hosts at least a dozen known mineralised zones within a district scale, classic, structurally controlled epithermal vein system that has been traced for over six kilometres. Previous exploration programmes confirmed significant quantities of gold and silver mineralisation, accompanied by base metals at most sites. Two of the best-known structures host several mineralised zones, such as El Creston, Cinco de Mayo, Catorce and Santiago and these zones are central to the property.

- **...capable of yielding exploitable mineral resources...**

Earlier exploration produced a significant tonnage estimate of material with good grades of gold, silver and base metals. Previous resource estimates were non-compliant with current NI 43-101 standards. Soho expects that its current round of drilling will allow it to prepare a formal, NI 43-101 compliant, mineral resource calculation early in 2008.

- **...in a mining-friendly region**

Soho is focussing on northwestern Mexico, a region offering social and political stability in a country offering a favourable investment climate to foreign explorers.

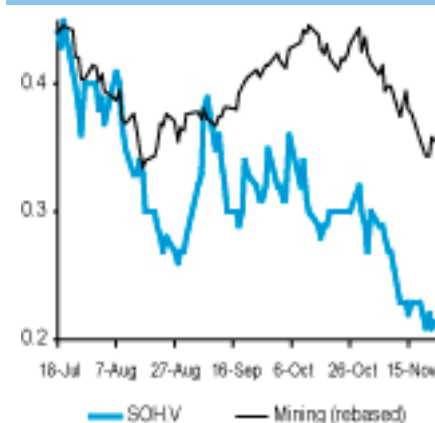
- **Soho is actively drilling its key zones...**

Soho has two drills working the El Creston, Catorce and Cinco de Mayo zones and the company expects to spend at least C\$7m during 2008, leading to the start of a prefeasibility study.

- **...led by experienced management**

Soho's president and founder, Ralph Shearing, has more than twenty years of experience managing public mineral exploration companies at the senior executive level. He has considerable experience managing mineral exploration programmes and the company's vice-president of exploration, Hall Stewart, had roles in the discovery of seven million ounces of gold-equivalent resources in Mexico over the past ten years.

Price chart (C\$)



Current value of equity

Expected Value	US\$19.9m
Value per share	C\$0.25
Optimistic Scenario	US\$41.6m
Value per share	C\$0.62

Company details

Quote

Shares	
- TSX Venture	SOH.V
- Frankfurt	SQ8.F
- Pinksheets	SHRJF.PK
Hi-Lo last 12-mos. (C\$)	0.75 - 0.20
Shares issued (m)	99.9
Fully diluted (m)	132.1
Market Cap'n (C\$m)	22.0
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Soho Resources Corp is a TSX Venture Exchange-listed, Canadian-based mineral resource junior explorer with a sharp focus on Mexico. The company has one project, the Tahuehueto polymetallic property, which lies in northwestern Durango State, in northwestern Mexico.

Soho acquired Tahuehueto in 1997 and began actively exploring the 9,081-hectare property in 2004. The company's interest in the property is held by way of a 99.4 percent share ownership in a Mexican subsidiary that owns 100 percent of the majority of the mineral concessions. Four of these mineral concessions occupying 527 hectares are held by Soho's 99.4-percent-owned Mexican subsidiary company through an agreement of transfer for 100 percent title to these concessions.

The Tahuehueto project lies within the core region of a challenging but rich mineral belt

The Tahuehueto property lies in the central portion of the Sierra Madre Occidental mineral belt, in challenging terrain about 425 kilometres north-northwest of Durango and 500 kilometres east-northeast of Mazatlan, on the Pacific coast.

Underground mining dominates along the Sierra Madres because of the mountainous nature of the region, although limited open cut mining might be possible due to the near surface nature of one or more of the zones at Soho's Tahuehueto deposit.

The prolific deposits along the gold belt account for much of Mexico's historic and current mineral production. The Tahuehueto deposit is just 25 kilometres north of the Topia silver mine, fifty kilometres northwest of the La Cienega mine, 100 kilometres southwest of the Guanacevi silver district, 220 kilometres southeast of El Sauzal and 150 kilometres northwest of the world class San Dimas Mining District, most notable for its well known Tayoltita mine.

Tahuehueto hosts several mineralised deposits and showings

Exploration on the property, although advanced, has not yet produced a formal resource calculated to NI 43-101 standards. Tahuehueto hosts at least one dozen mineralised deposits and showings. These zones occur within a structurally controlled series of epithermal vein systems traced for over six kilometres. These zones collectively form the Tahuehueto Mineral District as identified by Mexican Government mineral resource maps.

Exploration efforts so far have concentrated on four centrally located deposits, Cinco de Mayo, El Rey, El Creston and Santiago. All four zones are yielding encouraging assays of precious and base metals over potentially mineable widths.

Earlier exploration yielded good metal values

A prior explorer, Industrias Peñoles, arrived at a non-compliant tonnage estimate for a portion of El Creston deposit, based on underground workings. A total of 1.75 million tonnes grading 7.6 grams of gold and 68 grams of silver per tonne, with 3.4 percent zinc, 2.1 percent lead and 0.16 percent copper was estimated for El Creston.

Soho's exploration is targeting a compliant resource calculation early next year

Soho began preliminary work on Tahuehueto in 2004 and has completed 4,000 metres of reverse circulation drilling and approximately 25,000 metres of core drilling to date. The company is now in the advanced stages of a large drilling programme. With the recent completion of an 18,000-metre drill programme and the current 8,000 metre drill programme concentrating on three mineralised zones, mainly within two structures, management expects to release a NI 43-101 compliant inferred mineral resource by early 2008.

Although current exploration is targeting El Creston and Cinco de Mayo Structures, Soho is also exploring other key zones to confirm their potential and extent. To date, assays from these nearby zones are encouraging.

Precious and base metal prices remain hot

Soho resumed work on Tahuehueto in 2004, early into a gold rally that is showing no sign of ending. The price of gold has nearly tripled over the past six years and currently sits at well over US\$750 per ounce, with silver prices generally keeping pace, along with high copper, lead and zinc prices.

Increasing demand for base metals from traditional and new consumers pushed inventories to record lows over the past few years. As a result, prices for zinc, lead and copper are running well above their inflation-adjusted long-term means.

Soho is several years away from being in a position to capitalise on these high prices with production from the property, and we expect the prices of precious and base metals will revert toward their long-term real values before the mid-2010s. Still, we do not foresee any major slackening of demand for these commodities that would spark a major slump as occurred in the late 1990s and early 2000s.

Stable management with experience operating in Mexico

Soho's president, Ralph Shearing, founded the company in 1986 and has served as president for all but a few years in the early 2000s and chief executive officer for all but one year in 2004 at which time the Company pursued oil and gas opportunities and these positions were made available to petroleum executives. Upon resuming as president and sole chief executive officer in 2004, Mr Shearing revived Soho's mineral exploration effort in Mexico.

Since then, Soho added several key directors and officers with extensive experience in Mexico, including its vice-president of exploration, Hall Stewart, and directors, Bill Howald and Art Freeze.

Valuation

Our valuation approach

We have valued Soho Resources Corp by assessing the economic potential of the company's Tahuehueto property after accounting for:

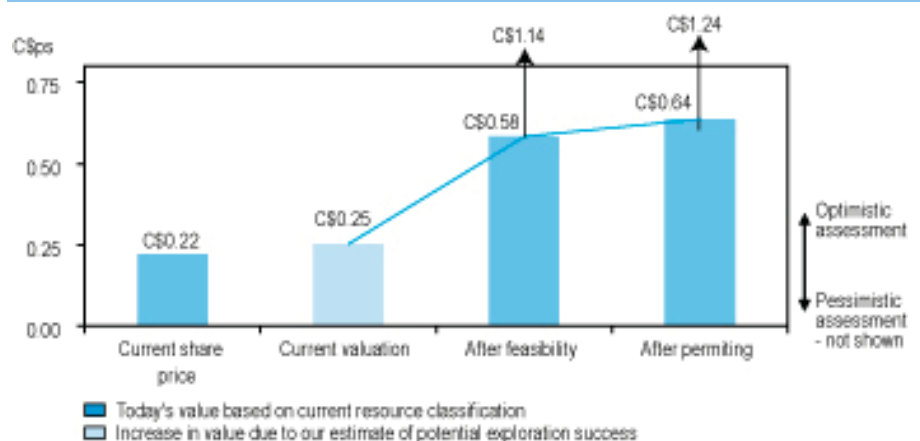
- the economics of mining operations by way of tax, operating costs etc;
- the probability-adjusted potential resource by way of classification and size; and
- the probability of feasibility, after taking account of metallurgical, social and regulatory issues.

Our assessment depends on commodity prices, both prices prevailing when mining eventually occurs, and the management's operational response to them. From a valuation perspective, we take account of management's ability to "mothball" operations when commodity prices are below the marginal cost of extraction. This creates "optionality" – something that traditional NPV fails to capture. This can be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other. In mining, by contrast, the downside is capped at the cost of "mothballing" the site.

We capture this by valuing each year's production as an option, assuming that prices revert to mean over the long run – i.e., the mine will only be operated if the commodity price is above the extraction cost. This means that we value the probability that the price is above the extraction cost, rather than the discounted value of the cash flow using the mid-case of the commodity price.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they revert to an inflation-adjusted, long-run mean. For example, gold historically trades at US\$550 per ounce in current dollars, with deviations from mean normally correcting over eight years with a volatility of 25 percent. Zinc historically trades at approximately US\$0.90 per pound in current dollars, with deviations from mean normally correcting over 3.3 years with a volatility of eighteen percent.

What Soho could be worth - now and in the future



Source: Objective Capital

Valuation summary (US\$m)

Scenario	Base	Pessimistic	Optimistic
Property portfolio			
- Tahuehueto	16.7	(4.6)	42.8
Total	16.7	(4.6)	42.8
Less: overhead	6.1	6.1	6.1
Expected value of portfolio	10.5	(10.7)	36.7
Add: other investments	0.0	0.0	0.0
Add: starting cash + new funds	10.2	10.2	10.2
Total current value for firm	20.7	(0.5)	46.9
Less: bank & other debt	0.0	0.0	0.0
Total value to equity claims	20.7	(0.5)	46.9
Less: warrants and options	0.8	0.0	5.3
Ordinary equity holders	19.9	(0.5)	41.6
Value per share (US\$)	0.26	(0.09)	0.63
Value per share (C\$)	0.25	(0.08)	0.62

Expected value of Soho Resources

Scenario	Risked mineable resources	Tahuehueto property value	SOH Valuation	Value per share
	(m tonnes)	(US\$m)	(US\$m)	(C\$)
Base case outlook	1.4	16.7	25.4	0.25
Value for scenarios of further exploration success				
Full proved up	3.9	57.4	110.4	1.11
Optimistic outlook	2.7	42.8	61.5	0.62
Pessimistic outlook	0.5	-4.6	-8.4	-0.08

Value with no further exploration success

Current resource estimate	86.1	-9.2	-13.9	-0.14
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Notes:

- 'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status

- for further details see Clontibret property section

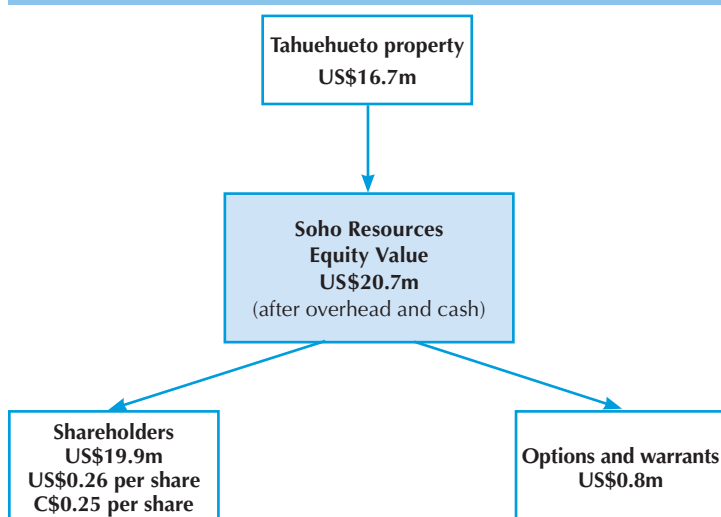
Sensitivity to market assumptions ...

Long run real gold price (US\$/oz)	500	525	550	575	600
Value (C\$/share)	0.21	0.23	0.25	0.28	0.30
Change in value (%)	-18%	-9%		+9%	+18%
Time for gold price to revert to mean (years)	6	7	8	9	10
Value (C\$/share)	0.22	0.24	0.25	0.27	0.28
Change in value (%)	-12%	-6%		+6%	+11%
Volatility of gold price (%)	20%	25%	30%	35%	40%
Value (C\$/share)	0.23	0.25	0.28	0.31	0.34
Change in value (%)	-8%		+10%	+21%	+35%
Interest rate (%)	+4.0%	+4.1%	+4.2%	+4.3%	+4.4%
Value (C\$/share)	0.26	0.26	0.25	0.25	0.24
Change in value (%)	+4%	+2%		-2%	-4%
Sovereign risk premium (years)	0.00%	1.00%	2.00%	3.00%	4.00%
Value (C\$/share)	0.25	0.21	0.17	0.14	0.11
Change in value (%)		-17%	-32%	-46%	-57%

Sensitivities to assumptions on ...

Change in Gold & Silver recovery rate (%)	-10%	-5%	0%	5%	10%
Value (C\$/share)	0.18	0.22	0.25	0.29	0.33
Change in value (%)	-30%	-15%		+15%	+30%
Operating Costs (US per milled tonne)	58.90	62.00	65.10	68.20	71.30
Value (C\$/share)	0.28	0.25	0.23	0.21	0.19
Change in value (%)	+8%		-8%	-17%	-25%
Increase in Capital Cost (%)	+0%	+10%	+20%	+30%	+40%
Value (C\$/share)	0.25	0.23	0.20	0.17	0.14
Change in value (%)		-11%	-22%	-34%	-45%

Components of Soho Resources' entity value



Tahuehueto valuation (US\$m)

Scenarios for exploration success	Base	Optimistic	Pessimistic
Net value of production	214.0	214.0	214.0
Expected mining success*	52%	76%	32%
Expected net value of production	110.7	163.3	67.9
Add: tax shield on depreciation charge	24.5	24.5	24.5
Less: development & operational capex	83.2	83.2	83.2
Value of mining operations	52.0	104.6	9.2
Probability of reaching mine development	50%	50%	50%
Expected value of deposit	25.8	52.0	4.6
Less:			
- expect pre-development costs**	3.2	3.2	3.2
- further exploration costs ***	6.0	6.0	6.0
Expected value of project	16.7	42.8	(4.6)
effective risk haircut	83%	67%	97%
Ownership	100%	100%	100%
Soho Resources's share	16.7	42.8	(4.6)

* portion of reserve/resource expected to be converted to a mineable resource, probability-weighted for our confidence they will be proven-up

** total of expected costs of exploration and feasibility"

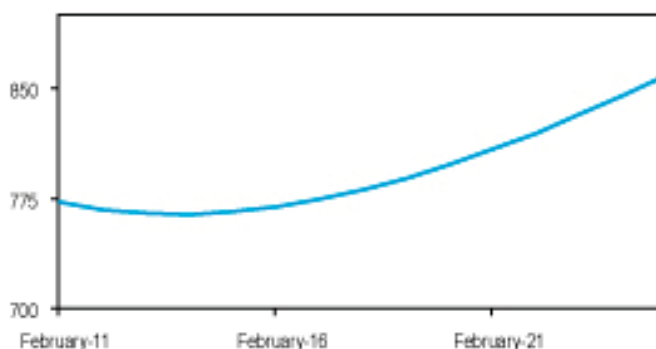
*** present value

Commodity market assumptions

Gold prices are mean reverting

Long run level	550 US\$/oz
Avg time to revert	8 years
Volatility	25%
Inflationary price growth	2%

Expected gold price (US\$)



Our key assumptions

Soho's sole exploration asset is the Tahuehueto property in Mexico. The property does not have a defined resource, although there are known mineralised zones on the property. Soho's exploration programme is exploring these zones and is expected to quickly establish a mineral resource, proceeding to prefeasibility once it has a sufficient resource established. Given the dimensions and characteristics of the epithermal system on the property, we believe this work has a reasonable chance of delineating a substantial resource of gold, silver, zinc, lead and copper. If this model is correct then it might be reasonable to assume:

- a hypothetical minimum starting resource of 5.5 million tonnes, grading 4.0 grams of gold and 112 grams of silver per tonne, and with 3.87 percent zinc, 1.89 percent lead and 0.5 percent copper. Applying appropriate conversion factors, we believe this could translate into a mineable resource of 4.4 million tonnes. A lower cut-off may be applicable with current metal prices, which would lower the average grades, but significantly increase the available tonnage;
- this would support a minimum ten-year mine life, commencing operation early in 2013. We estimate the pre-production capital costs to be in the order of US\$125 million, with operating costs averaging US\$62 per tonne if mining commences, escalating annually at a nominal rate of inflation;
- maintenance capital costs at approximately 6.5 percent of operating expenditures;
- metal recovery rates between 75 percent and 85 percent, concentrate grade between 45 and 65 percent and unit deduction costs on concentrate from one to two percent;
- treatment charges vary from US\$50 per tonne of concentrate for copper to US\$350 per tonne for zinc concentrate.

Benchmarks

Benchmark comparisons with other companies can offer only a rough guide of what might occur as Soho develops Tahuehueto, in that the company is a junior, exploring a property without an established resource.

As shown in the table below, we have compared other companies with significant gold, silver and base metal projects at early and intermediate stages of exploration, and a few now in production. In general terms, they show the increase in value attaching to a resource as exploration advances.

For current producers, the market is ascribing values between C\$100 and C\$250 per ounce of gold equivalent in established resources, with imminent producers capable of capitalising on the current spike in metal ascribed somewhat lower values. Companies with defined formal resources but still in the early stages of development carry market capitalisations of between C\$40 and C\$80 per ounce of gold equivalent.

At present, Soho has no resource established, but based on our hypothesised equivalent gold content of roughly 1.2 million ounces, the company's current market capitalisation translates to C\$18 per ounce of gold. This result is significantly below the ranges for comparable companies at earlier stages of exploration, which are in the neighbourhood of C\$25 per ounce. For current or imminent producers, values per ounce of gold equivalent typically fall within a range between C\$100 and C\$250 per ounce.

Comparatives

Company	Ticker	Recent share price (C\$)	No. of shares (m)	Mkt Cap (C\$m)	Gold Equiv. (million oz)	Stage	Mkt Cap/ Au Equiv (C\$/oz)
Great Panther	GPR.TO	1.38	72.9	100.6	0.9	Producer	111
Palmarejo Silver & Gold Corp	PJO.V	10.50	92.6	972.3	4.4	Development	221
Kimber Resources Inc	KBR.TO	0.98	49.8	48.8	1.9	Defined Resource	26
Soho Resources Corp	SOH.V	0.22	99.9	22.0	1.2*	Exploration	18
Yale Resources Ltd	YLL.V	0.24	31.3	7.5	0.25	Exploration	30

*Hypothetical resource

Source: Objective Capital

Success at Tahuehueto depends on Soho's ability to...

...delineate a mineral resource sufficient to advance to prefeasibility

Earlier exploration revealed a number of mineralised zones on the Tahuehueto property but Soho does not yet have a mineral resource defined to NI 43-101 standards.

...control capital and operating costs

The Tahuehueto project lies in rugged terrain within the Sierra Madre mountain range, which will present the company with engineering and design challenges. Solutions to these issues could prove expensive, resulting in considerably higher capital and operating costs than our hypothetical model proposes. This model assumes cost estimates based on comparable projects, inflated at expected rates of mining-related inflation. Expenses could grow at a faster rate, as the costs for labour, fuel, electricity, steel and equipment are particularly prone to supply shortages.

...capitalise on currently high metal prices

Tahuehueto does not yet have a NI 43-101-compliant resource and the project remains several years from becoming a potential producer, creating greater uncertainty about potential revenue. Soho's ability to develop a profitable mine at Tahuehueto would be impaired if the prices of precious and base metals, notably gold, silver and zinc, decline at faster than expected rates over the next several years.

...obtaining adequate financing

Soho will require increasing amounts of cash to sustain its programmes through advanced stages of exploration and development. Future sales of common shares to raise exploration cash could dilute existing shareholders considerably. Should the company proceed with development on its own, much of the capital cost would typically come from debt financing, but Soho faces the risk that it will be unable to obtain sufficient loans, forcing it to rely upon added sales of equity.

...obtaining permits and approvals without undue delay or difficulty

Mining projects always face risks associated with obtaining the required permits and approvals. The Tahuehueto project could face additional environmental challenges due to its location. This risk is mitigated somewhat by the presence of neighbouring projects in the area, and Mexico's currently favorable stance toward development.

...diversify

Tahuehueto is Soho's only active project, and the company would have little value if the project should fail. The company is seeking other properties in Mexico, which would lessen the risk.

Ralph Shearing, a Vancouver-based geologist, formed Soho Resources Corp in 1986 as a mineral exploration company originally known as Samarkand Resources Inc. Samarkand's listing project was a silver and base metal prospect in southeastern Yukon and northeastern British Columbia. The company acquired other mineral prospects in the region, but the recession that started in the late 1980s made financing exploration activities challenging and the company consolidated its shares in 1990 on a one-for-two basis, becoming Consolidated Samarkand Resources Inc.

Over the next decade, the company picked up interests in diamond exploration projects in Canada's North, ground in the Voisey's Bay district and considered a change of business, but results negated further development and the company withdrew from the projects.

Early in 1997, Consolidated Samarkand acquired the Tahuehueto project and the deal initially received a favourable reception, but a major resource-sector downturn and fallout from the Bre-X Minerals salting scandal threw the resource sector into a severe recession. Late in 1999, Consolidated Samarkand consolidated its shares on a one-for-six basis and changed its name to Soho Resources Corp in order to pursue opportunities in the oil and gas sector.

Soho put Tahuehueto on hold and placed its focus on oil and gas projects for several years starting in the late 1990s. During this time, Mr Shearing handed off, or shared, much of his management responsibility to new management with oil and gas experience.

In 2004, Mr Shearing reassumed his role as president and sole chief executive officer of the company and Soho turned its focus to Tahuehueto and mineral exploration. Since then, Soho has become progressively more active on the project, culminating in major drill programmes over the past year. The company does not yet have a mineral resource estimate for the project, but expects to have one by early 2008. The company expects drilling throughout 2008 will allow it to upgrade and expand that initial resource calculation.

The Mexican project is now Soho's only project, although the company is actively looking to acquire additional mineral prospects under favourable circumstances. Soho intends to retain its focus on Mexico, concentrating on central and northern regions of the country. New acquisitions in this area could add synergies to Soho's Tahuehueto project, which is in the northwestern region of Durango State, in northwestern Mexico.

As a company listed on the Canadian TSX Venture Exchange, Soho Resources maintains a head office in Vancouver, British Columbia. With its Mexican focus and key project, the company also has a regional office in Durango, Mexico.

Regardless of any possible new acquisitions, Soho is committed to its exploration strategy at Tahuehueto. The company's exploration focus is to define a mineral resource compliant with current NI 43-101 standards along several of the projects major structures including the El Creston structure and the Cinco de Mayo – Santiago trend. In addition, the company is working to confirm the potential of other zones within separate structures currently identified on the 9,081-hectare property.

Soho acquired Tahuehueto in 1997 through a share-purchase agreement that gave it a ninety-percent interest in Sacramento de la Plata, which owns the project. Early in 2007, the company increased its interest in Sacramento to 99.4 percent through a swap of debt for equity.

Soho had 29.6 million shares issued and outstanding on March 1, 2004, but the total grew to 46.4 million after the company placed C\$1.8m in new shares during the year. Soho raised \$4.1m in fiscal 2006, and C\$7.1m in the year ended February 28, 2007 and C\$12.2m in April of 2007. Soho Resources currently has 99.8 million common shares issued and outstanding.

Additionally, the company has 6.89 million share purchase options outstanding, with exercise prices ranging from C\$0.15 to C\$0.65, with a weighted average of C\$0.35. As well, Soho has 25.97 million share purchase warrants currently outstanding, with exercise prices between C\$0.20 and C\$0.80. The weighted average exercise price for the warrants is C\$0.73 per share. Should all options and warrants be exercised Soho would net C\$21.4m.

At August 31 2007, Soho Resources had C\$8.1m in working capital. The current exploration programme continues to draw on the company's finances and Soho's management believes it has sufficient capital to carry its exploration programmes through the end of the year and into late 2008 at current expenditure rates. Unless existing options and warrants are exercised to provide additional capital, Soho expects it will need to arrange new financing during mid-to-late 2008 to cover continued exploration requirements.

Soho's management is estimating the Tahuehueto project will require between C\$10m and C\$15m of additional exploration before it commences a prefeasibility study. The costs of prefeasibility and feasibility work are uncertain at this time, but would likely be significant.

As with all junior explorers, Soho's future cash requirements will result in further dilution for existing shareholders. With higher share prices resulting from continued exploration success, Soho's share total would grow to 132.7 million through the exercise of all outstanding options and warrants, which would supply the company with another C\$21m, which we believe could carry it into the prefeasibility and feasibility stages at Tahuehueto.

No individual or company holds a ten-percent or greater interest in Soho Resources. At last report, Macquarie North America Ltd was the largest shareholder, holding approximately 9.8 percent of the company's shares.

Of the company insiders, president Ralph Shearing has the largest shareholding, with direct and indirect interests in 1.65 million shares, about 1.7 percent of the total. Directors Paul Chung and Marek Kreczmer each hold just over 500,000 shares, while William Howald holds just 500 shares. Arthur Freeze does not own any shares.

Mr Shearing founded Soho in 1986 and has served as a director since then. He has been the company's president and chief executive officer throughout most of its history. Soho's five other directors are more recent arrivals. Geologist Paul Chung, a co-founder of Soho, rejoined the board in 2004 and Mr Kreczmer, also a geologist, arrived in 2004. William Howald joined the board in 2006, as did fellow geologist Arthur Freeze, in 2007.

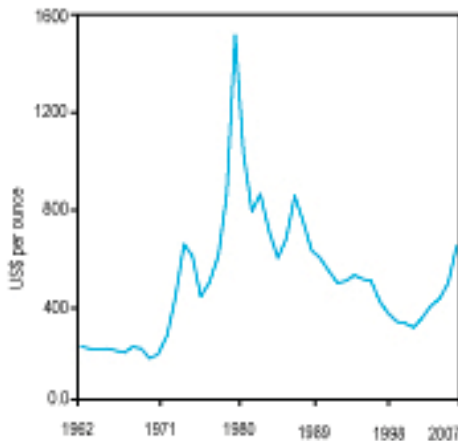
Soho's key officers are Mr Shearing, who is Soho's president and chief executive officer, Donald Crossley, who serves as chief financial officer, and Hall Stewart, vice-president of exploration.

Operating Environment

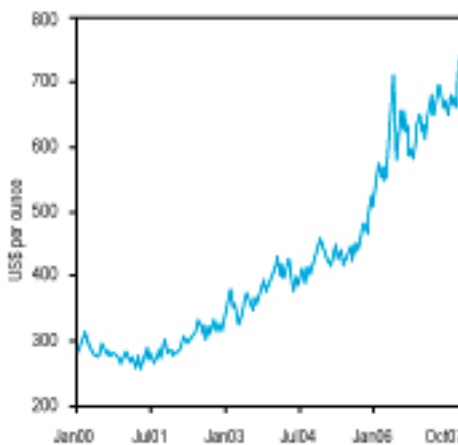
The gold market

Gold is a unique metal that has limited industrial and chemical uses, but is in demand because of its colour, brilliance and rarity. As a result, most of the gold ever produced remains intact and available for resale under the right economic conditions. The jewellery and investment sectors dominate the demand for gold, as they have throughout history. Through the ages, the world's mines yielded a total of 160,000 tonnes of the metal, with two-thirds of the production occurring since the Second World War.

Inflation-adjusted gold price



7-year gold price



Source: Kitco

Gold production lags its price curve, and world production crested in the last cycle at about 2,600 tonnes in 2001, five years into a bear gold market. Production has slipped slightly since then despite gold's price nearly tripling over the past five years. Mining accounts for over sixty percent of supply and most gold companies scaled back their exploration programmes during the lean years, and have since been slow to renew their efforts. Recycled gold accounted for about one-quarter of the annual supply over the past five years, with sales by central banks providing the remaining supply.

Jewellers consumed about three-quarters of the available gold each year since 2000, while investors and speculators took up just over ten percent of the supply, matching the amount of gold consumed in industrial and chemical applications. The demand for gold is more stable than most commodities, as most users have no real alternatives during periods of high prices or supply shortages.

Investors view gold as an excellent hedge against inflation, despite the metal no longer being a primary international currency. This perception helps keep the metal in its traditional pattern of tracking the price of oil and the United States dollar. Dramatic events and political shifts occasionally exert powerful short-term influences on the price of gold, but this response is overrated. For instance, Al Qaeda's embassy bombings and the destruction of the World Trade Centre did nothing to lessen gold's slide through the late 1990s and early 2000s.

Oil and a (weak) US dollar offer the strongest correlations with gold and both contribute to the inflation rate in the US. It is no surprise therefore that the US inflation rate is a prime indicator of the price of gold. As well, rapid growth in Asia, especially India and China, is contributing to increased demand. We expect this will continue, keeping demand for gold buoyant in the medium term.

New production will come on stream in the coming years, but hefty cost increases, notably of oil, steel and other commodities used in building and running mines will slow increases in supply. The real average cost to produce an ounce of gold in 2005 was US\$375 per ounce and initial data suggest the average cost rose to over US\$420 per ounce last year.

Gold has a reputation for volatility because of a surge nearly thirty years ago, gold has experienced extended periods of price stability, notably from 1983 through 1996. Despite lingering memories of gold at sub US\$300 prices, we believe the long-term, inflation-adjusted average of US\$556 represents a realistic floor going forward. Most indicators remain neutral to positive. The US dollar continues to slip and oil is showing no signs of weakness, helping to push the current price of gold to well over US\$700 per ounce. This supports the lofty price in the shorter term, but we expect the price of gold will gradually revert to its long-term average price, adjusted upward for inflation.

The silver market

Pure silver mines are uncommon and nearly three-quarters of the primary world silver supply comes as a by-product of gold or base metal mines. The metal is typically found associated with sulfide ores, containing zinc, lead and copper.

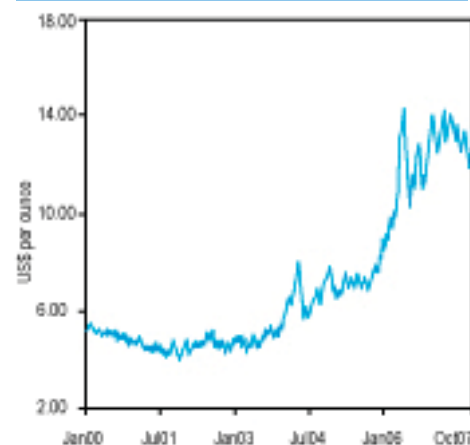
Mining accounts for about seventy percent of the annual silver supply, with recycling accounting for nearly all the rest. This secondary supply comes largely from recoveries of scrap, including photographic recycling, silver coinage and jewellery. Government sales of inventory typically account for just a few percentage points of the annual silver supply.

Silver has a variety of uses, including the traditional demand from makers of jewellery and silverware. According to the World Silver Survey, demand by jewellers for silver remained rather constant over the past decade, at just under twenty percent. Silverware demand continued to shrink, accounting for about six percent of demand last year. Use in the photography sector is also shrinking steadily, but still accounted for about fifteen percent of annual demand last year. Coins and medals take up about five percent of the annual demand. Meanwhile, industrial users are countering the decreased demand and they now account for about 45 percent of annual demand. Over the past decade, demand for silver showed modest growth of about two percent per year.

As with gold, mining production failed to keep pace with silver demand. Although demand began outstripping supply during the 1990s, primary producers failed to catch up. A key reason for this was the low price of gold and base metals, which curtailed production of these metals, thereby limiting the amount of silver production in polymetallic mines.

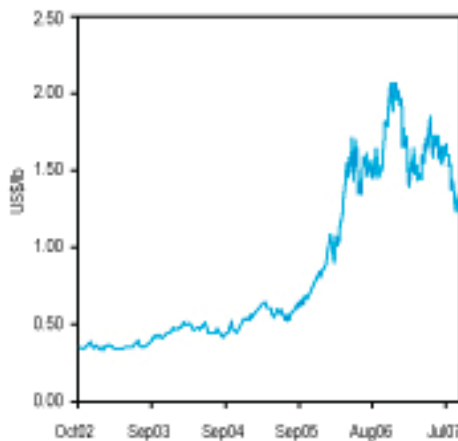
The price of silver rose to dizzying heights in 1980, spurred by a gold surge and the Hunt brother's ill-fated attempt to control the silver market. It then promptly crashed earthward, but from the mid-1980s through the end of 2002, the metal remained in a range near US\$5 per ounce. Several years of tightening supply finally led to rising prices in 2003, a resurgence that sharpened during 2005.

7-year silver price

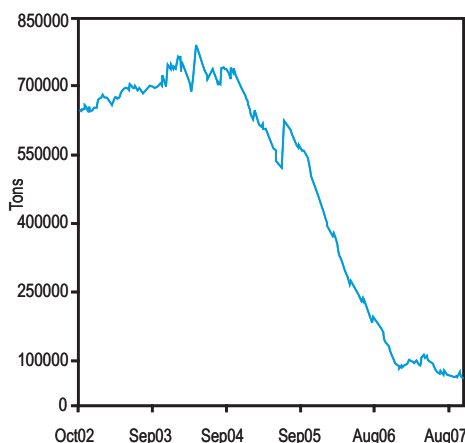


Source: Kitco

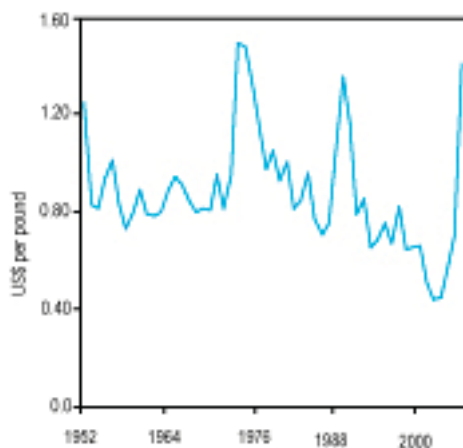
5-year zinc price



5-year zinc warehouse stocks



Inflation-adjusted zinc price



Source: Kitco

There is little consensus on the long-term price of silver, but its price does tend to track that of gold and other precious metals. The current price of just over US\$13 per ounce is near the long-term, inflation-adjusted average of US\$12.20 per ounce, but the metal has averaged US\$6.50 per ounce since photographic and coinage demand began to decrease. As a result, we expect the price of silver will gradually revert toward this lower value, with higher annual adjustments to account for inflation.

The zinc market

Zinc's electropositive nature and its resistance to corrosion make the metal an ideal choice for coating steel products. As a result, galvanising steel and galvanised steel products account for nearly one-half of the annual demand for zinc. Zinc has many other industrial uses that account for about one-quarter of the annual demand. These users include the chemical, paint, rubber and agricultural sectors. The metal is a favourite of alloy makers, who account for the remaining one-quarter of annual demand.

Asian countries, led notably by China and India, have emerged as major zinc consumers in recent years. China now accounts for about one-quarter of the annual demand for zinc and its consumption has been growing at over seven percent annually.

Nearly one-half of annual zinc production comes from Asia, with European mines supplying slightly less than one-third of the annual demand. Mines in the Americas deliver about one-fifth of the world zinc production. Production in Canada and Chile has been flat over the past few years, with just marginal growth in the other top-five producing nations.

Although the price of zinc was near US\$0.40 per pound just five years ago, the fifty-year, inflation-adjusted average price for zinc is US\$0.90 per pound. The inflation adjusted price of the metal hit crests above US\$1.25 in the mid-1970s and late 1980s, putting the current rally, which saw the price briefly top US\$2.00 per pound late last year in an historical context.

Five-year inventories remain near record lows, providing support for continued high prices. Demand should continue strong, but new supplies will enter the market and some users may find suitable substitutes for zinc. Our model has zinc reverting to its long-term, inflation-adjusted average, with a mean time to revert of 3.3 years and a volatility of eighteen percent. Our model projects zinc will decline to US\$1.10 per pound by 2012 and remain flat through the remainder of the decade, when inflation will drive an annual increase in price.

The copper market

Copper is corrosion resistant, highly ductile and malleable and possesses excellent electrical and thermal conductivities and it is these qualities drive demand for the metal. Electrical uses account for about three-quarters of the demand and copper is the metal of choice for plumbing.

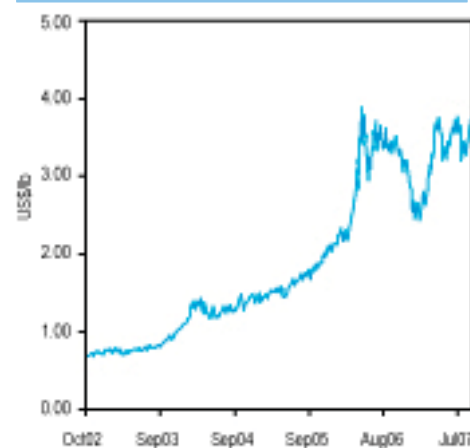
Mining is the leading source of copper, accounting for about eighty percent of the annual supply, while recycling provides the bulk of the remaining twenty percent. Mining production rose steadily from about eleven million tonnes in 1996 to fifteen million tonnes last year, while secondary production increased from two million tonnes to three million tonnes, bringing total production to 17.6 million tonnes in 2006.

Copper trades more in direct response to supply and demand imbalances than do many commodities and copper inventories remain near record lows. Low inventories drove the metal's price to over US\$3.00 per pound on an inflation-adjusted basis during the mid-1970s, but oversupply caused the price to dip below US\$1.00 per pound by the late 1990s.

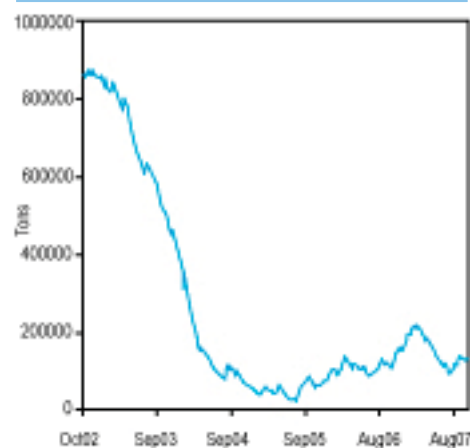
Copper inventories began a dramatic decline in 2002, helped by a surge in demand from Asia, notably China and India. Meanwhile, the period of low prices caused mining companies to curtail their exploration efforts, limiting their ability to quickly replace existing resources. Exploration has resumed, but it takes roughly ten years to develop a copper mine, which will limit producers' ability to ramp up production quickly. Demand may also be capped somewhat, as there are alternative metals and materials available as potential substitutes for many traditional uses of copper, should the price continue upward.

The fifty-year, inflation-adjusted price of copper is US\$1.75 per pound and we project the price of the metal will revert to this level, with a mean time to revert of eight years and a volatility of twenty percent. Based on these parameters, we project the price of copper will decline to a nominal price of about US\$2.50 per pound by the mid-2010s.

5-year copper price

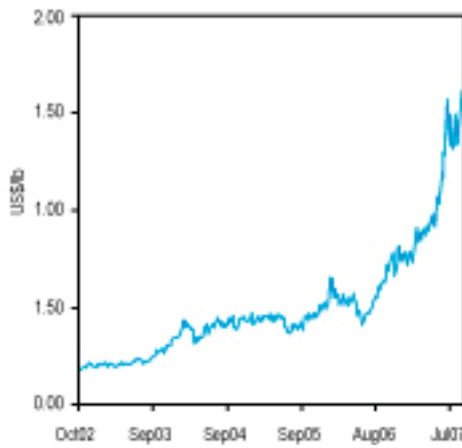


5-year copper warehouse stocks

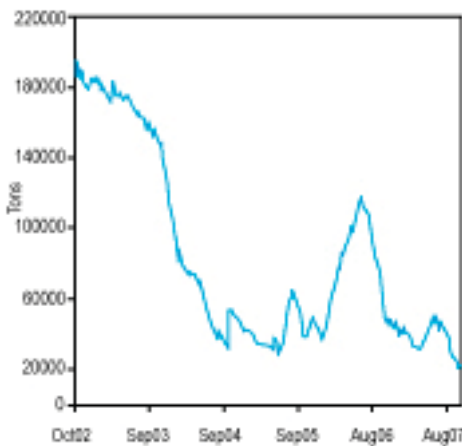


Source: Kitco

5-year lead price



5-year lead warehouse stocks



Source: Kitco

A quick look at lead

Manufacturers of batteries account for nearly three-quarters of the annual demand for lead, while chemical uses consume another twelve percent of the annual supply. A significant amount of the metal goes to sheath electrical cables and manufacture ammunition. The supply of lead splits equally between mining and recycling, with Asia, Europe and the Americas each accounting for about one-third of the annual production.

Demand for lead is outstripping supply. Inventories are at record lows and the price is surging as a result. The price for lead now tops that of zinc and currently sits near US\$1.80 per pound. We expect the price will revert toward its long-term, inflation-adjusted mean of US\$0.53 per pound, with a mean time to revert of four years and an average volatility of 21 percent. Based on this model, we expect the price of lead to reach US\$0.70 by the mid-2010s.

Mexico – the economic environment

Mexico reported an estimated US\$1.15 trillion GDP in 2006, based on purchasing power parity, ranking it thirteenth behind Canada and just ahead of Spain. The country compares less favourably on a per capita basis, ranking just behind Bulgaria and marginally ahead of Kazakhstan in 67th place, with a purchasing power parity GDP of US\$10,700. Mineral resources contribute heavily to Mexico's GDP and the country's industrial sector benefits from outsourcing by North American companies, but Mexico's poor per capita performance is largely the result of unemployment and underemployment issues.

Mexico enjoyed several decades of growth once deemed an economic miracle but one heavily supported by a booming oil industry and huge government loans. The inevitable collapse led to a series of devaluations of the peso and a lengthy recession. The slump reached crisis proportions in 1994, following a further steep devaluation of the peso, which led to an international bailout, through currency swaps, loan guarantees and new lines of credit.

The crisis brought about political change. Mexico's move toward an interventionist and nationalistic economy halted abruptly. The country joined the North American Free Trade Agreement in 1994, which resulted in the country's trade with the U.S. and Canada tripling in value. Mexico also has trade arrangements with many other countries, including Japan and Europe.

Mexico made considerable progress during the term of President Vicente Fox. Mr Fox's government took steps to upgrade the country's infrastructure and it began modernising its taxation system and labour laws. As a result, Mexico began encouraging investment in the energy and mining sectors.

Felipe Calderón succeeded Mr Fox as president late last year. He was Secretary of Energy in Mr Fox's cabinet and Mr Calderón had the enthusiastic support of Mr Fox in last year's election, suggesting he will continue with many of Mr Fox's pro-market economic moves.

Petroleum production provides a major benefit to Mexico's economy. The country ranked sixth in the world among oil producers in 2006, with an annual production of 3.7 million barrels, placing it ahead of Canada's 3.29 million barrels. Mexico exported 1.68 million barrels of oil last year, putting it in tenth place among oil exporting nations.

Metals and mineral mining are key contributors to Mexico's economy. The country has huge reserves of a variety of commodities, especially silver and bismuth. Mexico is also a major producer of molybdenum, cadmium, fluorspar, arsenic and graphite and its reserves of these minerals rank among the largest in the world.

The North American Free Trade Agreement gave Mexico's mining sector a needed boost, helped by the country's continued pro-mining policies. The country is now a choice destination for foreign investment, and many Canadian and U.S.-based companies are exploring and developing Mexican projects, with an emphasis on silver and gold since the precious metals bull market began in 2002.

The Fraser Institute ranks Mexico highly as an exploration destination in its annual survey of mining companies. The perception of the country's policies slipped somewhat in the 2006/07 assessment, but Mexico still places well ahead of Nunavut and the Northwest Territories in Canada, many U.S. states, and most European and African nations.

Mexico offers a moderate taxation rate of 34 percent to miners with no government royalty charges, but the rate of depreciation is low, putting a greater tax burden in the initial years of production.

Significant miners in Mexico include Grupo Mexico, one of the world's largest copper producers, and Industrias Peñoles, a major silver-zinc producer. Some of the larger foreign miners and explorers in Mexico include, Goldcorp, Hecla Mining Company, Pan American Silver Corp, Silver Standard Resources Inc, Gammon Gold Inc, Great Panther Resources Ltd and Apex Silver Mines Ltd.

Tahuehueto Property

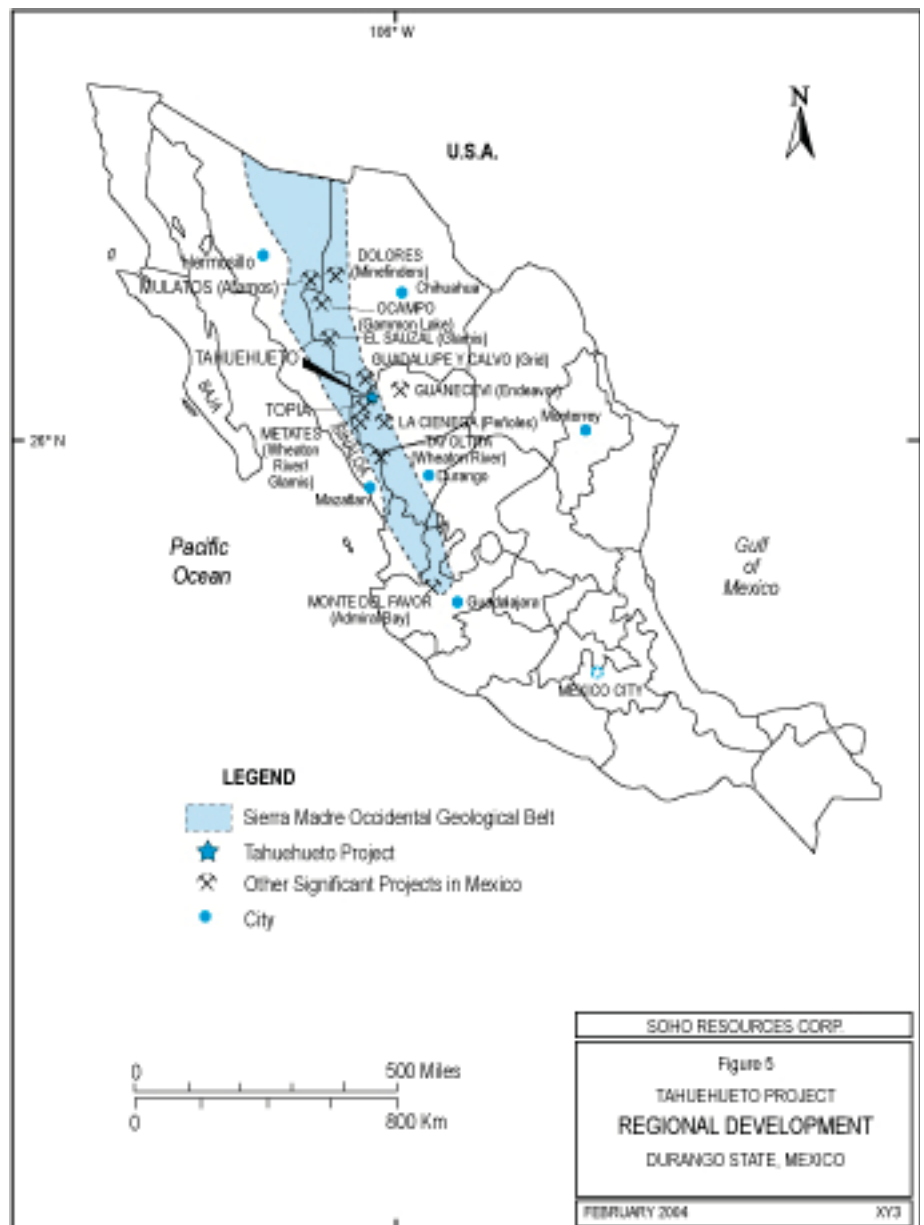
Introduction

Soho Resources Corp controls 100 percent of the Tahuehueto project through its 99.4 percent-owned Mexican subsidiary. The style of mineralisation is a series of low sulfidation epithermal vein systems with gold, silver, lead, zinc and copper mineralisation. Tahuehueto lies in the Sierra Madre mineral belt, host to many of Mexico’s historic and producing mines. The property is located 100 kilometres southwest of the Guanacevi silver district and 25 kilometres to the north of the Topia silver mines.

Project description

The Tahuehueto project is located in the municipality of Tepehuanes, in the northwestern corner of Durango State, approximately 425 kilometres north-northwest of Durango. The license area covers 9,081 hectares of rugged terrain in the Sierra Madre Occidental mountain range.

Mexico (Sierra Madre belt)



Source: Soho Resources Corp

The property is accessible via highway and logging roads, a nine-hour journey from Durango, or by small fixed wing aircraft to a landing strip located on the property. The project area is in a remote location with few small villages in the municipality. The nearest village is Tepehuanes, which has a population of 15,000 people. A 34.5KV power line services Tepehuanes. Onsite diesel generators supply the camp facilities at Tahuehueto. Sufficient water for exploration and development is derived from underground adits above the village and can be derived year round from a river flowing through the southern part of the property.

Terrain in the project area is rugged and incised with deep ravines. Elevation ranges from approximately 600 metres in the valley to plateaux over 2500m high in the north of the property. The climate is dry. Some scrub cover exists, particularly in the ravines, and pine trees at higher elevations on the plateaux. Exploration can be carried out all year round.

Soho acquired the project in 1997 and has been actively exploring since 2004. The company increased its land position from 2,064 hectares to 9,081 hectares in late 2006 and increased its share position in its majority owned Mexican subsidiary, Sacramento De La Plata S.A. de C.V. from ninety percent to 99.4 percent in early 2007. Sacramento controls 100 percent of the project.

Regional geology

The Sierra Madre Occidental mineral belt is a mountain range that runs over 1,200 kilometres from the northern border with the United States to Jalisco State in south central Mexico. The volcanic belt is a broad anticlinal fold structure, cut by numerous longitudinal faults. Relief on the western flank of the mountain range is steeper and more incised than the east, due to more steeply dipping units and large vertical displacement along the faults.

The oldest rocks are Jurassic sediments, which have been folded and faulted, and later intruded by batholith intrusions, resulting in metamorphism of the surrounding sedimentary units. The sediments are predominantly sandstone with minor shale intercalations.

Two distinct volcanic units overlie the Jurassic sediments:

- i) Lower Volcanic Series, ranging from Upper Cretaceous to Lower Tertiary in age. This series comprises both intrusive and extrusive rocks and is approximately 1,000 to 1,400 metres in thickness. Most mineralisation is associated with the Lower Volcanic Series, hence the characteristic intense alteration commonly observed in the andesites.
- ii) Upper Volcanic Series of Oligocene age, composed primarily of extrusive felsic flows, pyroclastics and caldera complexes.

During a ten million-year period, between the two volcanic events, the Lower Volcanic Series underwent faulting and tilting prior to the emplacement of the batholithic intrusions. The batholith is the source of the mineralising fluids, which exploited the overlying fractures and faults in the andesites.

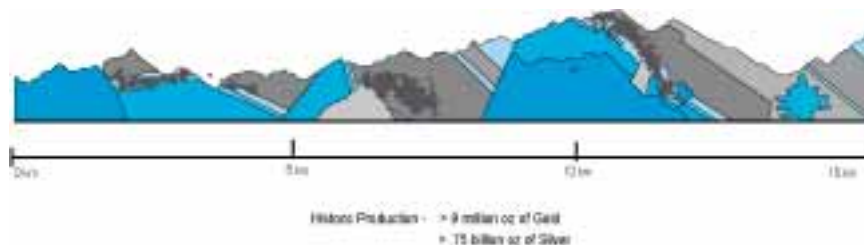
The rhyolitic rocks of the Upper Volcanic Series sit unconformably on top of the Lower Volcanic package. The volcanic activity that produced the bulk of the Upper Volcanic group ceased in the late Oligocene, with limited later eruptive activity.

A period of peneplanation followed and subsequent uplift began towards the end of the Miocene, with the onset of block faulting. This gave rise to the present day geomorphology of the belt.

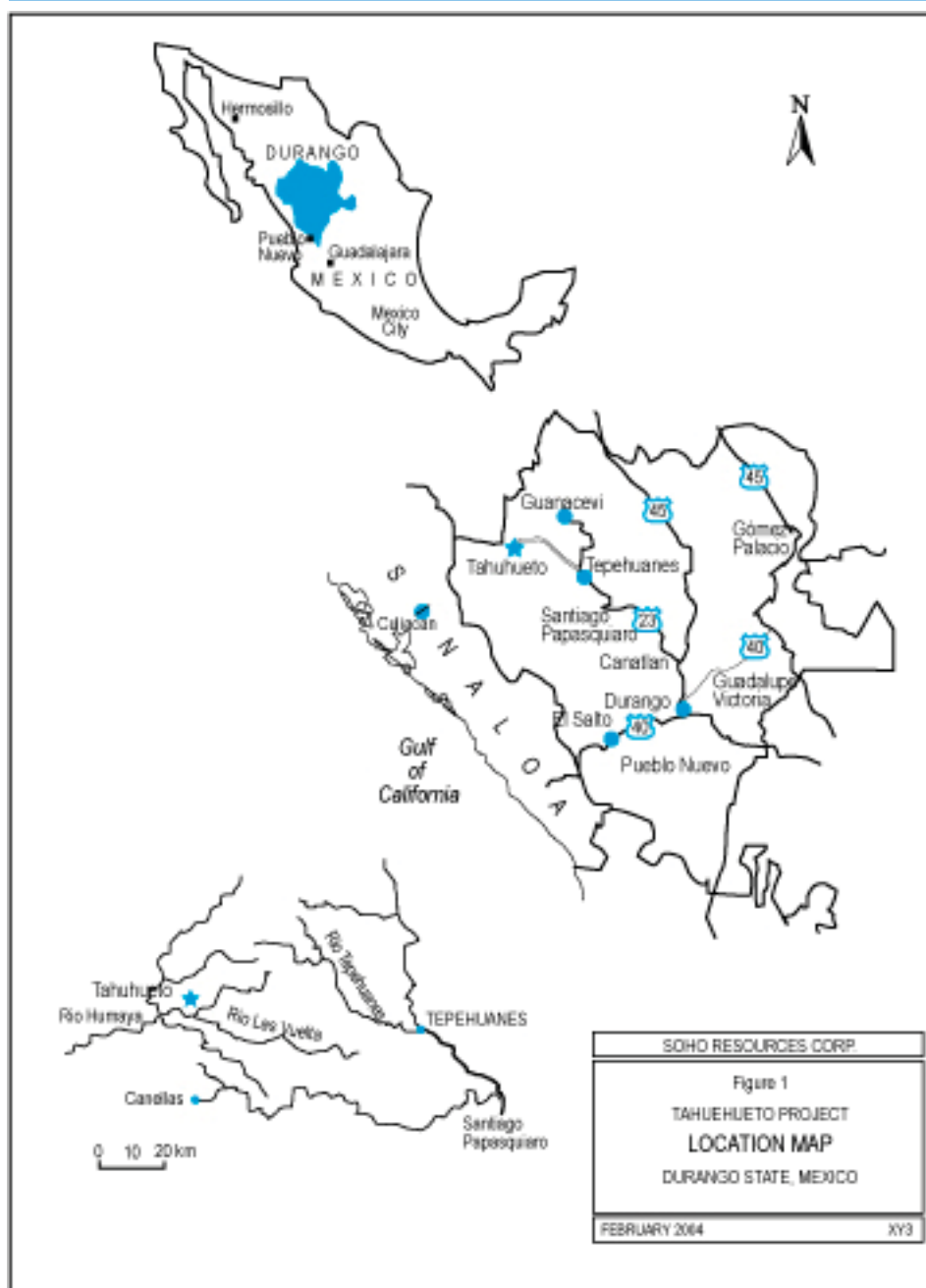
The geological history described above is illustrated in the geological model of the San Dimas district.

Geological model of the San Dimas district

Present day

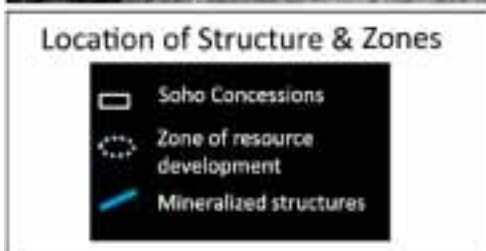
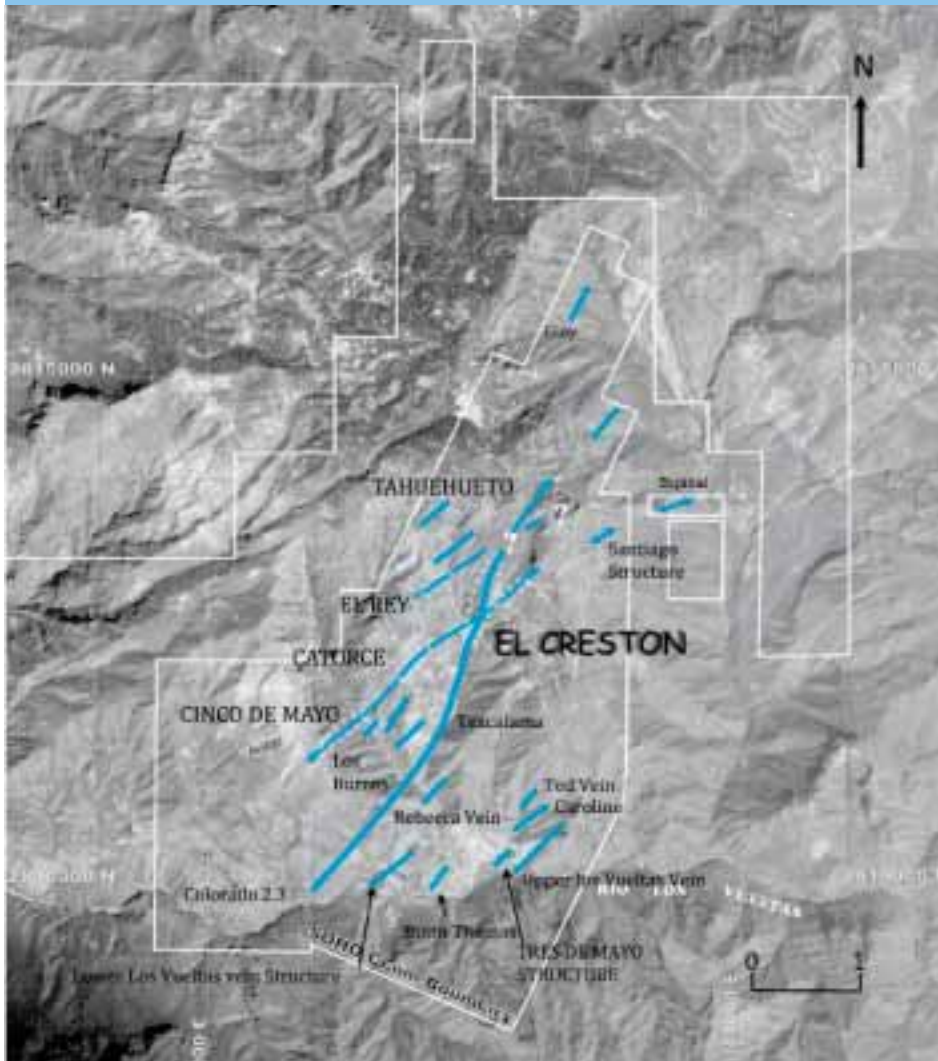


Location map



Source: Soho Resources Corp

License map



Source: Soho Resources Corp

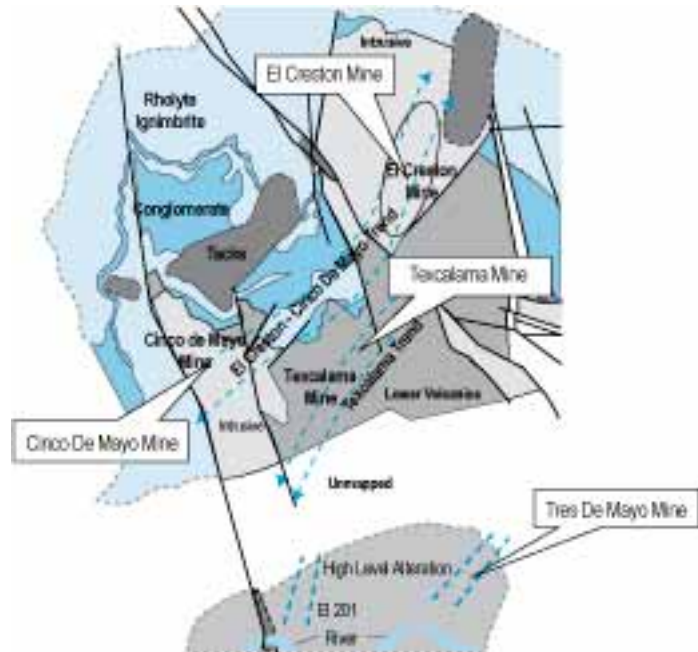
Property geology

The Tahuehueto property comprises four main rock types:

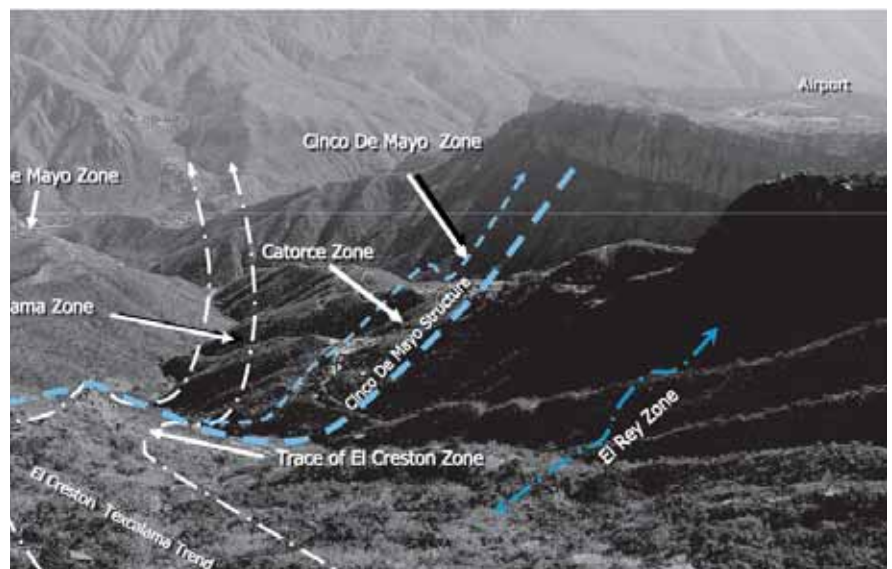
- Lower Volcanic series andesite;
- agglomerates;
- Upper Volcanic series rhyolite flows;
- intrusive bodies.

Almost all of the mineralised structures on the property occur within the Lower Volcanic Series, the exception being the El Rey structure, which is contained within a granitic intrusion. Soho believes El Creston to be intrusive hosted as well.

Property geology map



Tahueto property looking south from El Creston zone



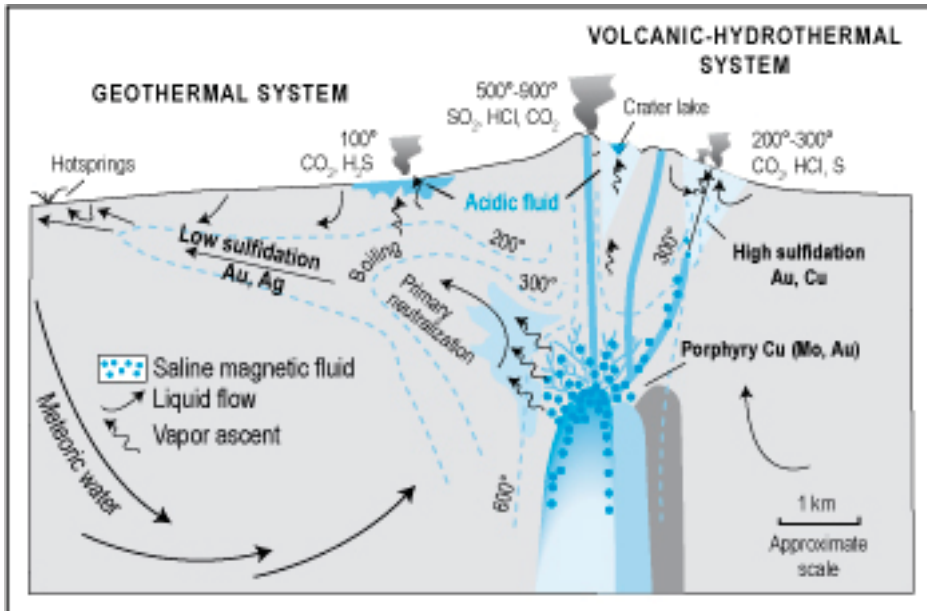
Source: Soho Resources Corp

The property hosts at least twelve known mineralised zones within a structurally controlled epithermal system that has been traced for more than 6km. The structures trend northeast – southwest.

Mineralisation at Tahueto

Mineralisation at Tahueto is typical of the low sulfidation epithermal systems within the Mexican mineral belt. The andesite host rock has undergone intense alteration, usually in the form of silicification and / or chloritisation. The ore zone consists of sulfide breccia systems and veins hosted in the sheared andesites. Ore minerals are predominantly massive sphalerite and galena, containing native gold, silver (as freibergite/tetrahedrite) and electrum. Precious metal mineralisation at Tahueto generally post-dates base metal mineralisation, although there may have been several separate pulses of both base and precious metal mineralisation that overprint earlier mineralisation.

Epithermal deposits



Source: Soho Resources Corp

Low sulfidation epithermal deposits typically have the following characteristics:

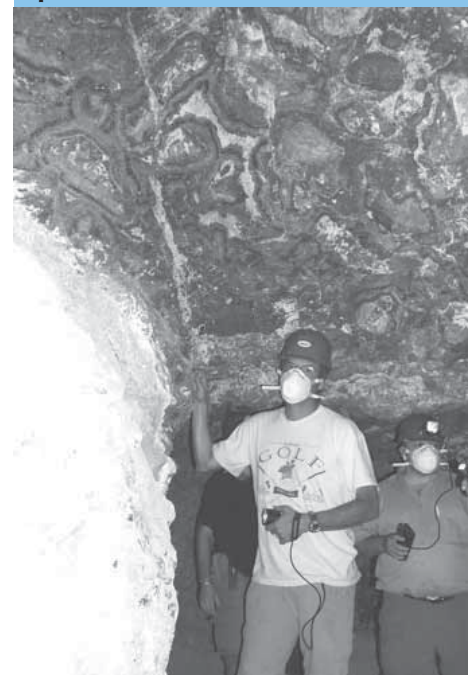
- subvertical banded quartz veins, stockworks and breccia within extensive zones of alteration;
- hydrothermal alteration extends several metres into the host rock, in this case, andesite. Sericitic alteration is common proximal to the ore body, with distal chloritic alteration haloes. Adularia and chalcedony are also common alteration minerals;
- pyrite is the dominant sulfide mineral with some arsenopyrite, sphalerite, galena, copper and silver sulfides;
- geochemically zoned with arsenic, mercury and antimony at the top, gold and silver in the middle and copper, lead, zinc at the bottom of the system.

Our initial review of drill assays released by the company to date indicate a silver to gold ratio which typically ranges from ten to twenty parts silver to one part gold in the ore zone, although it can exceed 100 parts to one indicating silver rich portions of the vein system.

Deposit comparisons

Mineralisation at Tahuehueto can be compared to other epithermal projects in the region. Although the style of mineralisation is very similar, grade varies and some projects are dominant in base metals, some in silver, and others in gold.

Epithermal mineralisation in breccia



Source: Soho Resources Corp

The Guanacevi mine, owned by Endeavour Silver, is located approximately 100 kilometres to the northeast of Tahuehueto. Resources are estimated to be forty million ounces of silver, plus gold credits. The mineralisation is high grade, up to 400 grams per tonne of silver. Average width of the mineralised zone is three metres. The mine is forecast to produce 1.8 million ounces of silver in 2007.

The Topia silver mines, where Great Panther is active, lie 25 kilometres to the south of Tahuehueto. The style of mineralisation at La Topia is a typical polymetallic epithermal vein system, formed along a series of northeast trending faults within Tertiary-aged Lower Series volcanics. The mined vein horizon consists of quartz, galena, sphalerite and pyrite and lesser amounts of arsenopyrite, copper sulfides, silver-rich sulfosalts, electrum, muscovite and carbonates. Mineralogy appears to be similar to Tahuehueto, although silver grades are higher at Topia, whereas Tahuehueto has higher gold values. Lead and zinc grades at Topia average almost four percent each. Mining and sampling, however, has focused solely on the high-grade narrow sections of the vein underground.

La Cienega mine is operated by Peñoles. Thought to be Mexico's richest gold mine, it has a reserve of one million ounces of gold. It also produces silver as a precipitate with gold, and lead and zinc concentrates. Tahuehueto, like Cienega, is richer in gold than in silver or base metals.

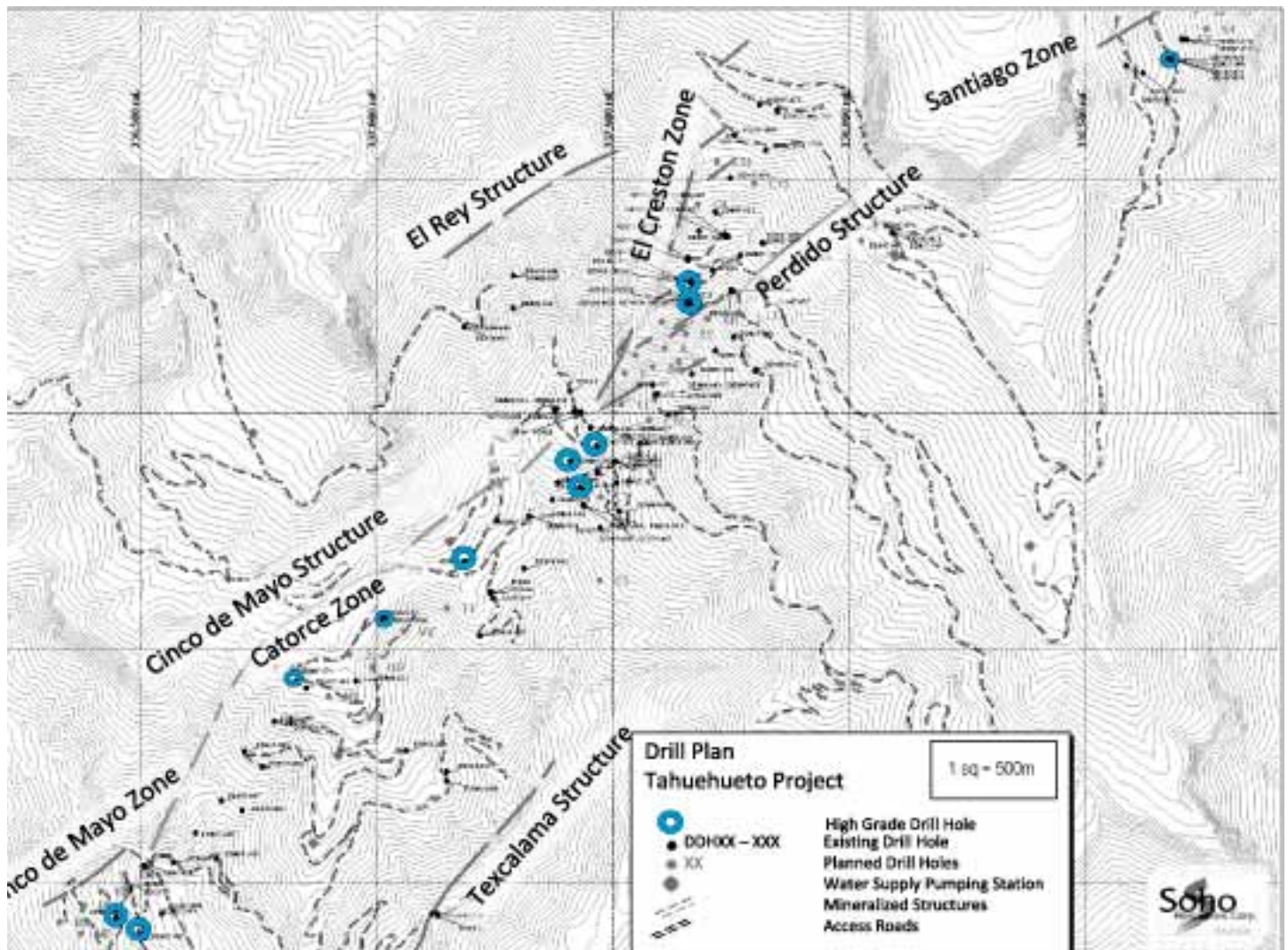
The large epithermal district at San Dimas, now owned by Goldcorp Inc, has produced more than nine million ounces of gold and 750 million ounces of silver from several high-grade veins in underground mines. Although geologically similar to Tahuehueto, the mines at San Dimas host very little base metal mineralisation. There are about 22 productive vein systems in the San Dimas district. Average grades are in the region of 3.5 grams per tonne of gold and around 400 grams per tonne of silver. Other minerals include minor pyrite, sphalerite, chalcopyrite and galena as well as lesser amounts of argentite, ruby silver, stromeyerite, native silver and electrum. The three main deposits in the San Dimas district (Tayoltita, San Antonio and Santa Rita) are silver rich deposits, characterised by a silver-to-gold ratio of eighty to 100 parts silver to one part gold.

Several exploration companies are active in the Guadalupe y Calvo districts, where numerous mineralised veins occur in volcanic rocks underlying the rhyolitic cap. The silver-to-gold ratio at Guadalupe y Calvo is approximately twenty parts to one, broadly similar to Tahuehueto.

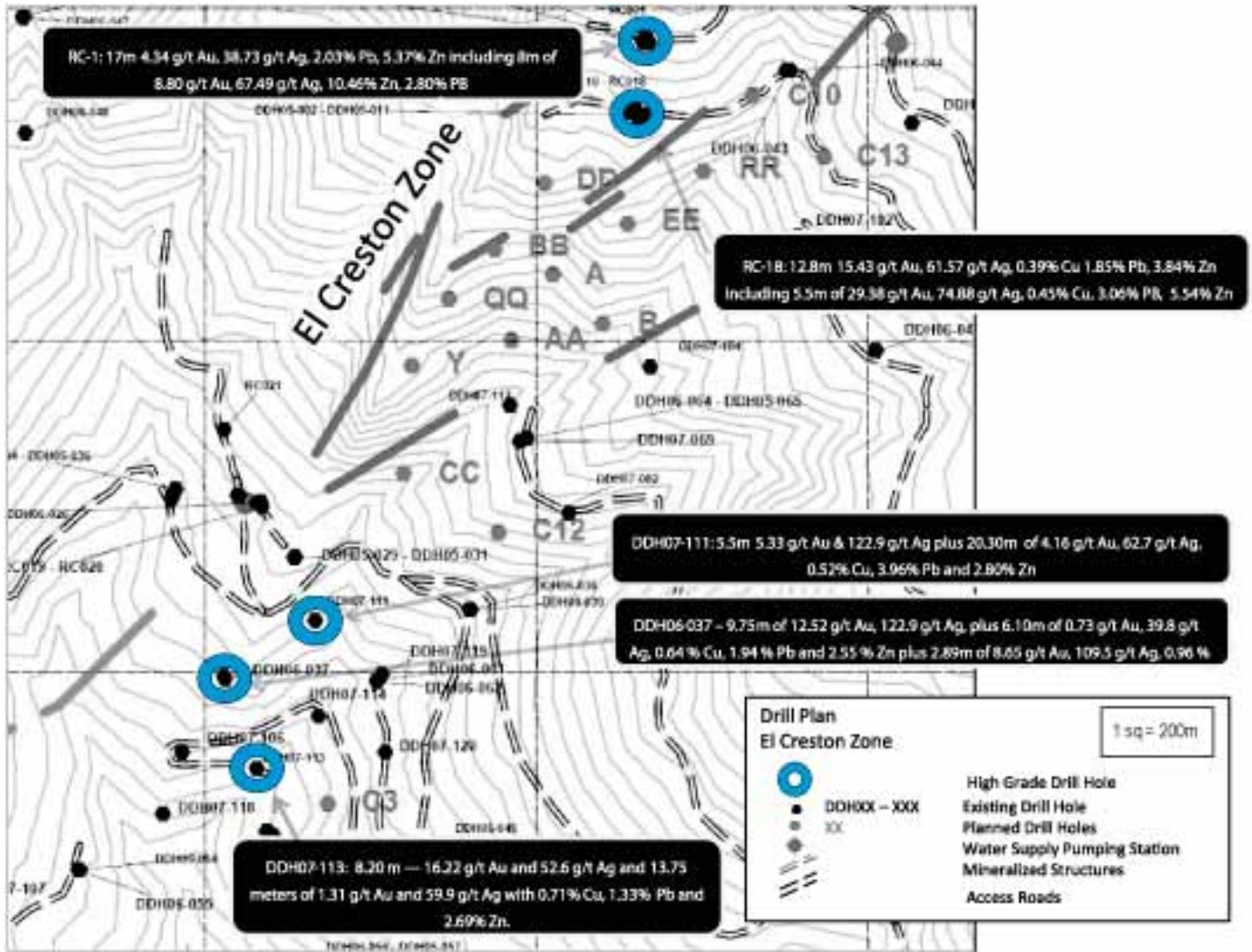
Tahuehueto targets

Soho has located more than a dozen gold and silver showings in the project area, but is currently focused on the key areas detailed below where previous work has been done, including underground workings and limited drilling. Attempts to reconstruct the block faulting in the area have led to extrapolation of the various structures where they are not exposed at surface or in workings. As yet, it is unclear how the veins are connected, or if there are several parallel systems and splays. For this reason, the various targets are treated as separate mineral occurrences. That said, it looks increasingly like some zones are connected to form one continuous structure from Cinco de Mayo in the southwest, intersecting El Creston and continuing through El Perdido and Santiago to the northeast.

Drill plan Tahuehueto project



Source: Soho Resources Corp



Source: Soho Resources Corp

El Creston

El Creston is named after the large vein outcrop prominently exposed over a 750 metres strike length. The high-grade target zone is in the intersection between the El Creston vein and a series of structures parallel to the El Perdido fault. This area is the current focus of the helicopter-supported core-drilling programme and is discussed in more detail below. Mineralisation at El Creston extends approximately 900 metres in strike length and varies from five to over twenty metres in width. Drilling to date has tested the structure to 300 metres down-dip or 250 metres vertical depth. Underground workings have been developed on ten levels over a vertical depth of 490 metres.

The host rocks are intrusive rocks and strongly silicified andesite. The main ore body is in stockwork and breccia, and alteration extends into the andesite for up to fifty metres. Gold mineralisation tends to be greater, up to thirty grams per tonne locally, in the upper portions of the vein system, grading into base metal mineralisation at depth, primarily lead and zinc. This is typical of vertical zonation encountered in low sulfidation epithermal deposits, and may be further enriched in gold near surface due to limited supergene enrichment. The enriched oxide

zone contains copper oxide minerals such as malachite, azurite, and chalcocite, a copper sulfide common in supergene-enriched zones. The oxide mineralisation reaches 185 metres in vertical depth and is observed in underground workings down to level seven. Historically, the El Creston vein was reported to average 5.70 grams per tonne of gold, 71 grams per tonne of silver, 1.2 percent lead and 1.15 percent zinc in the oxide zone and 7.37 grams of gold, 101 grams per tonne of silver, 3.4 percent lead, 6.5 percent zinc and 0.15 percent copper in the sulfide zone.

Results from drilling earlier this year include hole DDH07-081 which returned an intercept of 10.15 metres of 6.48 grams per tonne gold, 113.1 grams per tonne silver, 0.05 percent copper, 0.74 percent lead, 1.07 percent zinc. More recent drilling on El Creston has generated some of the best results for both precious and base metals from the structural zone formed at the intersection of the El Creston and El Perdido structures. Two recent drill holes (DDH07-111 and 113) drilled here confirm continuity of high-grade poly-metallic mineralisation.

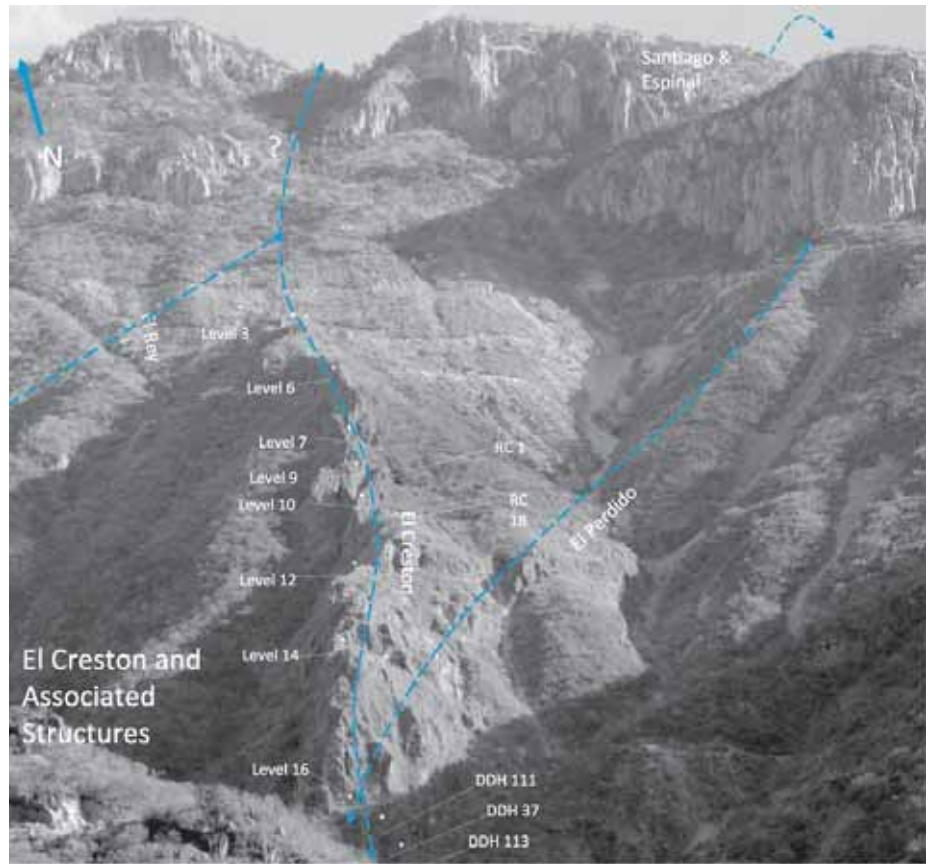
Hole DDH07-113 encountered two separate well mineralised zones with a gold-silver intercept from 41.5 to 49.7 metres returning 8.20 metres (or 6.95 metres estimated true width) grading 16.22 grams per tonne gold and 52.6 grams per tonne silver. A second deeper zone exists, from 59.35 to 73.10 metres, returning 13.75 metres (11.50 metres true width) of 1.31 grams per tonne gold and 59.9 grams per tonne silver with 0.71 percent copper, 1.33 percent lead and 2.69 percent zinc.

Hole DDH07-111 located 100 metres northeast along strike of DDH07-113 also cut an upper gold-silver zone from 70.15 to 75.70 metres for a 5.55-metre-wide intersection grading 5.33 grams per tonne gold and 122.9 grams per tonne silver. A slightly deeper zone is present from 78.80 to 99.10 metres for an intersected width of 20.30 metres grading 4.16 grams per tonne gold, 62.7 grams per tonne silver, 0.52 percent copper, 3.96 percent lead and 2.80 percent zinc.

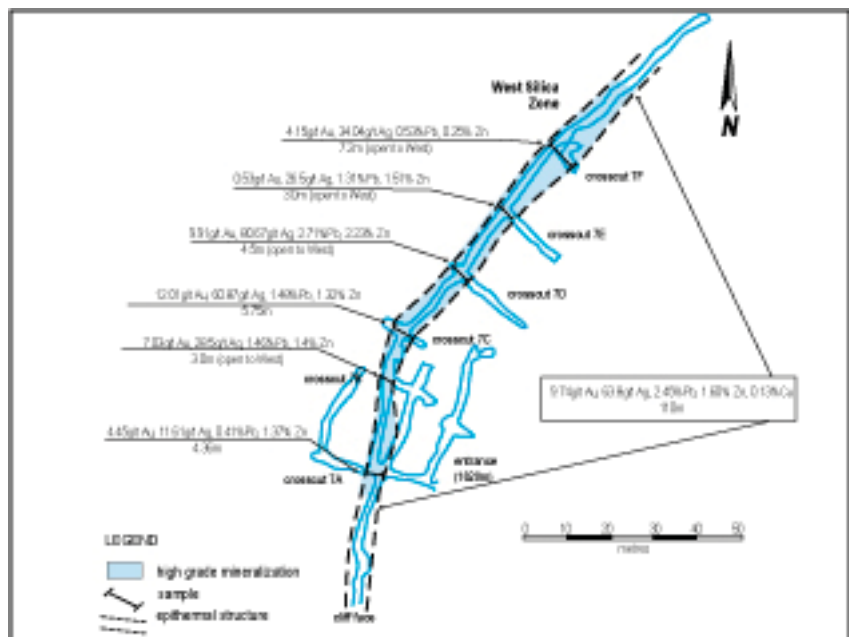
Approximately fifty metres from DDH07-111 and DDH07-113, a previously reported hole, DDH06-037A, intercepted the zone of precious metals from 19.51 metres to 29.26 metres, for an intercept of 9.75 metres. Assays graded 12.52 grams per tonne gold and 126.3 grams per tonne silver. This hole also intercepted a deeper zone of base metals from 31.09 metres to 37.19 metres for a width of 6.10 metres grading 0.73 grams per tonne gold, 39.8 grams per tonne silver, 0.64 percent copper, 1.94 percent lead and 2.55 percent zinc. A third small zone of precious metal mineralisation was intercepted immediately below the base metal zone returning 2.89 metres from 37.19 metres to 40.08 metres of 8.65 grams per tonne gold, 109.5 grams per tonne silver, 0.96 percent copper, 0.54 percent lead and 0.22 percent zinc. This zone is open to both the north and south.

The El Perdido structure is thought to be continuous with the Santiago target to the northeast, partially covered by the rhyolite cap of the Upper Volcanic Series. Eight holes have been drilled into the Santiago target, the best of which returned an intercept of 19.79 metres at 4.71 grams per tonne of gold, 88.4 grams per tonne of silver, 1.06 percent copper, 0.67 percent lead and 0.98 percent zinc.

El Creston zone

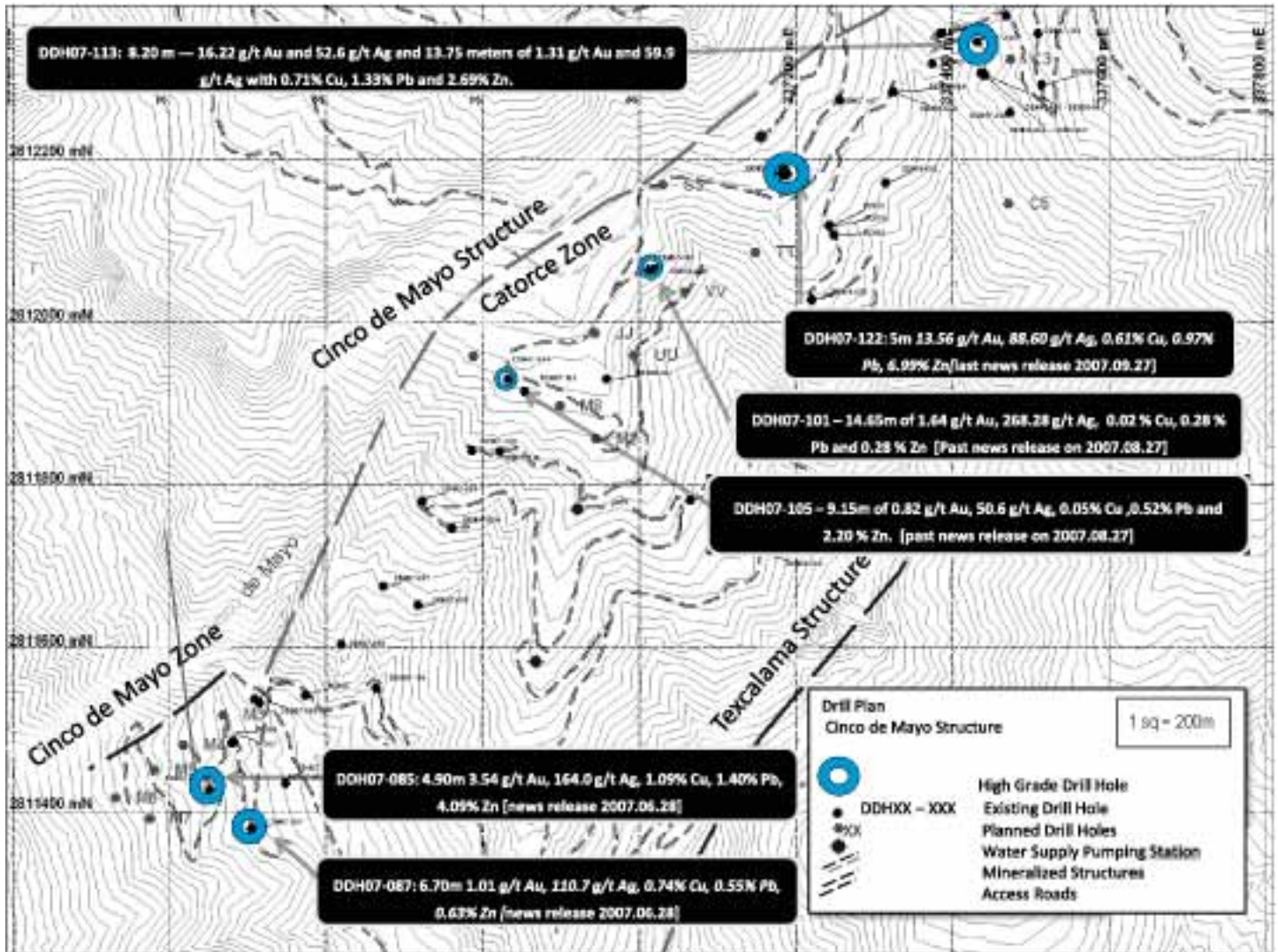


El Creston zone (level 7)



Source: Soho Resources Corp

Cinco de Mayo and Catorce zones



Source: Soho Resources Corp

Cinco de Mayo

The Cinco de Mayo vein system is believed to be the southwest continuation of the El Perdido structure approximately 1,400 metres southwest from the El Creston outcrop. The target has been tested over a strike length of approximately 900 metres to a depth of approximately 125 metres (150 metres in the plane of the vein). The mineralised zone ranges from two to ten metres in width and comprises three individual veins.

Channel sampling in the underground workings returned high grades, which were confirmed in later drilling. The best intersection returned 3.54 grams per tonne of gold, 164 grams per tonne of silver, 1.06 percent copper, 1.40 percent lead and 0.98 percent zinc over 4.9 metres.

New Catorce Zone named

Recent drilling in the northeastern portion of the Cinco de Mayo structure between Cinco de Mayo and El Creston identified a new high-grade zone, which Soho has named the Catorce zone to separate it from the main Cinco de Mayo zone. Hole DDH07-122 returned an intercept cutting five metres of 13.56 grams per tonne gold, 88.6 grams per tonne silver, 0.61 percent copper, 0.97 percent lead and 6.99 percent zinc. This is the highest-grade intersection from the area.

Other holes from the Catorce zone include DDH07-101 which returned 14.65 metres (or 13.91 estimated metres true width) of 1.64 grams per tonne gold, 268.28 grams per tonne silver, 0.02 percent copper, 0.28 percent lead and 0.28 percent zinc. Hole DDH07-105 returned 9.15 metres (true width unknown) of 0.82 grams per tonne gold, 50.6 grams per tonne silver, 0.05 percent copper, 0.52 percent lead and 2.20 percent zinc.

Santiago target

The Santiago area is thought to be the continuation of the Cinco de Mayo - El Perdido structure to the northeast of a section covered by Upper Volcanic Series ignimbrites. This target has been tested by eight holes including hole DDH06-063 which returned an intercept of 19.79 metres at 4.71 grams per tonne gold, 88.4 grams per tonne silver, 1.06 percent copper, 0.67 percent lead, 0.98 percent zinc.

El Rey

The El Rey structure lies to the northwest of El Creston. It differs from the other structures in that it is hosted within a granodiorite intrusive body. The vein is exposed over 400 metres in strike length and is up to two metres in width. Veining and alteration extends further into the andesite surrounding the Cinco de Mayo vein, than in the host granodiorite rocks of El Rey. The structure consists of open space fracture filling, primarily of quartz, with associated calcite, pyrite and iron oxides. Ore minerals are galena and sphalerite with smaller amounts of chalcopyrite. Historic sampling indicates a silver-to-gold ratio of approximately thirty-to-one.

Texcalama

The Texcalama zone extends over 1,800 metres in strike length. The structure has only been drill tested with two short reverse circulation drill holes, but field observations during district scale mapping indicate an eight-metre wide zone of several near parallel sheeted veins. Mineralisation and alteration is similar to El Creston: a quartz stockwork and breccia with sphalerite, galena, and typical alteration minerals such as chlorite, pyrite, jarosite and limonite. The zone is locally up to twenty metres in width.

Several separate adits cut the structure along 300 metres of strike length. In total 560 metres of underground development has been completed on the Texcalama structure. Historic sampling returned an average of 7.8 grams per tonne gold, 83 grams of silver, 0.67 percent copper, 4.69 percent lead and 4.6 percent zinc over 0.56 metres width. There is limited information on wider mineralisation, although a reverse circulation (RC) hole drilled near the Texcalama portal returned a twelve metre intersection (estimated 8.5 metres true width) of 0.74 grams gold and 13.65 grams of silver per tonne, 0.21 percent copper, 0.53 percent lead and

1.28 percent zinc. Grab samples along the 1,800 metre strike length have returned high grades and this structure has been selected as a drill target for the next phase of drilling during 2008.

Regional mining history

The earliest record of mining in Durango State was the mining of iron ore in Cerro de Mercado in 1552. The Spanish sailing captain who discovered the mines soon heard stories of “mountains of pure silver” in the northern part of Mexico, and so began his search. By 1604 there were 52 iron and silver mines in the state. Among the principle mines were Guanacevi and Topia. Large-scale mining declined in the eighteenth and early nineteenth centuries, initially due to high prices of metallurgical ingredients, and latterly due to the general economic decline of Mexico, which led to the War of Independence. The iron and steel industry was revived during the latter part of the nineteenth century. Mining in the area flourished following the completion of the railway between Torréon and Durango to Coahuila on the coast. Peñoles was producing from 32 mines in the Mapimi district alone in the late 1800s, and by 1899, the company was operating 218 mines in Durango State.

The Topia mining district was an important producing area historically but with only limited small-scale mining in the area. Great Panther Resources Ltd recently started production from the high-grade silver veins at Topia and is exploring the Mapimi district.

The mines at Avino, near Durango City, were discovered by the Spanish in the 1500s and they provided considerable wealth to the Spanish for several hundred years. Production was interrupted during the War of Independence, but resumed intermittently until 2001 when the mine was shut down due to low silver prices and closure of a key smelter. The Avino project is now held by Avino Silver and Gold Mines Ltd, who are evaluating the property for silver, gold, copper and lead.

The Guanacevi district, 85 kilometres to the northeast of Tahuehueto, has been in continual production from 1616 to the present day, except for periods of nation-wide unrest. Guanacevi is owned by Endeavour Silver and has approximately forty million ounces of silver resources.

Tahuehueto property history

Spanish explorers first discovered the silver veins at Tahuehueto in the nineteenth century. In the early 1900s, several companies explored the property and produced a limited quantity of ore from underground workings. Traditional mining focused on the oxide portion of the veins, as they were unable to process the sulfide material. In 1904, an English company began underground development on El Creston.

In 1971, Compania Minera Sacramento de la Plata developed more than 700 metres of underground workings on El Creston and El Rey. Processing was carried out using gravity separation and froth flotation, processing about fifty tonnes of ore per day.

Reports suggest there have been 27 surface and underground drill holes on the El Creston and Cinco de Mayo structure prior to recent drilling by Soho, however none of this historic data is available to Soho.

In 1994, Castle Minerals of Vancouver carried out underground sampling on the Cinco de Mayo and El Creston structures. The average grade along 138 metres of exposed vein was 4.91 grams per tonne of silver over an average width of 1.5 metres. Further sampling by Castle appeared to indicate that the El Creston vein was not continuous in the eight levels sampled. Castle subsequently dropped their interest in the property.

In 1997, Soho Resources (then named Consolidated Samarkand Resources) purchased a majority controlling interest in Sacramento De La Plata, the Project owner, and completed a surface and underground exploration programme. This campaign produced results better than the 1994 sampling programme by Castle, and consistent with, or better than published results from past exploration.

Soho exploration and drilling

In 2004, Soho began an active exploration campaign on the Tahuehueto property and completed induced polarisation (IP) surveys, geological mapping, sampling, detailed sampling of exploration adits, 4,000 metres of RC drilling and 5,000 metres of core drilling.

In June 2006, the company initiated an 18,000-metre drilling programme using two diamond drills to test five mineralised structures. The programme included camp upgrades, infrastructural improvements, drill road access and drill site preparation in anticipation of the start up of drilling operations. This 18,000-metre drilling programme was completed during the summer of 2007.

Current exploration programme

The company then launched both a 5,000-metre surface drill programme with an independent contractor and a 3,000-metre, helicopter-supported drilling programme using its own recently purchased fly-capable light drill rig. Ten helicopter-supported drill sites have been established in order to complete the 3,000-metre program. Although well along in this process, delays associated with commencing the helicopter-supported drill programme have slowed the pace of data collection within the critical area of structural intersection of the El Creston and El Perdido structures.

The drilling required for an initial inferred resource calculation is complete except for a 250-metre-long section at the southern end of the El Creston zone within the area of structural intersection of the El Creston and El Perdido structures. Some of the higher-grade polymetallic results from previous drilling were generated to the north and south of this area. The company views this zone as a priority target area, which merits the additional effort and expense.

Since the initiation of exploration drilling in 2004, Soho has completed approximately 166 drill holes totalling nearly 30,500 metres. Ongoing drilling is aimed at defining resources at El Creston, Santiago, Catorce, and Cinco de Mayo zones.

Based on the results from these drill holes and other exploration information, the company is preparing a NI 43-101 compliant technical report. The company anticipates that the report will be completed in early 2008.

Detailed surface and underground mapping of the project is ongoing and will be incorporated into the geological model for the resource modelling.

Resource estimates

In the early 1990s, Peñoles carried out exploration and limited drilling on the El Creston and Cinco de Mayo trends. An historical estimate was based largely on sampling of underground workings within the El Creston system. The estimate is quoted as a “reserve in all categories” of 1.75 million tonnes grading 7.6 grams per tonne of gold, 68 grams per tonne of silver, 2.1 percent lead, 3.4 percent zinc and 0.16 percent copper. An additional estimate is quoted in the summary report, dated February 2004, as a “total estimated resource on the El Creston and Cinco de Mayo veins” of two million tonnes at 5.63 grams per tonne gold, 112 grams per tonne silver, 1.89 percent lead, 3.87 percent zinc and 0.5 percent copper.

In February 2004, R.F.B Geological prepared a summary report on the Tahuehueto project. The author of the report estimated an inferred resource, based upon approximately 1,200 channel samples collected from the underground adits within the El Creston Zone, of approximately 238,000 tonnes grading 9.66 grams of gold and 76.68 grams per tonne of silver, 2.61 percent lead and 3.96 percent zinc. This equates to approximately 74,000 ounces of gold plus associated silver and base metals.

The above resources do not comply with NI 43-101 standards and are considered historic resources. Little is known about the data and methodology used in estimating the earlier Pendes resource. Soho expects to have its first formal and NI 43-101 compliant resource calculation from the project published in early 2008.

Exploration potential

The historic resource is largely based on data from underground workings along part of the El Creston vein structure. Based on drilling to date, it appears that the bulk of the expected resource will be calculated from drilling results within the El Creston zone with contributions from the Cinco de Mayo, Catorce, Santiago and El Rey structures. In 1992, Peñoles estimated that there was potential for an additional 8.8 million tonnes of additional mineralised material in the El Creston - Cinco de Mayo zone.

There are a number of additional large vein structures on the property that run for four to six kilometres in strike length. Most of these veins remain open along strike and down dip, so the full potential of these systems is unknown. Fluid inclusion studies in 1992 suggested that the roots of the hydrothermal system have not yet been discovered, and that the system could extend a further 500 metres to depth.

Limited historic mining (estimated at approximately fifty tonnes per day over a five-month period) concentrated on the narrow, high grade ore, typically up to a maximum of four metres in width, with gold grades averaging around five grams per tonne. Actual widths of the structure are much greater, up to twenty metres or so locally. Grades over these widths are considerably lower, but if Soho can prove up sufficient tonnage at lower grade, near surface, there may be potential for bulk tonnage, open pit operations in the initial phase of mining.

The company hopes to build an initial inferred resource of around one million ounces of gold equivalent with plans to grow that resource in the future. Given the extent and number of veins in the project area and the results to date, this seems a reasonable expectation. If Soho can successfully bring a mine into production based on a resource from the El Creston vein, the logical progression would be to explore and develop the other vein systems to provide a pipeline of projects and incrementally extend the mine life. This would be following a similar exploration model as Palmarejo Silver, which is bringing the Trogon project to production, following a sustained drilling campaign since 2003 whereby the company has drilled a total of 102,835 metres of RC drilling and 39,122 metres of diamond core drilling. Palmarejo currently has a compliant resource of just under one million ounces of gold and ninety million ounces of silver.

Planned exploration

Soho is nearing completion of its current drilling programme. The company is finalising the database and has transferred the database to Mine Development Associates in Reno, Nevada who will be responsible for the independent resource calculation, due to be completed in early 2008.

In 2008, upon completion of the initial NI 43-101 inferred resource report, and following the recommendations to be outlined in that report, the company will initiate a new exploration phase. The primary goal of the new programme will be to upgrade the initial resource estimate from inferred to measured and indicated, through further development drilling and underground development. Surface and underground drilling will focus on the areas of high-grade ore shoots.

The company plans to conduct a bulk sampling programme for metallurgical testing, and geotechnical studies will also be undertaken.

Meanwhile, the company is continuing exploration on other priority zones such as Santiago, El Rey, Espinal and Texcalama and expects that exploration and development drilling will continue throughout 2008 and beyond.

Risked mineable resource assumptions			
Reserves		Probability	Tonnes (m)
Proven		90%	0.0
Probable		50%	0.0
Total		0%	0.0
Resources	Conversion	Probability	Tonnes (m)
Measured	80%	90%	0.0
Indicated	80%	50%	0.0
Inferred	80%	10%	0.2
Hypothesised	80%	0%	5.2
Total	80%	0%	5.5
Mineable resource			Tonnes (m)
Mineable resource			4.4
Risked mineable resource			Tonnes (m)
Current classification			0.0
<i>Scenarios for exploration success</i>			
- base case			1.4
- optimistic case			2.7
- pessimistic case			0.5
Notes:			
- mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to reserves considering deposit type and likely grade variability			
- risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level			
Source: Objective Capital			

Path to production

Soho expects to have an initial NI 43-101 compliant inferred resource estimate in early 2008. The company hopes to start pre-feasibility studies in late 2008 leading to a full feasibility in early 2009, which would likely take a full year to complete. Permitting is ongoing and scheduled to be completed concurrently with the feasibility study.

Assuming the success of feasibility studies, mine development could begin as early as 2010, but we believe a more realistic estimate is 2011. Despite the rugged nature of the terrain in the Sierra Madre, the company believes that an initial open pit operation is possible. There is a substantial area of near surface mineralisation that may be extracted using a series of stepped benches, effectively creating an open cut in the mountainside. Upon exhausting any open pit resources Soho believes the project has the potential to sustain longer-term underground mining operations.

Mine development will take approximately one year for plant construction and pre-stripping of the open pit. Underground development could take a year to eighteen months. A reasonable estimate to take the project through to production is six years from now. If the feasibility and engineering studies prove favourable, it is likely the company would start mining from an open pit whilst developing an underground operation to ramp up to full production in the second year of operation. Assuming a hypothetical initial resource in the region of five million tonnes and an initial ten-year mine life, the company could anticipate mining around 2,000 tonnes per day in the initial two to three years from a combination of open pit and underground operations, and around 1,000 tonnes per day from underground, once the near surface ore has been extracted.

Proforma Tahuehueto property profit and loss

Proforma P&L (US\$m)	Year ending February							
	'13	'14	'15	'16	'17	'18	'19	'20
Gross revenues	0.0	113.8	151.4	151.6	114.3	115.3	97.0	78.6
Operating costs	0.0	54.9	74.6	76.0	58.1	59.2	50.3	41.1
Operating profit	0.0	58.9	76.8	75.6	56.2	56.0	46.7	37.5
Depreciation	0.9	12.7	13.1	13.4	13.7	13.9	14.2	14.4
Administrative costs	0.0	1.5	2.0	2.1	1.6	1.7	1.4	1.2
EBIT	-0.9	44.6	61.6	60.1	41.0	40.4	31.1	22.0
<i>Assumptions</i>								
Capital costs (US\$m)	50.0	77.4	3.3	3.4	2.6	2.7	2.3	1.9
Tonnes ore mined (millions)	0.0	0.6	0.8	0.8	0.6	0.6	0.5	0.4
Payable metal								
- Gold (000 oz)	0	60	80	80	60	60	50	40
- Silver (000 oz)	0	1,344	1,791	1,791	1,344	1,344	1,120	896
- Zinc (000 lb)	0	28,188	37,584	37,584	28,188	28,188	23,490	18,792
- Lead (000 lb)	0	16,633	22,178	22,178	16,633	16,633	13,861	11,089
- Copper (000 lb)	0	4,552	6,070	6,070	4,552	4,552	3,794	3,035

Source: Objective Capital

Mineral processing & metallurgy

The preferred processing route for this polymetallic deposit would be using flotation methods. Base metals would be recovered as a float concentrate, then the tails would be vat leached to recover any residual gold and silver. Limited metallurgical testing was conducted by Hochschild, but considerably more work needs to be done to include bulk sampling for pilot metallurgical tests. We use estimates of metal recoveries taken from work carried out by Great Panther Resources and Palmarejo. Soho has two options available for delivery of concentrate; ore can be delivered to the Peñoles smelter in Torréon, or to the coastal city of Culiacan for shipment overseas.

Permitting and environmental status

Soho currently holds an exploration permit, "NOM 120", over the project area. This allows for surface disturbance for road building, construction of drill pads and general surface exploration work. Exploration permits are renewed on an annual basis. The company has carried out initial environmental studies as appropriate for the stage of exploration and ongoing monitoring systems are in place. This will enable Soho to proceed smoothly as they move towards environmental impact studies in preparation for the mine permitting process.

In addition to exploration permits, Soho has entered into surface rights agreements with Comunidad La Bufa, the local community residents' formal legal entity. The surface rights agreement is valid for ten years, expiring in 2016, and is extendable for a further five years. The agreement allows the company unrestricted access for exploration and exploitation of metalliferous minerals within the original project area of 2,062 hectares.

Corporate and social responsibility

Soho recognises the importance of establishing positive relationships with local community leaders and state authorities. It has in place several community development initiatives, including schooling, clinic facilities, infrastructure and sanitation programmes. Labour policies are in place to ensure the local communities benefit as the project develops.

Project issues

Infrastructure

There is road access to and within the project area. Due to the rugged terrain in the Sierra Madre mountains and on Soho's project, access is challenging but manageable. The current drilling programme is being carried out using a helicopter supported light drilling rig in addition to a conventional skid mounted drill rig. The main access roads to the project will need upgrading as the project evolves.

There are a series of tri-partite strategies that Soho is investigating wherein one third of the cost of the road improvements needed will be paid by Soho, one third by the state government of Durango and one third by the municipal government of Tepehuanes.

Soho has previously met with the municipal and state governments regarding these initiatives in the hope that they can obtain support towards building up the infrastructure in the area.

Open pit operation

The mine model is based on a hybrid open pit / underground operation, which, if feasible, would certainly improve the economics of the mine plan. However, at this stage, without detailed engineering studies it is too early to determine the feasibility of an open pit operation.

Resource

Historic resource estimates on Tahuehueto vary greatly largely due to the extent and grade of the material tested by the various authors. Epithermal vein systems are typically high-grade deposits more suitable to underground mining, and commonly have only a few years of reserve in advance of operations. Our valuation is dependant on the company being able to delineate sufficient widths of ore to justify a combined open pit and underground operation over a minimum ten-year minelife.

QA/QC

Sampling procedures have been reviewed by qualified personnel and appear to follow industry standard practices for logging, handling, sampling and QA/QC data verification.

Soho has been collecting samples for specific gravity data. Results to date support previous estimates, however more work should be routinely undertaken for future resource calculations.

Cost forecasts

Mining costs currently tend to rise at above average inflation rates, as a consequence of unprecedented demand across the mining industry for products and services. This may lead to project slippage or failure, if costs prove prohibitive in bringing the mine into production.

Treatment and refining charges are more dependent on the oversupply or deficit of concentrates in the market than the real cost of carrying out the processes. Spot treatment charges (TCs) for zinc have increased steadily over the year, to between \$330-370 per tonne in August, up from \$150 in December 2006. This is due to a surplus in zinc production, encouraging smelters to increase their fees in line with increasing surplus. The lead and copper markets are reportedly tighter, in particular the lead market, as mine closures exacerbate the concentrate shortages. Future TCs are dependent on the supply of concentrate to the smelter and may vary considerably.

Financials

Profit and loss					
Year ending February (C\$m)	2007A	2008E	2009E	2010E	2011E
Revenues	0.1	—	—	—	—
COGS	—	—	—	—	—
Gross profits	0.1	—	—	—	—
Administrative Costs	(2.4)	(1.4)	(1.5)	(1.5)	(1.6)
EBITDTA	(2.3)	(1.4)	(1.5)	(1.5)	(1.6)
Depreciation & amortisation	—	(0.1)	(0.1)	(0.1)	(0.3)
EBIT	(2.3)	(1.5)	(1.6)	(1.6)	(1.9)
Interest	—	0.1	0.2	0.1	0.1
EBT	(2.3)	(1.4)	(1.4)	(1.5)	(1.8)
Tax paid	—	—	0.0	0.0	0.1
Earnings	(2.3)	(1.4)	(1.3)	(1.5)	(1.7)
Dividends	—	—	—	—	—
Retained earnings	(2.3)	(1.4)	(1.3)	(1.5)	(1.7)

Cashflow statement					
Year ending February (C\$m)	2007A	2008E	2009E	2010E	2011E
EBIT	(2.3)	(1.5)	(1.6)	(1.6)	(1.9)
Depreciation	—	0.1	0.1	0.1	0.3
Stock-based Compensation	1.0	—	—	—	—
(Increase) decrease in inventory	—	(0.1)	(0.2)	(0.3)	(0.3)
Increase (decrease) in payables	(0.6)	0.3	(0.4)	0.2	(0.3)
Net cash from Ops	(1.9)	(1.2)	(2.1)	(1.6)	(2.2)
Tax paid	—	—	0.0	0.0	0.1
Dividends	—	—	—	—	—
Net interest recieved (paid)	—	(0.0)	0.2	0.1	0.1
New equity	7.0	11.5	5.0	2.0	5.0
New (deposits) borrowings	—	—	—	—	—
Capital expenditure	(4.3)	(7.0)	(3.0)	(3.0)	(3.0)
Net cash from financing	2.7	4.5	2.2	(0.9)	2.2
Net increase (decrease) in cash	0.8	3.3	0.2	(2.5)	0.0

Balance sheet					
Year ending February (C\$m)	2007A	2008E	2009E	2010E	2011E
Fixed assets at NAV	9.2	16.1	19.0	21.9	24.6
Cash	1.3	4.6	4.8	2.3	2.3
Receivables	0.7	0.2	0.1	0.2	0.4
Inventory	0.0	0.1	0.3	0.6	0.9
<i>Less Payables</i>	(1.4)	(1.2)	(0.7)	(1.0)	(0.9)
Net current assets	0.5	3.7	4.5	2.1	2.7
Less loans	—	—	—	—	—
Capital employed	9.7	19.8	23.5	24.0	27.3
<i>Represented by</i>	0.0	—	—	—	—
Shares in issue	24.6	36.0	41.0	43.0	48.0
Add retained profit	0.0	—	—	—	—
Prior periods	(13.4)	(14.8)	(16.2)	(17.5)	(19.0)
This period	(1.4)	(1.4)	(1.3)	(1.5)	(1.7)
Shareholders' funds	9.7	19.8	23.5	24.0	27.3

Source: Objective Capital

adit: an almost horizontal entrance to a mine.

andesite: a fine-grained volcanic igneous rock.

anticlinal fold axis: the axis of an anticline, the fold of which is convex upwards and whose core contains stratigraphically older rocks.

arsenopyrite: a steely grey, metallic mineral composed of iron, arsenic and sulfur. Commonly associated with gold.

assay: a chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained.

base metal: a metal which oxidises when heated in air, e.g., lead, copper, tin, zinc, as opposed to noble metals such as gold and platinum. Commonly referred to as being the non-precious metals that are traded on the London Metal Exchange.

batholith: a very large intrusive mass of igneous rock, usually composed of multiple intrusions of slightly different ages and/or compositions.

breccia: a clastic (fragmented) rock composed of particles more than 2 millimetres in diameter and marked by the angularity of its component grains and rock fragments.

bulk density: a factor used to calculate tonnage of ore and waste from the volumes modelled during the estimation process.

caldera: a very large crater which may arise by the coalescence of several small craters, repeated explosion, collapse, or the stopping of surface rocks by a large underground magma chamber.

chalcocite: a black to lead grey copper sulphide mineral.

chalcopyrite: a bright brass-yellow tetragonal sulphide mineral.

chlorite: a green coloured, platy silicate mineral, widely distributed, especially in low-grade metamorphic rocks, or as alteration products of ferro-magnesian minerals.

cut-off grade: the grade below which mineralisation is not included in the assessment of ore resources/reserves.

dilution: the necessary mining of waste rock, along with ore. Measured as the ratio of waste rock to the total amount of rock mined.

epithermal: low temperature (100-200°C) hydrothermal processes.

fault: a fracture in rock along which there has been an observable amount of displacement.

flotation: a milling process in which valuable mineral particles are induced to become attached to bubbles and float away from the waste particles in a solid/solution pulp.

galena: lead sulphide.

hydrothermal processes: the name given to any processes associated with igneous activity which involve heated or superheated water.

intrusion: a mass of igneous rock formed by the emplacement of magma into pre-existing rock.

jarosite: a hydrous sulphate of iron and potash.

leaching: a chemical process for the extraction of valuable minerals from ore.

limonite: the omnibus term used for a range of mixtures of hydrated iron oxides and iron hydroxides.

lode: a mineral deposit in solid rock.

metamorphic: rocks changed by temperature and pressure within the earth's crust.

National Instrument 43-101 (NI 43-101): Canadian rule that governs how issuers disclose scientific and technical information about their mineral projects to the public.

native metal: a metal occurring in nature in pure form, uncombined with other elements.

net smelter return (NSR): the value paid by a smelter for (a tonne of) ore concentrate based on the contained metal content less various deductions and charges.

oxide zone: the portion of the mineral deposit altered by water from sulfides to oxides and / or carbonates.

pyrite: a brassy coloured metallic mineral, composed of iron and sulfur. It is the most common sulfide mineral.

pyroclastic: rock composed of fragments (or clasts) formed by volcanic explosion or aerial expulsion from a volcanic vent.

QA/QC: Quality Assurance/Quality Control; a programme of checks to determine the precision and accuracy of sampling and analytical exploration data.

Quaternary: the second period of the Cenozoic era, following the Tertiary. It began three million years ago and extends to the present.

reserve: the part of a mineral resource that can be mined profitably.

reverse circulation (RC): a rotary percussive drilling method in which cuttings are raised to surface by a stream of compressed air inside the drill rods.

rhyolite: a fine grained to glassy volcanic rock, felsic in composition i.e., contains a high proportion of quartz/silica.

ruby silver: a rare silver ore mineral

sedimentary rock: a rock formed by the deposition and lithification of sediment.

sericite: a white, fine-grained, potassium mica mineral that often occurs in small flakes as an alteration product.

shear: deformation resulting from stresses that cause rocks to slide over one another in a direction parallel to their plane of contact.

shear zone: a zone of rock that has been crushed and brecciated by many parallel fractures due to shear strain. Such areas are often mineralised.

silicification: the process of converting into, or replacing by silicate minerals.

specific gravity: the calculated density of minerals and rocks; often used to determine bulk density, a factor used to calculate tonnage of ore and waste from the volumes modelled during the estimation process.

sphalerite: a zinc sulphide mineral (ZnS_2), the principal ore of zinc.

stockwork: a large-scale mass of veins too thin and closely spaced to be worked individually; the veins are usually of several intersecting orientations.

stope: an excavation in a mine from which ore is extracted (usually in a 'longwall').

strike: the direction or trend of a structural surface, such as a bedding plane or fault as it intersects the horizontal.

strike length: the distance and direction along which drilling results have established mineralisation.

stromeyerite: a copper - silver sulfide mineral.

sulfide: a mineral compound characterised by the linkage of sulfur with a metal such as lead to form galena, or iron to form pyrite.

supergene: meaning 'from above' it is used almost exclusively for processes involving water, with or without dissolved material, percolating down from the surface. Typical supergene processes are solution, hydration, oxidation, deposition from solution and chemical substitution.

tectonic: relating to major structural movements in the Earth's crust.

Tertiary: the first period of the Cenozoic era (after the Cretaceous of the Mesozoic era, and before the Quaternary), thought to have covered a time span of between 65 and three to two million years ago.

Ralph E. Shearing, P.Geol. – President, CEO, and Director

Ralph Shearing graduated from the University of British Columbia in 1981 and began working as a geologist in Canada and internationally. He had direct involvement in several important exploration and development projects in British Columbia. He gained experience in all aspects of mineral exploration, including, geophysics, geochemistry, geology and diamond core drilling, the latter as a senior partner of a successful contract diamond drilling company. In 1986, Mr Shearing founded Soho Resources Corp. a junior resource and development company.

Hall Stewart, B.Sc., P.Geo., – Vice-President of Exploration

Hall Stewart has over twenty years of experience in exploration and resource development, and an impressive record of discovery in Mexico. Between 1995 and 2006, Mr Stewart played key roles in discoveries totalling 6.98 million ounces of gold-equivalent at the Magistral, Palmarejo and Ocampo projects in Mexico.

Donald G. Crossley, C.A., – Chief Financial Officer

Don Crossley has more than 25 years of experience as a Chartered Accountant, including seven years with KPMG. Self-employed since 1988, Mr Crossley provided business consulting, management and accounting services to a broad range of corporate clients including Soho Resources Corp. since 2001. During the past eighteen years, he has also served as a director and officer of several public companies.

Art Freeze, P. Geo. – Director

Art Freeze has over 40 years experience in mining development programmes and evaluating projects for both senior and junior resource companies. He held consulting, supervising, and management positions with major and junior mining companies including: Cominco Ltd, Pasminco Exploration, Echo Bay Mines and Pan American Silver Corporation. He has extensive international experience in North, Central and South America, and in the former Soviet Republics. Currently he is President of Stillwater Enterprises Limited and most notably, the principal consulting geologist for Goldcorp Inc.

William Carl Howald, B.Sc – Director

Bill Howald graduated from the Montana School of Mines in 1985 and has twenty years of experience in gold exploration and mining, primarily in the western United States, Mexico, and Central and South America. He worked for Newmont Mining, Phelps Dodge Mining, and most recently, Placer Dome. During his fifteen years with Placer Dome, Mr Howald managed and led exploration teams that delivered more than eighty million ounces of gold and gold-equivalent resources. As Placer Dome's former exploration manager for the U.S. and Latin America, he directed resource growth at the Cortez Hills, Turquoise Ridge, Pueblo Viejo, Donlin Creek, Cerro Casale and Puren projects.

Paul Chung, MBA, B.Sc. Geology – Director

Paul Chung is experienced in project management and possesses extensive skills in bringing companies to the public markets and negotiating international transactions. As a director for numerous companies, Mr Chung conducted operations throughout South America and was responsible for asset acquisitions, project oversight, strategic planning, government liaison, and ensuring strategic alignment between parent and subsidiary. Mr Chung also has experience in co-ordinating asset acquisition, financings, investor relations, and Internet marketing for a multi-location international business.

Marek Kreczmer, M. Sc., P. Eng. – Director

Marek Kreczmer a geologist and professional engineer, has been active in the minerals exploration sector for over thirty years. Mr Kreczmer is president of NWT Uranium Inc and is currently a director of Tanzanian Exploration Royalty Inc and Hanna Mining Inc. He was a project geologist for two leading Canadian explorers, Cameco and Granges Exploration, focussing on base metals, uranium and gold.

John Anderson – Advisor

John Anderson has been an advisor to Soho Resources Corp since 1998. He has over twenty years experience in the financing and promotion of small to mid-cap companies. He is currently the president of Purple Fish Capital Management, a private equity firm engaged in the financing of both private and public companies in North America, Europe and Asia. Mr Anderson is a general partner in Aquastone Capital LLC, a closed end gold investment fund. He is also a director on the boards of Eternal Energy Corp., Wescorp Energy, Inc, and J-Pacific Gold. Mr Anderson holds a B.A. from the University of Western Ontario.

The Honourable Otto J. Jelinek, P.C. – Advisor

The Honourable Otto J. Jelinek, a former Canadian cabinet minister, is the International Co-ordinator for the Czech Republic. Until recently, Mr Jelinek was the Chairman of the Board of Directors of Deloitte Central Europe and he held the position of Chairman and Office Managing Partner of Deloitte Czech Republic.

We are pleased to bring you this report on **Soho Resources Corp.**



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As always, I welcome your comments and feedback on our research!

Gabriel Didham, CFA
Objective Capital

Will Purcell

Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

Alexandra Harrison, M. Sc (Mining Geology)

Alexandra Harrison holds a BSc in Applied Geology and an MSc in Mining Geology and has over ten years experience in exploration and mining. She worked in precious and base metals and in energy world wide, before coming to London where she has been involved with several junior AIM and TSX-V listed resource companies.

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