



SOHO RESOURCES CORP.

INTERIM FINANCIAL REPORTS:

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

Nine months ended

NOVEMBER 30, 2011

SOHO RESOURCES CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
November 30, 2011**

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under the National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of the Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

SOHO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	November 30, 2011 (Unaudited – prepared by management)	February 28, 2011 (Notes 2)
ASSETS		
Current assets		
Cash (Note 4)	\$ 28,028	\$ 1,492,440
Receivables (Note 5)	342,772	103,868
Advances and prepaid expenses (Note 6)	123,293	29,996
	494,093	1,626,304
Exploration and evaluation assets (Note 7)	22,887,024	21,112,273
Equipment (Note 8)	22,680	33,106
Deferred financing costs (Note 10)	25,832	-
	\$ 23,429,629	\$ 22,771,683
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables (Note 9)	\$ 720,040	\$ 388,280
Loans (Note 10)	202,000	-
Obligation under share purchase agreement (Note 7)	204,000	194,280
	1,126,040	582,560
Non-current liabilities		
Reclamation and remediation provision (Note 11)	164,250	176,076
	1,290,290	758,636
Shareholders' equity		
Share capital (Note 13)	42,575,006	41,317,360
Share-based payments reserve (Notes 10 and 14)	1,208,758	1,048,761
Deficit	(21,644,425)	(20,353,074)
	22,139,339	22,013,047
	\$ 23,429,629	\$ 22,771,683

Nature of operations and going concern (Note 1)

Commitments (Note 21)

Subsequent events (Note 22)

These consolidated interim financial statements are authorized for issue by the Board of Directors on January 30, 2012.

On behalf of the Board:

"Ralph Shearing"
Ralph Shearing

Director "John Lynch"
John Lynch

Director

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

SOHO RESOURCES CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30,		Nine months ended November 30,	
	2011	2010	2011	2010
EXPENSES				
Amortization	\$ 3,475	\$ 3,837	\$ 10,425	\$ 11,511
Business promotion	21,669	4,127	147,687	41,190
Communications	6,670	7,826	19,524	19,802
Consulting and financial services	70,788	6,000	147,320	18,000
Foreign exchange loss (gain)	58,235	(3,867)	90,598	(554)
Insurance	9,600	9,814	28,799	31,722
Interest	5,715	-	5,715	-
Loan bonus	-	60,000	-	100,000
Office and miscellaneous	7,664	7,992	23,435	15,067
Professional fees	89,140	83,503	301,719	239,789
Regulatory fees	10,152	6,275	34,410	13,220
Rent	22,189	20,700	61,235	70,666
Share-based payments (Note 14)	51,006	8,490	337,345	10,698
Transfer agent	6,048	5,613	9,115	8,615
Travel	23,699	8,737	83,789	23,045
Wages and benefits	76,887	83,878	220,461	237,859
Loss before other item	(462,937)	(312,925)	(1,521,577)	(840,630)
OTHER ITEM				
Interest income	445	53	3,028	136
Loss and comprehensive loss for the period	\$ (462,492)	\$ (312,872)	\$ (1,518,549)	\$ (840,494)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	199,123,676	153,855,451	191,167,349	152,139,780

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

SOHO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30,		Nine months ended November 30,	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (462,492)	\$ (312,872)	\$ (1,518,549)	\$ (840,494)
Items not affecting cash				
Amortization	3,475	3,837	10,425	11,511
Interest	5,715	-	5,715	-
Loan bonus	-	60,000	-	100,000
Share-based payments	51,006	8,490	337,345	10,698
Unrealized foreign exchange loss (gain)	(2,830)	(4,476)	(2,106)	(4,899)
Changes in non-cash working capital items				
Decrease (increase) in receivables	2,452	(14,030)	(238,904)	3,544
Decrease (increase) in advances and prepaid expenses	(26,296)	13,181	(93,297)	7,113
Increase (decrease) in trade and other payables	131,620	147,837	629,727	333,358
Net cash used in operating activities	(297,350)	(98,033)	(869,643)	(379,169)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	-	-	1,359,000	-
Share issue costs	-	-	(80,764)	-
Loans	202,000	-	202,000	-
Issuance of Debenture (Note 12)	-	300,000	-	500,000
Debenture subscriptions (Note 12)	-	(120,000)	-	55,000
Net cash provided by financing activities	202,000	180,000	1,480,236	555,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation assets	(101,449)	(120,881)	(2,075,005)	(410,480)
Net cash used in investing activities	(101,449)	(120,881)	(2,075,005)	(410,480)
Increase (decrease) in cash position during the period	(196,799)	(38,914)	(1,464,412)	(234,649)
Cash position, beginning of period	224,827	57,625	1,492,440	253,360
Cash position, end of period	\$ 28,028	\$ 18,711	\$ 28,028	\$ 18,711

Supplemental disclosure with respect to cash flows (Note 14)

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

SOHO RESOURCES CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited - Expressed in Canadian dollars)

	Issued Number of Shares	Share Amount	Share- based payments reserve	Deficit	Total
Balance, March 1, 2010	152,013,693	\$ 38,187,165	\$ 1,275,246	\$ (19,460,134)	\$ 20,002,277
Loan bonus (Note 12)	2,000,000	100,000	-	-	100,000
Warrants issued with debenture units (Note 12)	-	-	96,000	-	96,000
Share-based payments - options (Note 14)	-	-	18,641	-	18,641
Share-based payments option expiry (Note 13)	-	-	(176,077)	176,077	-
Loss and comprehensive loss for the period	-	-	-	(840,494)	(840,494)
Balance, November 30, 2010	152,013,693	38,187,165	1,173,859	(19,606,894)	19,376,424
Private placement (Note 13)	30,580,000	3,058,000	-	-	3,058,000
Private placement – Finders’ fees (Note 13)	459,500	45,950	-	-	45,950
Share issue costs	-	(123,485)	-	-	(123,485)
Property acquisition (Note 7)	480,483	49,730	-	-	49,730
Share-based payments - options (Note 14)	-	-	274,527	-	274,527
Share-based payments option expiry (Note 14)	-	-	(439,576)	439,576	-
Loss and comprehensive loss for the period	-	-	-	(668,099)	(668,099)
Balance, February 28, 2011	185,533,676	41,317,360	1,048,761	(20,353,074)	22,013,047
Private placement (Note 13)	13,590,000	1,359,000	-	-	1,359,000
Share issue costs (Note 13)	-	(101,354)	20,590	-	(80,764)
Share-based payments - loans (Note 10)	-	-	29,260	-	29,260
Share-based payments - options (Note 14)	-	-	337,345	-	337,345
Share-based payments - option expiry (Note 14)	-	-	(227,198)	227,198	-
Loss and comprehensive loss for the period	-	-	-	(1,518,549)	(1,518,549)
Balance, November 30, 2011	199,123,676	\$ 42,575,006	\$ 1,208,758	\$ (21,644,425)	\$ 22,139,339

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Soho Resources Corp. (the "Company") was incorporated on April 11, 1986 under the laws of British Columbia, Canada. The Company's head office address is Suite 250, 1090 West Georgia Street, Vancouver, BC, V6E 3V7, Canada. The registered and records office address is Suite 700, 595 Burrard Street, Vancouver, BC, Canada, V7X 1S8. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades on the TSX Venture Exchange under the symbol "SOH".

The condensed consolidated interim financial statements of the Company as at and for the period ended November 30, 2011 comprise the accounts of the Company and its subsidiaries. The Company is the ultimate parent.

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets consisting of mineral resource projects in North America ("mineral properties"). The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and upon future profitable production.

The Company has not generated any production revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company believes it does not have sufficient cash on hand to finance exploration activities and operations through the next twelve months without additional financing. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial expenditures required to achieve planned principal operations.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

	November 30, 2011	February 28, 2011
Deficit	\$ (21,644,425)	\$ (20,353,074)
Working capital (deficiency)	\$ (631,947)	\$ 1,043,744

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at January 30, 2012, the date the Board of Directors approved these condensed consolidated interim financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at February 29, 2012, could result in a restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on conversion to IFRS.

These condensed consolidated interim financial statements prepared in accordance with IFRS and, as a result, IFRS 1, "First-time Adoption of International Financial Reporting Standards," has been applied. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These condensed consolidated interim financial statements should be read in conjunction with the Company's 2011 annual financial statements, which were prepared in accordance with Canadian GAAP, and the IFRS disclosures included in Note 22 of the Company's May 31, 2011 condensed consolidated interim financial statements. The comparative figures presented in these interim financial statements are in accordance with IFRS and have not been audited.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates:

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Estimated useful lives of equipment

The estimated useful lives of equipment which are included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

Share-based payments

The fair value of stock options issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Carrying value of exploration and evaluation assets

All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. BASIS OF PRESENTATION (continued)

Carrying value of exploration and evaluation assets (continued)

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Reclamation and remediation provision

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Critical accounting judgments:

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company is Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These condensed consolidated interim financial statements includes the accounts of Soho Resources Corp. ("Soho") and its following listed subsidiaries;

Subsidiary name	Incorporation jurisdiction	Ownership
Samarkand de Mexico S.A. de C.V. ("Samarkand")	Mexico	100%
Sierra Soleada S.A. de C.V. ("Sierra")	Mexico	100%
Sacramento de la Plata S.A. de C.V. ("Sacramento")	Mexico	99%
531607 BC Ltd	BC, Canada	100%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional currency for all entities within the Company is the Canadian dollar.

In individual companies, transactions in foreign currencies are recorded at exchange rates prevailing on the dates of the transactions. Income and expenses are translated at the exchange rates approximating those in effect on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the period-end exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

On consolidation, for subsidiaries with functional currencies other than Canadian dollars, the assets and liabilities are translated into Canadian dollars using the period-end rate and the operations and cash flows are translated using the average rates of exchange. Exchange adjustments arising when the opening net assets and the profit or loss are translated into Canadian dollars are taken into a separate component of equity and reported in the other comprehensive profit or loss.

Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

Depreciation is provided at rates calculated to amortize the costs of equipment, over its estimated useful lives, using the declining balance basis as follows:

Computer equipment	30%
Office equipment	20%
Geological equipment	30%

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties classified as exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset requirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. As the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the profit and loss statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial assets

a) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash and cash equivalents.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is used to determine the amortized cost of a loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

c) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

d) De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified trade and other payables as other financial liabilities.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company's stock option plan allows employees, directors, officers, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in share-based compensation reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from share compensation reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

If options or warrants issued as share-based compensation are subsequently cancelled or forfeited without being exercised, then the historical fair value of the share-based compensation is reversed.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of November 30, 2011 and have not been applied in preparing these condensed consolidated interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

a) Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

b) Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

c) Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 – Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

d) Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended respectively, which addressed the classification and measurement of financial assets and financial liabilities.

IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. CASH

In Canadian dollars	November 30, 2011	February 28, 2011
Canadian dollar denominated deposits	\$ 19,191	\$ 1,142,631
US dollar denominated deposits	5,901	333,404
Mexican peso denominated deposits	2,936	16,405
	\$ 28,028	\$ 1,492,440

5. RECEIVABLES

In Canadian dollars	November 30, 2011	February 28, 2011
Canadian dollar denominated HST refundable tax	\$ 14,538	\$ 12,224
Mexican peso denominated IVA refundable tax	328,234	91,644
	\$ 342,772	\$ 103,868

6. ADVANCES AND PREPAID EXPENSES

In Canadian dollars	November 30, 2011	February 28, 2011
Prepaid insurance	\$ 9,600	\$ 3,948
Vendor deposits	61,956	16,804
Mexican tax installments	48,820	9,083
Other advances and prepayments	2,917	161
	\$ 123,293	\$ 29,996

7. EXPLORATION AND EVALUATION ASSETS

Title to Exploration and evaluation assets (or “mineral properties”) involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Tahuehueto Project

In 1997, pursuant to a share purchase agreement through Samarkand, the Company acquired 90% of the issued and outstanding capital stock of Sacramento. In March 2007 the Company converted a portion of inter-company debt between Samarkand and Sacramento into equity, thereby increasing its ownership in Sacramento from 90% to 99%. Sacramento holds a 100% interest in the Tahuehueto mineral property, located in Durango State, Mexico. A portion of the property is subject to a 1.6% net smelter returns royalty (“NSR”).

Pursuant to the share purchase agreement, the Company is obligated to make final payments of US\$200,000 to the vendors of the Sacramento shares.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Tahuehueto Project (continued)

In 2006, the Company entered into an agreement for surface access rights to certain areas of the Tahuehueto project, expiring in May 2016. Under the terms of this agreement the Company must pay an annual fee escalating at 5% per annum. The fee due for the 2012 fiscal year of US\$25,525 (2011 - US\$24,310) was paid in June 2011.

Jocuixtita Project

During the year ended February 28, 2010 the Company acquired mineral properties by staking and entered into two option agreements to explore and acquire a 100% interest in mineral properties located in Jocuixtita, Sinaloa, Mexico. The option agreements were amended on January 31, 2011. Pursuant to the amended option agreements, the Company must make option payments totaling US\$1,010,000 over a period of six years, of which a maximum of US\$372,660 may be paid by issuing common shares to the vendors. A portion of the optioned property is subject to a 2% NSR. The Company may acquire 1.75% of the 2% NSR by making a cash payment of US\$612,500 to the vendors.

During the year ended February 28, 2011, the Company paid the vendors US\$75,000 (2010 - US\$70,000) and issued 480,483 (2010 - 375,780) common shares valued at \$49,730 (US\$50,000) (2010 - \$21,956; US\$20,000).

In May 2011, the Company entered into an agreement for surface access rights to certain areas of the Jocuixtita project, expiring in May 2041. Under the terms of this agreement the Company must pay an annual fee based on the area occupied, adjusted annually for inflation. The fee due for the 2012 fiscal year of MXN\$174,493 (Cdn\$14,030) was paid in June 2011.

Exploration and evaluation assets costs

Exploration and evaluation assets costs were incurred as follows:

	November 30, 2011		
	Tahuehueto	Jocuixtita	Total
Balance, beginning of period	\$20,756,798	\$355,475	\$21,112,273
Assays, data and maps	99,464	81,980	181,444
Drilling	162,121	380,574	542,695
Equipment and supplies	130,565	79,849	210,414
Geological consulting	-	67,935	67,935
Insurance	5,808	3,832	9,640
Mineral concession taxes, licences, and fees	48,052	16,961	65,013
Project office	102,767	84,707	187,474
Subcontractors and equipment rentals	45,349	159,826	205,175
Transportation, travel, and lodging	6,547	15,083	21,630
Wages and benefits	182,668	100,663	283,331
Exploration and evaluation assets costs incurred during the period	783,341	991,410	1,774,751
Balance, end of period	\$21,540,139	\$1,346,885	\$22,887,024

7. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets costs (continued)

	February 28, 2011		
	Tahuehueto	Jocuxtitita	Total
Balance, beginning of year	\$20,115,670	\$182,183	\$20,297,853
Acquisition costs	-	124,473	124,473
Assays, data and maps	177,429	-	177,429
Equipment and supplies	80,399	988	81,387
Insurance	2,634	-	2,634
Mineral concession taxes, licences, and fees	72,552	20,966	93,518
Project office	122,073	2,104	124,177
Subcontractors and equipment rentals	-	19,672	19,672
Transportation, travel, and lodging	9,438	136	9,574
Wages and benefits	176,603	4,953	181,556
Exploration and evaluation assets costs incurred during the year	641,128	173,292	814,420
Balance, end of year	\$20,756,798	\$355,475	\$21,112,273

8. EQUIPMENT

	Computer equipment	Office equipment	Leasehold improvements	Geological equipment	Total
Cost					
February 28, 2011 and November 30, 2011	\$ 15,500	\$ 62,092	\$ 48,978	\$ 9,632	\$ 136,202
Accumulated depreciation					
February 28, 2011	11,703	46,450	36,688	8,256	103,097
Depreciation for the period	854	2,346	6,915	310	10,425
November 30, 2011	12,557	48,796	43,603	8,566	113,522
Carrying amounts					
February 28, 2011	\$ 3,797	\$15,642	\$12,290	\$1,376	\$33,105
November 30, 2011	\$ 2,943	\$13,296	\$5,375	\$1,066	\$22,680

9. TRADE AND OTHER PAYABLES

In Canadian dollars	November 30, 2011	February 28, 2011
Trade payables	\$ 365,442	\$ 100,573
Trade payables to related party	10,000	24,000
Accrued liabilities	243,000	214,282
Interest	2,288	-
Salaries payable to related parties	27,094	-
Employment, withholding, and value-added taxes	72,216	49,425
	\$ 720,040	\$ 388,280

10. LOANS

During the period ended November 30, 2011 the Company received two loans from two directors of the Company.

In Canadian dollars	November 30, 2011	February 28, 2011
Loan #1 - A loan in the amount of US\$100,000 (Cdn\$102,000) is unsecured, due on September 29, 2012, and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 297,000 shares with a value of \$17,820. The value of these shares was recorded as deferred financing costs and is amortized to interest expense over the term of the loan.	\$ 102,000	\$ -
Loan #2 - A loan in the amount of \$100,000 is unsecured, due on November 10, 2012, and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 286,000 shares with a value of \$11,440. The value of these shares was recorded as deferred financing costs and is amortized to interest expense over the term of the loan.	100,000	-
	\$ 202,000	\$ -

These loans are subject to regulatory approval; accordingly the shares have not yet been issued. The value of the un-issued shares has been included in Share-based payments reserve and will be transferred to Share capital when the shares are issued.

Deferred financing costs

In Canadian dollars	November 30, 2011	February 28, 2011
Balance, beginning of period	\$ -	\$ -
Value of shares	29,260	-
Expensed during the period	(3,428)	-
Balance, end of period	\$ 25,832	\$ -

11. RECLAMATION AND REMEDIATION PROVISION

The Company's operations are affected by federal, state and local laws and regulations concerning environmental protection. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from operations and to perform site restoration and other closure activities. The Company's provisions for future site closure and reclamation costs are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The asset retirement obligation accrual required management to make significant estimates and assumptions. Actual results could differ from these estimates.

The Company estimates its reclamation and remediation provision at its mineral properties based on its understanding of its requirements to reclaim the currently disturbed areas. At November 30, 2011 the Company estimated the reclamation and remediation obligation to be \$164,250 (February 28, 2011 - \$176,076). The reclamation and remediation obligation is considered to be present value.

12. DEBENTURES

No debentures were issued during the period ended November 30, 2011.

During the year ended February 28, 2011 the Company issued 500 convertible debenture units ("Units") at a price of \$1,000 per Unit for total cash proceeds of \$500,000. Each Unit consists of \$1,000 principal of convertible debentures (the "debentures") and 20,000 transferable common share purchase warrants (the "Warrants"). Accordingly, the Company issued 10,000,000 Warrants. Each Warrant is exercisable into one common share at an exercise price of \$0.10 per common share for a period of two years. The Warrants have been valued at \$96,000 using the residual value method which will be accreted over the term of the debentures.

The debentures are unsecured, non interest-bearing and mature after three years. The debentures are convertible into common shares of the Company from the date of issue, at the option of the holder, at a price of \$0.05 per common share. The conversion feature has not been assigned a value as conversion is conditional upon the Company completing a consolidation of its share capital on not less than a two for one basis.

Upon recognition, the debentures were valued at an effective interest rate of 18%.

The Company paid the holders of the Units a bonus of 20% of the principal amount of the debentures by issuing 2,000,000 common shares of the Company valued at \$100,000 which will be accreted over the term of the debentures.

Debentures totaling \$335,000 were issued to individuals who are directors of the Company.

In January 2011, the debentures were repaid and a loss on early settlement of \$173,400 was recognized. The Company recognized an accretion expense of \$22,600 during fiscal 2011 (2010 - \$Nil).

13. SHARE CAPITAL

Authorized:

Unlimited common shares without par value
100,000,000 Class A preference shares with a par value of \$1 per share
100,000,000 Class B preference shares with a par value of \$5 per share

Fiscal 2012 Transactions

The Company completed a non-brokered private placement of 13,590,000 units at \$0.10 per unit for total proceeds of \$1,359,000. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each one whole share purchase warrant is exercisable for a period of two years at a price of \$0.13 per share during the first year and at a price of \$0.175 per share during the second year.

In connection with this financing the Company paid finders' fees of \$60,000, and issued 480,000 non-transferable warrants with the same terms as the private placement units. These finders' fee warrants have been valued using the Black-Scholes option pricing model assuming a risk free interest rate of 0.82%, expected life of two years, annualized volatility of 115.31% and a dividend rate of 0%. The warrants' fair value of \$20,590 was recorded as share issue costs offset to share-based payments reserve.

Fiscal 2011 Transactions

The Company completed a non-brokered private placement of 30,580,000 units at \$0.10 per unit for total proceeds of \$3,058,000. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each one whole share purchase warrant is exercisable for a period of one year at a price of \$0.15 per share.

In connection with this financing the Company paid finders' fees of \$50,000, and issued 459,500 units valued at \$45,950, with the same terms as the private placement units.

14. SHARE-BASED PAYMENTS RESERVE

A 2011 Stock Option Plan (the "Plan") was approved by the shareholders on November 3, 2011, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

14. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based compensation

During the period ended November 30, 2011, the Company granted 1,525,000 (November 30, 2010 – 750,000) stock options. The options vest at 25% upon the date of grant, and then at a rate of 25% every 3 months thereafter, until fully vested. The options have a term of 4 and 5 years.

For the period ended November 30, 2011, the total fair value of options granted using the Black-Scholes option pricing model was \$82,210. Of this amount, a total of \$65,504 was charged to operations in the current period, and the remaining balance will be applied to future periods. The weighted average fair value of the options granted during the period was \$0.05 per option.

During the year ended February 28, 2011, the Company granted 6,800,000 stock options. The options vesting ranges from 25% to 100% upon the date of grant, and then at a rate of 25% to 50% every 3 months thereafter, until fully vested. The options have terms of 2 and 5 years.

For the year ended February 28, 2011, the total fair value of options granted using the Black-Scholes option pricing model was \$562,800. A total of \$293,168 was charged to operations, offset to share-based payments reserve. The weighted average fair value of the options granted during the period was \$0.08 per option.

During the period ended November 30, 2011, 500,000 options previously issued as share-based compensation, with a fair value of \$227,198, were cancelled or expired without being exercised. The previously recorded historical fair value of these options was reversed.

During the year ended February 28, 2011, 2,380,000 options previously issued with a fair value of \$615,653 as share-based compensation expired without being exercised. The previously recorded historical fair value of these options was reversed.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	November 30, 2011	February 28, 2011
Risk-free interest rate	1.73%	2.37%
Expected life of options/warrants	4.7 Years	4.5 Years
Annualized volatility	120.99%	122.01%
Dividend rate	0%	0%

14. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based compensation (continued)

As at November 30, 2011 the Company had outstanding stock options as follows:

Number of Shares	Exercise Price	Expiry Date
50,000	\$0.10	December 1, 2011
200,000	\$0.10	March 19, 2012
150,000	\$0.10	April 25, 2012
25,000	\$0.10	May 10, 2012
250,000	\$0.10	September 1, 2012
3,465,000	\$0.10	March 20, 2014
425,000	\$0.10	May 1, 2014
200,000	\$0.10	September 1, 2012
550,000	\$0.10	September 1, 2015
500,000	\$0.10	December 1, 2013
525,000	\$0.10	December 1, 2015
5,025,000	\$0.115	February 1, 2016
50,000	\$0.10	April 1, 2016
575,000	\$0.10	August 1, 2016
500,000	\$0.10	October 1, 2016
12,490,000		

Stock option transactions are summarized as follows:

	November 30, 2011		February 28, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	11,865,000	\$ 0.11	7,445,000	\$ 0.12
Granted	1,525,000	\$ 0.10	6,800,000	\$ 0.11
Expired/cancelled	(900,000)	\$ 0.10	(2,380,000)	\$ 0.17
Balance, end of period	12,490,000	\$ 0.11	11,865,000	\$ 0.11
Options exercisable, end of period	7,052,500	\$ 0.10	7,127,500	\$ 0.10

14. SHARE-BASED PAYMENTS RESERVE (continued)

Warrants

As at November 30, 2011 the following share purchase warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
4,000,000	\$ 0.10	August 3, 2012
6,000,000	\$ 0.10	September 13, 2012
229,750	\$ 0.15	January 24, 2012 ⁽²⁾
15,290,000	\$ 0.15	January 24, 2012 ⁽³⁾
7,275,000	\$ 0.13 ⁽¹⁾	August 9, 2013
32,794,750		

(1) The exercise price of these warrants is \$0.175 in their second year.

(2) Subsequent to the period end, these warrants expired without being exercised.

(3) Subsequent to the period end, the expiry date of these warrants was extended to January 24, 2013.

Warrant transactions are summarized as follows:

	November 30, 2011		February 28, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	25,519,750	\$ 0.13	-	-
Issued	7,275,000	\$ 0.13	25,519,750	\$ 0.13
Balance, end of period	32,794,750	\$ 0.13	25,519,750	\$ 0.13

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	November 30, 2011	February 28, 2011
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions during the period ended November 30, 2011 included:

- a) The accrual of loan interest expense of \$2,288.
- b) Deferred financing costs of \$3,427 were charged to interest expense.
- c) The accrual of deferred exploration costs of \$267,562 at November 30, 2011.
- d) The issuance of 480,000 warrants valued at \$20,590 for a finder's fee.

Significant non-cash transactions during the period ended November 30, 2010 included:

- a) The accrual of deferred exploration costs of \$137,685 at November 30, 2010.
- b) The issuance of 2,000,000 shares at a value of \$100,000 as a loan bonus in connection with the issuance of convertible debentures.

16. RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company, as follows:

Name	Nature of transaction
Ralph Shearing, CEO, Director	Salary
Donald Crossley, CFO	Professional fees
John Anderson, Director	Consulting fees
Yu Sun, related to a director	Salary
John Lynch, Director	Loans and Interest
Lianxi Zhang, Director	Loans and Interest

16. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following fees and expenses in the normal course of operations in connection with compensation of individuals who are key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	November 30, 2011	November 30, 2010
Consulting	\$ -	\$ 2,000
Interest	5,715	-
Professional fees	107,225	81,250
Salaries and benefits	117,000	117,000
	\$ 224,225	\$ 200,250

No consulting fees were charged to the Company by related parties during the periods ended November 30, 2011. During the period a Director waived \$14,000 of consulting fees accrued during the fiscal year ended February 28, 2011.

Trade and other payables include the following amounts owed to related parties:

	November 30, 2011	November 30, 2010
Consulting fees	\$ 10,000	\$ 18,000
Interest payable	2,288	-
Loans and advances	24,566	7,500
Professional fees	5,000	6,320
Salaries	27,000	84,000
	\$ 68,854	\$ 115,820

17. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral property interests in North America. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Mexico and equipment located in Canada.

18. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended November 30, 2011, is based on the loss attributable to common shareholders of \$462,492 (2010 - \$312,872) and a weighted average number of common shares outstanding of 199,123,676 (2010 - 153,855,451).

Diluted loss per share did not include the effect of 45,284,750 (2010 - 17,220,000) share purchase options and warrants as they are anti-dilutive.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Foreign currency risk

The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use both the United States Dollar ("US\$") and the Mexican Peso ("MXN\$") as the main settlement currencies. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. The effect of a 1% change in foreign exchange rates would be approximately \$4,900.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

20. CAPITAL RISK MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the period ended November 30, 2011. The Company is not subject to externally imposed capital requirements.

21. COMMITMENTS

The Company has the following commitments at November 30, 2011:

- a) The Company rents its office premises under an operating lease until June 2012. The operating lease commitment, including rent plus estimated common area costs, is approximately \$98,800 per annum.
- b) The Company rents office and warehouse space in Mexico under operating leases until May 2012 at a total monthly rent of MXN\$24,000 (Cdn\$2,000).

22. SUBSEQUENT EVENTS

Subsequent to November 30, 2011:

- a) On December 21, 2011, a Director loaned the Company \$100,000. This loan is for a term of one year, bears interest at 10%, and loan bonus is payable by issuing 286,000 shares of the Company. These shares have not yet been issued.
- b) The Company granted 600,000 stock options to a consultant at an exercise price of \$0.10 per common share, expiring on December 1, 2016.
- c) The Company initiated a non-brokered private placement of up to 12,500,000 units of the Company. Each unit is priced at \$0.06 per unit for total gross proceeds of up to \$750,000. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each one whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.10 within two years of its date of issuance.

The Company has received subscription payments of \$150,000 relating to this private placement financing.



Management's Discussion and Analysis

For the Period Ended November 30, 2011

Overview

This Management's Discussion and Analysis (MD&A) of the financial position and results of operations of Soho Resources Corp. ("Soho") includes its wholly-owned subsidiaries; Samarkand de Mexico S.A. de C.V. ("Samarkand"), Sierra Soleada S.A. de C.V. ("Sierra"), and 531607 BC Ltd.; and its 99% owned subsidiary, Sacramento de la Plata S.A. de C.V. ("Sacramento"), (collectively referred to as the "Company"). The MD&A should be read in conjunction with the condensed consolidated interim financial statements for the period ended November 30, 2011. The information in this MD&A contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The forward-looking statements are only made as of January 30, 2012, the effective date of this MD&A.

The Company is in the process of exploring its exploration and evaluation assets consisting of mineral resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development, and upon future profitable production.

Effective March 1, 2011 the Company's financial results are being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis may differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Notes 2, and 3 of the condensed consolidated interim financial statements for the period ended November 30, 2011.

Summary of Operations

Soho's principal business activity is the acquisition and exploration of mineral resource properties. The Company, through its Mexican subsidiaries, has an interest in two mineral exploration properties, the Tahuehueto Project, located in Durango State and the Jocuixtita Property located in Sinaloa State. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades on the TSX Venture Exchange under the symbol "SOH" and on the OTCQX under the symbol "SOHFF". Additional information may be obtained from the Company's web site (www.sohoresources.ca) and SEDAR (www.sedar.com).

Since acquiring rights to the Tahuehueto Project in 1997, Soho has identified at least 12 poly-metallic zones hosted within a structurally controlled epithermal system that has been traced for more than six kilometres. Soho has completed more than 48,000 metres of drilling in approximately 250 holes since drilling operations started on the Project in January 2005.

In April 2010 the Company retained the services of Vancouver, BC based Snowden Mining Industry Consultants Inc, ("Snowden") to prepare a NI 43-101 compliant Preliminary Economic Assessment Report (the "PEA") to gauge the economic viability of building a mine on the Tahuehueto Project. Snowden has now completed the PEA report and the Company issued a press release on October 4, 2010 summarizing the results of the report.

Snowden's final PEA report on the Tahuehueto Project, dated October 29, 2010, includes recommendations to advance the property through prefeasibility and feasibility studies in order to determine the most economic mining methods for potential future production.

The PEA reported the following information:

An investigation of open pit potential considered the combined resources at El Creston and Cinco de Mayo. The study concluded that potentially economic open pit inventories existed at Creston and at Cinco, however, for the purposes of this assessment, the resources at Cinco were excluded from open pit evaluation until an assessment of the geotechnical stability of the cliff face above that area has been completed.

An investigation of the underground potential was made to identify potentially economic underground inventories. The study concluded that there were significant underground inventories in El Creston, Cinco de Mayo, and Santiago. Detailed analysis of these inventories for a variety of extraction methods concluded that using long hole open stoping presented the best potential for underground production.

An optimized schedule was generated that combined the identified open pit and underground inventories so that the inventory and schedule returning the highest economic value could be reported in this preliminary assessment. Potentially economic inventories were identified at Cinco de Mayo, El Creston and El Rey.

Conceptual underground designs based on mechanized techniques with decline access have been prepared from the optimization results. A conceptual open pit with a corresponding waste rock dump and haul road design was prepared based on an optimized pit shell for Creston.

The potentially economic inventories derived for open pit and underground are:

Deposit	Tonnes			Grade		
	kt	Au g/t	Ag g/t	Cu %	Pb %	Zn %
El Creston open pit	4,135	2.13	24	0.15	0.74	1.29
El Creston underground	1,530	1.40	29	0.23	0.87	1.71
El Creston Total	5,665	1.93	25	0.17	0.77	1.41
Cinco de Mayo UG	3,068	1.19	31	0.20	1.00	2.03
El Rey underground	252	0.60	39	0.10	1.53	2.22
Total all zones	8,985	1.64	28	0.18	0.87	1.64

Metallurgical test work carried out on composites during 2009 and 2010 has indicated that there is potential to produce separate concentrates for copper, lead, and zinc. This test work has included preliminary studies on reagent additions.

After applying appropriate estimates for capital costs the optimized cash flow yielded the financial outcomes presented in the table below. These are the sum of operating and capital expenditures including vendor royalties, but excluding financing, government royalties and taxes.

Summary of financial model	
Undiscounted cash flow	US\$184,200,000
NPV @ 5% discount	US\$109,600,000
IRR	31%
Payback period	27 months

Sensitivity analyses determined the Project is most sensitive to the selling prices of gold and "other metals" on a combined basis. Moderate sensitivity to process and site costs and capital expenditure also exists. The sensitivity to mining costs is low.

Conclusions and recommendations

It can be concluded from the current study that there is potential for a profitable project to be established at Tahuehueto. An open pit operation is potentially viable at El Creston, whilst resources with potential for economic underground mining exist at Cinco de Mayo, El Creston and El Rey. Metallurgical test work indicates that it will be possible to use flotation to produce separate copper, lead, and zinc concentrates.

To determine the feasibility of a profitable project it is recommended that a program of data collection be undertaken followed by a Prefeasibility Study. The program of data collection should include:

- Further drilling and appropriate resource modelling to better define the Resource.
- Geotechnical data collection to improve the definition of slope stabilities and underground geotechnical constraints.
- Metallurgical testing of representative composites that reflect the expected feed grades.
- Ongoing environmental base line data gathering.

After the data collection phase, to progress the project, a Prefeasibility Study should be undertaken to remove the major uncertainties in this preliminary assessment, principally:

- Mineral Resource confidence in volume and quality.
- Geotechnical and hydrogeological characterisation.
- Preferred mining approaches, methods and cut-off grade strategies.
- Impacts and management of the impacts on the environment.
- The likely project operating and capital costs.

The complete text of the Snowden PEA report is available at the Company's web site, www.sohoresources.ca.

In May 2009 the Company released the results of the updated NI 43-101 compliant mineral resource estimate prepared by Scott E. Wilson Consulting, Inc. This updated 2009 resource contains 7.377 million tonnes categorized as measured and indicated, grading 2.1 grams gold per tonne, 34.97 grams silver per tonne, 0.28% copper, 1.06% lead and 2.01% zinc.

2009 Tahuehueto Resource Calculation Highlights

Measured and Indicated Resources 7,377,000 Tonnes		Inferred Resource 4,868,000 Tonnes	
• 2.10 g. Au/t	498,000 ounces Au	• 1.06 g. Au/t	166,000 ounces Au
• 34.97 g. Ag/t	8,294,000 ounces Ag	• 31.77 g. Ag/t	4,971,000 ounces Ag
• 0.28% Cu	45,339,000 lbs. Cu	• 0.23% Cu	24,935,000 lbs. Cu
• 1.06% Pb	172,738,000 lbs. Pb	• 1.13% Pb	132,417,000 lbs. Pb
• 2.01% Zn	326,653,000 lbs. Zn	• 2.26% Zn	242,241,000 lbs. Zn

During the summer of 2009, the Company acquired 11 contiguous mining concessions located in the State of Sinaloa, Mexico, the "Jocuxtitita Property". The Jocuxtitita Property covers a cumulative area of 4,103 hectares. Six of these mining concessions covering a 1,573 hectares area are owned by two different vendors and are the subject of two separate purchase and option agreements. The remaining five mining concessions on 2,530 hectares were staked by the Company's subsidiary Samarkand.

In May to July 2011 the Company completed Phase 1 of its initial exploration program on the Jocuxtitita Property, drilling 18 holes for a total of 2,846 metres, of which 5 holes were not completed. The Company has received the assay reports for the 13 holes completed, and is evaluating the results and future exploration plans.

At November 30, 2011 the Company had a working capital deficiency of \$631,947. The current operations of the Company have primarily been funded by the issuance of capital stock. The Company's ability to continue as a

going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable operations in the future.

In December 2011 the Company received a \$100,000 loan from a director. And in January 2012, the Company initiated a non-brokered private placement of up to 12,500,000 units of the Company. Each unit is priced at \$0.06 per unit for total gross proceeds of up to \$750,000.

On August 9, 2011 the Company completed a non-brokered private placement of 13,590,000 units at \$0.10 per unit for total proceeds of \$1,359,000. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole share purchase warrant shall be exercisable for a period of two years; at a price of \$0.13 per share during the first year, and at a price of \$0.175 per share during the second year.

Selected Quarterly Financial Information:

Fiscal year	2012			2011				2010
Fiscal quarter	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Period end date	Nov 30/11	Aug 31/11	May 31/11	Feb 28/11	Nov 30/10	Aug 31/10	May 31/10	Feb 28/10
Loss for the period	\$(462,492)	\$(417,029)	\$(639,026)	\$(668,046)	\$(312,872)	\$(277,267)	\$(250,357)	\$(325,021)
Loss per share	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Total assets	\$23,429,629	\$23,445,027	\$22,584,742	\$22,771,683	\$20,962,793	\$20,834,541	\$20,460,548	\$20,721,850
Long-term debt	\$164,250	\$175,200	\$176,076	\$176,076	\$680,456	\$376,952	\$177,390	\$180,675

The losses for each of the 2010, 2011, and 2012 fiscal periods are consistent with the level of business activities during each quarter. The quarterly losses average approximately \$298,000 per period, after excluding debenture expenses, amortization, share-based compensation charges, foreign exchange, and interest earned.

The Company grants stock options resulting in significant charges for share-based payments. These charges are usually allocated over four fiscal quarters, depending on vesting terms. However, there can still be significant quarterly variations in the number and value of options granted from one period to the next. In fiscal 2011, the quarterly losses include share-based payments charges totaling \$293,168, and \$254,692, in the year ended February 28, 2010 for the fair value of stock options granted. Overall the share-based payments charges have increased in the 2011 fiscal year by about \$38,500 compared to the 2010 year period, and they have increased by approximately \$46,000 in nine months ended November 30, 2011 compared to 2010.

The Q4 2010 loss decreased compared to Q3 due to the absence of the one-time business promotion expenses noted above along with a further \$34,000 decrease in share-based payments charges. These saving were partially offset by higher legal fees incurred in Mexico and Canadian regulatory fees, plus some additional travel expenses.

The Q1 2011 loss decreased compared to the Q4 2010 loss due to a \$6,000 decrease in consulting fees and a \$13,000 decrease in share-based payments charges as there were no new stock options granted during the period. The share-based payments charges have decreased about \$112,500 compared to Q1 2010 when there were 3,990,000 new stock options granted and 1,655,000 previously granted options were re-priced.

The Q2 2011 loss increased compared to the Q1 2011 loss due to a \$12,000 increase in consulting fees and a \$1,100 decrease in share-based payments charges as there were no new stock options granted during the period. The Company also incurred debenture expenses of \$40,000, partially offset by lower professional fees, business promotion, and wages expenses.

The Q3 2011 loss increased compared to the Q2 2011 loss due to a \$13,000 increase in professional fees and a \$13,000 increase in wages. These increases were offset by a \$10,000 decrease in business promotion expenses, a \$7,300 positive foreign exchange variation, and a \$6,000 decrease in rent. Share-based payments charges increased by about \$5,000 relating to new stock options granted during the period. The Company also incurred debenture expenses of \$60,000, an increase of \$20,000 over the previous period.

The Q4 2011 loss increased compared to the earlier 2011 quarters losses because of \$96,000 in additional expenses associated with the early retirement of the debenture loans and about \$21,000 in additional business

promotion and travel. In addition, during the 2011 Q4 6,050,000 stock options were granted, resulting in a large increase in share-based payments charges compared to the previous quarters. The charges for the early retirement of the debentures and share-based payments are non-cash expenses.

The Q1 2012 loss decreased compared to the earlier 2011 quarters losses because of \$96,000 in additional expenses associated with the early retirement of the debenture loans. And during the 2011 Q4 6,050,000 stock options were granted, resulting in a large increase in share-based payments charges compared to the previous quarters. The share-based compensation expense was about \$82,000 less than 2011 Q4, but approximately \$219,000 higher than the comparative Q1 2011 period. Compared to the Q1 2011 period, in the Q1 2012 period, the Company spent approximately \$120,000 more on business promotion and travel, \$47,000 more paid to consultants, and \$21,000 more for regulatory fees. The Company attended more trade shows and investor meeting in Q1 2012 compared to previous quarterly periods. In connection with obtaining listing on the OTCQX US market, the Company incurred higher consulting and regulatory expenses in Q1 2012.

In Q2 2012 the Company expenditures for business promotion, travel, consultants, and regulatory fees were more consistent with the quarterly amounts spent in the previous fiscal year compared to the unusually higher amounts spent in 2012 Q1.

The Q3 2012 loss increased due to increases in: consulting fees \$30,000; travel \$10,000; and foreign exchange loss \$30,000. These increases were partially offset by a \$28,000 reduction in professional fees and a \$34,000 reduction in share-based payments charges compared to the previous quarter.

The Q2 and Q3 2011 long-term debt is the Company's 3 year \$500,000 convertible debenture loans plus the estimated asset retirement obligation in connection with environmental and reclamation costs on the Tahuehueto property. The asset retirement obligation was determined in direct relation to the area disturbed by the Company's drilling activities. During Q2 2009, drilling activities were suspended at Tahuehueto; accordingly no additional asset retirement charge was recorded during the subsequent quarterly periods up to May 31, 2011. The changes in the asset retirement liability are due to foreign exchange adjustments.

During the 2012 fiscal periods the Company has carried on some drilling activities on both its mineral properties. This work was designed, performed, and accomplished so as to minimize or avoid any environmental disturbances and therefore any additional estimated reclamation costs.

The Company had no long-term loans prior to Q2 2011. And in Q4 2011 the Company repaid the \$500,000 debenture loans, thereby reducing the long-term debt.

Results of Operations

The Company incurred \$462,937 in general and administrative expenses during the period ended November 30, 2011. Generally, expenses have been consistent with the comparative 2011 fiscal period, except as noted below. After the exclusion of amortization, share-based payments, and foreign exchange, total expenses increased by about \$150,000 in 2012 relative to the comparative 2011 fiscal period.

Professional fees include legal, accounting, and audit fees. Legal fees have increased, while accounting fees have decreased compared to the previous period. Generally there has been an overall increase in the volume of transactions resulting in increased administrative costs including current accounting fees. However one of the Mexican subsidiaries is being audited by Mexican tax authorities. This has resulted in additional accounting and legal fees not incurred in the previous year.

The actual 2011 audit fees charged by the Company's Canadian auditors increased by about \$12,000 as a result of a increase in the time required to complete the audit correlating to the increase in the Company's business activities in the 2011 fiscal period. There is also a corresponding increase in the accrued audit fees for the fiscal 2012 year-end audit.

Business promotion expenses include fees paid for advertising, development and production of promotional materials, registration fees for trade shows, corporate communication services. Business promotion increased about \$17,000 as a result of attendance at various trade shows and some private promotional meetings.

Travel expenses include the costs of vehicles, airfares, accommodation, and meals for a variety of business trips

related to securing financing and meetings, as well as attendance at a trade show. Travel expenses have increased by about \$15,000 as the Company has made several trips to trade shows and financial centres in an effort to raise the Company's profile and to raise investment capital.

Communications expense includes the costs of Soho's news releases, office telephones, fax, mobile phones, web site design and maintenance, web hosting and internet access services. These expenses are mostly consistent with the previous 2011 Q3 period, except for news releases. There were fewer news releases in the 2012 Q3 period, and this cost declined accordingly.

Although there was an increase in the rent of the Company's Vancouver office space, this has been partially offset by the Company sub-leasing some surplus office space. This rental revenue has been offset to rent expense.

Salaries and benefits decreased due to there being one less employee than in the previous period last year. The savings has been partially offset by higher wages for some employees effective in the 2012 Q2 period.

In May 2011 the Company obtained a listing on the OTCQX stock market in the U.S.A. In connection with this listing the Company agreed to pay a monthly consulting fee of US\$7,250 for a Principal American Liaison ("PAL") to sponsor the OTCQX membership. This resulted in an additional \$22,185 consulting fee expense compared to 2011 Q3. In addition the Company incurred fees of approximately \$48,600 paid to three consultants for financial consulting associated with the Company's on-going search for additional sources of financing. This was partially offset by the write-off of \$14,000 of 2011 consulting fees previously charged by a director of the Company, and subsequently terminated in Q2 2012.

The Company's Tahuehueto project is located in a remote area, a considerable distance from any commercial and business centres. To facilitate the expanded exploration activities on the Tahuehueto property, in June 2006 the Company established an office in Durango City, Durango, Mexico. This office oversees the administration of the exploration activities, including the procurement of services, supplies, and equipment from local vendors. As the office exists solely for the benefit of the exploration activities, the costs of maintaining and operating the office have been included with the Tahuehueto deferred exploration costs. These office and administrative costs include personnel salaries, rent, communications, office supplies, and office equipment.

In addition to the Durango office, the Company rents warehouse space primarily for the storage of diamond drill core sample materials extracted from the Tahuehueto property. The sample material, reject samples, and pulps are stored here after delivery from the preparation lab. The warehouse is also used to temporarily store supplies and equipment prior to being shipped to the Tahuehueto project.

If the Company's has large surplus cash balances, it is held in an interest bearing deposit, and drawn upon only as funds are needed for operations. The Company has not recently had sufficient surplus cash balances to earn any significant interest income.

The \$342,772 receivables at November 30, 2011 are refundable IVA and HST taxes (value added taxes) due to the Company from the governments of Mexico and Canada. During the November 30, 2011 fiscal period the Company received approximately \$19,500 of HST refunds, and no IVA refunds. Subsequent to November 30, 2011, up to the date of this report, the Company has received an additional HST refund of over \$14,500. The Mexican tax authorities have established some additional requirements for IVA tax refund claims. The Company is working to fulfill these additional requirements, and expects to receive further IVA refunds over the next few months.

Except as may be otherwise indicated, all of the above noted transactions have received regulatory approvals, where required.

With the January 2011 financing completed, the Company scaled-up exploration activities at Tahuehueto, following the recommendations in the Snowden PEA report to advance the project. The Company also initiated an exploration program on its Jocuixtita property. This increased exploration activity started in February 2011, during the period ended November 30, 2011 the Company spent about \$1,775,00 on exploration compared to \$498,000 in the comparative November 2010 period.

Resource Properties and Investments

Tahuehueto Mine Project, Mexico Overview

Through a 99%-owned Mexican subsidiary, Soho Resources Corp. controls 100% of the Tahuehueto project situated in a historic mining district of northwestern Durango State. The 9,081-hectare property covers at least 12 known mineralized zones hosted within a structurally controlled epithermal system that has been traced for more than six kilometres.

Tahuehueto lies within the prolific Sierra Madre mineral belt, which hosts a series of historic and producing mines and most of Mexico's active exploration and development projects. The project is situated approximately 100 kilometres southwest of silver mines in the Guanacevi region, and about 25 kilometres north of the silver mines at Topia.

Access to the property is by road, about nine hours from Durango City, or by fixed-wing aircraft to a nearby landing strip. The project site is remote, with only a few small villages in this portion of the Municipality of Tepehuanes. Recent initiatives of Mexico's Durango state government provide Soho with the possibility of an alternative and much improved access route for the Tahuehueto project. Scheduled for completion in late 2010, a new two lane paved highway under construction will connect northwestern Durango State to Sinaloa State near Culiacan. This new highway passes close to Topia near Canelas and exits the Sierra Madre Mountains at Tamazula, a mere 45 km from Culiacan, the capital of Sinaloa State. In order to connect to this new highway, Soho will need to construct a new access road of approximately 18 km connecting to existing road infrastructure close to Topia. This would provide direct access to the new highway thereby markedly improving the access to the project.

Spanish explorers were the first to discover the gold-silver veins at Tahuehueto, but were unable to process the sulphide mineralization. Various companies explored the property, starting in the early 1900s, leading to development of underground workings and very limited historic production. Soho acquired rights to the project in 1997, shortly after the Mexican government reformed its mining laws and adopted new policies aimed at attracting foreign investment to the mining sector. The Company was attracted to Mexico because of its vast geological potential and favorable investment climate, and to the Tahuehueto project because of the evidence of a highly mineralized epithermal system, past exploration activity, and excellent potential for significant new discoveries. It was also noted that geologically similar deposits in nearby districts have produced millions of ounces of gold and silver, along with associated base metals in some cases, from multiple zones and structures. One such example is the La Cienega mine, owned and operated by Penoles, Mexico's largest mining company. This large-scale underground mine hosts more than one million ounces of gold in reserves, and also produces silver, lead and zinc. Another is San Dimas District, which hosts several large underground mines that have produced more than 9 million ounces gold and 700 million ounces silver from about 22 structures. Goldcorp Inc. controls the San Dimas district and surrounding mines through its subsidiary Luismin Mines.

Ownership and Access Rights

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

In 1997, pursuant to a share purchase agreement, and one amendment thereto, the Company acquired, through its wholly-owned Mexican subsidiary Samarkand de Mexico, 85% of the issued and outstanding capital stock of Sacramento and subsequently acquired an additional 5%. In March 2007 the Company converted a portion of inter-company debt between Samarkand and Sacramento into equity, thereby increasing its ownership in Sacramento to 99%. Sacramento holds a 100% interest in the Tahuehueto mineral property, located in Durango State, Mexico. Certain core concessions of the property, comprising approximately 1,535 hectares, are subject to a 1.6% net smelter returns royalty.

On December 4, 2006 the Company settled its outstanding obligation to one of the vendors, Senor Alberto Shade Zavala, and in doing so, as part of the settlement, the Company also purchased Senor Shade's 0.4% net smelter return royalty interest covering a portion of the previous net smelter return held by the vendors, thereby reducing the outstanding net smelter return on the Project to 1.6% from 2%. Total compensation paid by the Company to

Senor Shade was US\$50,000, representing his pro-rata portion of the final payments due to the vendors under the original Share Purchase Agreement, plus US\$75,000 and 200,000 common shares priced at \$0.56 per share for the 0.4% net smelter return royalty interest. These shares were issued during the period ended May 31, 2007 at a total value of \$112,000.

Pursuant to the share purchase agreement and its subsequent amendment as referred to above, the Company is obligated to make a final payment of US\$200,000 to the remaining two vendors of the Sacramento shares.

Based upon regional reconnaissance work in and around Tahuehueto, Soho staked additional concessions covering approximately 7,018 hectares to encompass most of the prospective ground in the Tahuehueto district. This staking brings Soho's total Tahuehueto project area to 9,081 hectares.

In May 2006, the Company entered into a Surface Rights Agreement with Comunidad La Bufo, the local community residents' formal legal entity. The Surface Rights Agreement has an initial term of ten years expiring in May 2016, and is extendable for an additional five years. The agreement covers the core 2,062 original hectares of the project and allows the Company unrestricted access to explore, develop and mine metals within the area covered under the agreement. Sacramento will make annual payments to Comunidad La Bufo over the term of the agreement, at US\$20,000 in the first year with subsequent payments increasing from the previous year's payment by 5% annually. In addition, upon commencement of commercial production the annual payment will be increased by 50% of the previous year's payment.

Exploration Highlights

NI 43-101 Preliminary Economic Assessment

On October 4, 2010 Soho announced the results of a Preliminary Economic Assessment ("PEA") prepared by Snowden Mining Consultants for its Tahuehueto Project. Results demonstrate the possibility for economic returns using three-year rolling average gold, silver and base metal prices. Highlights are as follows:

Summary of PEA Estimates	
Net cash flow	US\$ 184.2 million
Net Present Value (NPV) 5% Discount Rate	US\$ 109.6 million
Internal Rate of Return (IRR)	31%
Payback period	27 months
Mine life	11 years
Maximum processing rate per annum	1,000,000 tonnes
Capital & startup costs	US\$ 89.1 million

Metal Selling Prices

Metal	Sell Price – US\$	Source
Gold	965.81/oz	London PM fix price (Centennial Precious Metals, Inc. 2010)
Silver	15.38/oz	London fix price (Silver Institute, 2010)
Copper	2.92/lb	LME grade A cathode spot price, CIF European ports (IMF, 2010)
Lead	0.95/lb	LME 99.97% pure spot price, CIF European ports (IMF, 2010)
Zinc	0.88/lb	LME high grade 98% pure spot price, CIF UK ports (IMF, 2010)

The delivery of these PEA numbers is one of the most significant milestones in the history of the Company and clearly demonstrates the potential economic viability of the Tahuehueto Project. It is important to note that this economic assessment was calculated from the resource as outlined in the most recent 2009, NI 43-101 compliant mineral resource. Very significant upside exploration potential exists within the unexplored portions of the current resource structures, both along strike and down dip, as well as in the many other separate mineralized structures known to occur, but yet unexplored, within the project concessions. Management is confident that with additional exploration and development the projected 11 year mine life outlined in the PEA could be significantly extended.

The PEA was prepared by Snowden in accordance with the requirements of Canadian National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). It contemplates a combination of an open pit operation at the El Creston Zone along with underground operations at Cinco de Mayo, El Creston and El Rey, utilizing mechanized low-cost Long Hole Open Stope ("LHOS") mining methods. Metallurgical test work, as previously disclosed, indicates that sulfide flotation methodology will produce separate copper, lead and zinc concentrates.

As part of their report Snowden completed a preliminary Life of Mine (LOM) schedule for the combined open pit and underground operations. Key findings from this schedule include:

- Potential mine life of greater than ten years, with the mill operating at full capacity from Year 2 to 8
- Potential mill feed over the Life of Mine of 9.0 Mt with average grades of 1.64 g/t Au, 28 g/t Ag, 0.18%Cu, 0.87%Pb and 1.64%Zn
- Cinco de Mayo underground operates over the whole mine life with a steady production rate at or near 300 Kt per annum
- Creston open pit is mined from Years 1 to 8
- El Rey and Creston underground operations commence in Year 6
- A substantial spike in the gold grade during Year 2 of 3.5 g/t

Capital cost estimates are based on a new plant and equipment, published costs for similar projects and information contained in Snowden's database, and including scoping level quotes from contractors and suppliers, or scaling from other projects in similar locations.

Note that:

- Mining costs are based on the use of contractors, therefore the mobile equipment fleet is not included as a capital cost
- All underground development has been treated as an operating cost
- Sustaining capital is provided for at 2.5% of startup costs per annum

In undertaking the economic analysis of the project, Snowden made the following assumptions:

- No provision was made for exploration expenditure attributable to the operation
- No provision was made for environmental bonds, rehabilitation costs or salvage revenues
- No provision was made for project financing arrangements or sales arrangements other than spot price contracts
- No provision was made for depreciation of capital expenditure
- No provision was made for government royalties or taxes
- No provision was made for inflation of costs with time

The PEA developed a number of conclusions and recommendations for future work. It can be concluded from the current study that there is potential for a profitable project to be established at Tahuehueto. An open pit operation is potentially viable at El Creston, whilst resources with potential for economic underground mining exist at Cinco de Mayo, El Creston and El Rey.

Snowden also concludes that there is the possibility for open pit mining at Cinco de Mayo, however, until an assessment of the geotechnical stability of the cliff face above the Cinco de Mayo zone has been completed, the resource contained there has been excluded for open pit mining and all material remains in the underground mine plan.

Metallurgical test work indicates that it will be possible to use flotation to produce separate copper, lead, and zinc concentrates.

The financial modeling assumptions deliver a significant mine life of 11 years at a maximum processing rate of 1 Mtpa (2750 tpd). An IRR of 31% is achieved on cash flow of US\$184.2 Million.

It is recommended that Soho continues with its evaluation of the Tahuehueto Project and progresses towards undertaking a Prefeasibility Study to address the remaining material project uncertainties.

Resource estimation recommendations:

- Undertake a study based on the existing data to determine appropriate drill hole spacing and orientation with an aim to increase the confidence in the resource classification to ensure sufficient Measured and Indicated Resource so that upon completion of a Prefeasibility Study these can be converted to Reserves.
- Undertake a drilling program at a spacing and orientation recommended by the drill hole spacing study so that more of the resource can be classified as Measured or Indicated which may then be converted into Reserves after completion of a Prefeasibility Study.
- Review the resource confidence classification criteria for future resource estimates and ensure that all aspects affecting confidence in the resource estimation are considered, including geological understanding, complexity, and continuity, the sample data density and orientation (including sample grades and bulk density data), the data accuracy and precision as established through the QAQC programs, grade continuity including the spatial continuity of mineralization, the quality of the estimates, and the results of the estimation validation.

Metallurgical

- Assess the use of alternative depressants and alternative addition rates in the bulk rougher circuit
- Assess alternative depressants in the copper-lead separation stage
- Determine the role of finer primary grinding on zinc selectivity in the bulk rougher flotation stage. That may lead to the use of zinc depressants in the bulk cleaner circuit in an attempt to divert more of the zinc to the zinc concentrate.
- Assess the role of regrinding
- Conduct Work Index testing
- Undertake tests to determine the processing variability between the “fresh” and the “supergene” zones and the effect of randomly comingling of ore types.

Other

- Undertake a program of geotechnical logging, testing and analysis so that the potential of an open pit at Cinco de Mayo can be established (which would substantially increase the value of the project), and that better definition of underground and open pit geotechnical design criteria can be achieved
- After completion of the recommended program of data collection, embark on a Prefeasibility Study where construction and operating costs can be defined more accurately so that reserves can be calculated and some trade-off studies undertaken.

With the release of the Preliminary Economic Assessment Soho plans to advance the project through Pre-feasibility and Feasibility toward production. In order to do so, the Company is seeking to add experienced mining engineering and construction personnel to its management team and Board of Directors. Given the favorable results of this current economic assessment and the upside potential contained within the future exploration and development potential of the project, the Company is very confident in its ability to locate and secure additional expertise, dedicated to developing a profitable mining operation at Tahuehueto.

NI 43-101 Resource Calculation

On May 11, 2009 the Company released the results of the updated NI 43-101 compliant mineral resource estimate. This 2009 resource estimation has been prepared by Scott E. Wilson Consulting, Inc. (“Wilson Consulting”) based in Englewood, Colorado. Wilson Consulting is a full-service mining engineering firm, specializing in all aspects of exploration, mine development, and mine operations. This new resource estimate is an upgrade to the Company’s initial resource estimate announced on April 30, 2008 and is based upon detailed geological modeling of veins and stock-work zones that was not available for the initial resource estimate plus, 71 new drill holes targeting down-dip and along strike extensions of known mineralization outlined in the initial resource report of April of 2008.

2009 Tahuehueto Resource Calculation Highlights

Measured and Indicated Resources 7,377,000 Tonnes

- 2.10 g. Au/t 498,000 ounces Au
- 34.97 g. Ag/t 8,294,000 ounces Ag
- 0.28% Cu 45,339,000 lbs. Cu
- 1.06% Pb 172,738,000 lbs. Pb
- 2.01% Zn 326,653,000 lbs. Zn

Inferred Resource 4,868,000 Tonnes

- 1.06 g. Au/t 166,000 ounces Au
- 31.77 g. Ag/t 4,971,000 ounces Ag
- 0.23% Cu 24,935,000 lbs. Cu
- 1.13% Pb 132,417,000 lbs. Pb
- 2.26% Zn 242,241,000 lbs. Zn

The Tahuehueto Resource is categorized into Measured, Indicated and Inferred Resources as follows:

Category		Tonnes (,000's)	Gold (Au)		Silver (Ag)		Copper (Cu)		Lead (Pb)		Zinc (Zn)	
			g/t	Oz. (,000's)	g/t	Oz. (,000's)	Cu%	Lbs. (,000's)	Pb%	Lbs. (,000's)	Zn%	Lbs. (,000's)
Measured	26%	3,254	2.40	251	36.30	3,798	0.28	20,439	1.10	79,228	2.07	148,759
Indicated	34%	4,123	1.87	248	33.92	4,496	0.27	24,900	1.03	93,511	1.96	177,894
Total M&I	60%	7,377	2.10	498	34.97	8,294	0.28	45,339	1.06	172,738	2.01	326,653
Inferred	40%	4,868	1.06	166	31.77	4,971	0.23	24,935	1.23	132,417	2.26	242,241

The cutoff grades used to determine the above mineral resources were 2 grams per ton AuEQ for sulfide mineralization and 3 grams per ton AuEQ for oxide mineralization since the potential costs to extract oxide material may be higher than the cost to process sulfide mineralization. Approximately 10% of the resource is oxide mineralization and therefore only a minor part of the resource.

The metal prices used to determine the gold equivalent grade for cutoff purposes only were \$800 per ounce for gold, \$12.00 per ounce for Silver, \$2.10 per pound for copper, \$0.65 per pound for lead and \$0.70 per pound for zinc. Gold-equivalent grades are used for cutoff purposes only.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Converting resource estimates into economic reserves may be materially affected by the inability to obtain required environmental and other regulatory approval, environmental or operating permits and may also be materially affected by global economic conditions such as the price of gold, silver, copper, lead, zinc, the price of oil and other commodities utilized in the mine production. Unknown geologic or hydrologic conditions or other unknown factors may also materially affect converting resource estimates into reserves.

Please refer to the Company's web site at www.sohoresources.ca for the full details of both the preliminary economic estimate and the resource estimate report.

Exploration Activities

Soho's exploration programs have significantly enhanced the overall potential of the Tahuehueto property. To date Soho has completed more than a cumulative total of 47,300 metres of drilling in approximately 248 drill holes at Tahuehueto to define priority zones occurring within a district-scale epithermal system traced for at least six kilometres at Tahuehueto. The bulk of 2007/2008 drilling was focused on resource definition within five priority zones.

The Company has embarked on an exploration and data collection program at Tahuehueto to advance the project towards prefeasibility studies, including:

- Geotechnical slope stability studies at the Cinco de Mayo zone to prove the stability of the above cliff face so the zone may be brought into the open pit mining plan.
- Core drilling as required to upgrade the inferred resource into the measured and indicated resources category. Four infill core drill holes have been completed to date, all in the Cinco De Mayo zone.
- The collection of environmental data required for prefeasibility studies and feasibility studies for future mine planning is ongoing with data continuously being collected.

Knight Piésold Ltd., a specialized international consulting company offering engineering and environmental services in mining, environment, hydropower, water resources, and roads & construction services around the world has been retained by Soho to conduct geotechnical and water/waste management design studies for the Tahuehueto Project. This work is the first step towards completing a prefeasibility study for the Tahuehueto Project as the Company advances the project towards a production decision. Knight Piésold commenced an initial phase of work that concentrates on high priority items identified in the PEA. Knight Piésold's studies will include, a geotechnical assessment of the proposed El Creston open pit, geotechnical input and assessment to the possible open pit at Cinco de Mayo (not included in the PEA), plus the investigation of one or more, Mine Development Concepts ("MDC") where each MDC would be a combination of alternative mine access points, plant-site locations, waste rock and tailings storage facility locations and water management concepts, to ultimately arrive at an overall optimum MDC.

Knight Piésold has completed phase 1 of a 2 phase work program. The phase 1 program consisted of the following work:

Structural Mapping

- Underground structural mapping data reduction and analysis.
- The identification of design sectors and preliminary design slopes for the El Creston open pit is complete.
- The SiroVision analysis of the cliffs above the El Creston open pit. The stability model shows it is reasonable to develop an open pit in the Cinco de Mayo area.on-going. (SiroVision is a proprietary high resolution digital camera technology used to evaluate mine site geotechnical and geo-mechanical structures.)

Tailings and Waste Management

- The identification of potential tailings storage facility sites.
- The calculation of potential tailings storage facilities capacity and sizing.
- The development of presentation figures showing the potential tailings management options.

Site Layout

- The general site layout plan and 3D image showing site roads, plant site, open pit, waste rock dumps and tailings storage facility.

Knight Piésold has presented the company with a technical report for the first phase of work. This report contains a recommended Mine Development Concept ("MDC") for the pre-feasibility base case design based on the PEA and the findings of Knight Piésold's geotechnical site review. This MDC envisions a combined tailings and waste rock dump that integrates the waste rock management and the tailings management. The co-disposal facility has been sized to store of 35 M tonnes (20 Mm³). This is in excess of the calculated total volume required and the additional volume provides expansion capacity.

Knight Piesold also provided preliminary recommendations for open pit slopes at the Cinco de Mayo zone, based upon findings of initial field inspections of the cliff faces and rock exposures in and around the Cinco De Mayo Zone. Additional geotechnical data collection and further slope stability analyses will be required to confirm this preliminary observation during the Phase 2 engineering study program.

During the development of the MDC, Knight Piésold identified several additional areas that could potentially improve the mine economics as follows:

- The development or partial development of the Cinco de Mayo zone by open pit methods.
- The development of a combined tailings/waste rock dump in the valley immediately below the El Creston pit. A preliminary storage capacity evaluation and layout has been completed. This preliminary analysis shows sufficient capacity exists in the valley to store the combined waste rock and tailings. The potential benefits of this relocation are a reduced haul distance for waste, a reduced watershed catchment area to be managed, and the containment of major surface disturbances to within one valley.
- The development of a plant site and dry stack tailings storage facility ("TSF") on the relatively flat ground to the west of Cinco de Mayo deposit. The capital costs at this site for mill and initial TSF construction are expected to be lower than the capital costs in the steeper slope area closer to the deposits. However, the

operating costs are expected to be higher due to the greater distance from the Cinco de Mayo and El Creston deposits. A desktop trade off study to evaluate the impact of capital and operating costs should be completed to evaluate the economic value of a mill site located further from the deposit.

Phase 2 of Knight Piezold's work will build on data gathered in Phase 1 to complete investigations and engineering studies relating to waste & water management and environmental management for a 43-101 compliant Pre-Feasibility Study. Phase 2 work, to be initiated when funding permits, will consist of Geotechnical and Hydrogeological Investigations, Tailings Management Design, Waste Rock Dump Design, Site-wide Water Management and Environmental Management.

Environment and Community

Soho conducts its exploration and development activities in a socially and environmentally progressive manner consistent with the principles of Sustainable Development. Particular emphasis is placed on establishing good relationships with community leaders and residents, as well as state authorities to ensure citizens are kept informed of the Company's exploration activities.

As the Tahuehueto project advances from exploration and development to the pre-feasibility stage, environmental baseline studies will lay the foundation for more detailed programs examining all aspects of potential mine development to ensure the highest standards of environmental protection. The Company will continue to comply with all regulations and closely monitor its activities to minimize damage to the ecosystem.

Soho participates in a range of social initiatives in support of local communities, and has already helped to establish a local school and improve electrical, water supply and sanitation facilities. Soho established a medical clinic on the project site which services the crew and is available to the local populace. Local hiring and procurement policies have been adopted to ensure that benefits flow to the communities and region surrounding the project.

Jocuxtitita Property, Mexico

Ownership and Access Rights

The Jocuxtitita Property consists of eleven contiguous mining concessions covering a cumulative area of 4,103 hectares located near to the town of San Ignacio and is approximately 120 km north from the city of Mazatlan, State of Sinaloa, Mexico. The property is road accessible from San Ignacio and is close to all necessary infrastructures for further development.

Six of the mining concessions cover a contiguous area that encompasses 1,573 hectares. These six mining concessions are owned by two different vendors and are the subject of two separate purchase and option agreements. The remaining five mining concessions on 2,530 hectares adjacent to the concessions mentioned above, were staked by the Company's subsidiary Samarkand, and therefore are owned directly by Samarkand. Samarkand entered into one agreement with Esteban Hernandez Rodriguez and Erelinda Acuña Acuña (the "Hernandez Option") and a second agreement with Luis Saul Quintero Triana (the "Quintero Option"). Both agreements grant Samarkand the right to explore and acquire a 100% interest in the respective concessions. In order to maintain the right to explore and exercise the Hernandez Option and Quintero Option, Samarkand must make cumulative payments totaling US\$1,010,000 (US\$810,000 over a period of six years in the case of the Hernandez Option and US\$200,000 over a period of three years in the case of the Quintero Option). Up to a maximum of US\$372,660 of the option payments may be made by payment of Soho shares. To the date of this report, the Company has paid the vendors US\$145,000 (US\$100,000 under the Hernandez Option and US\$45,000 under the Quintero Option), and issued 375,780 Soho shares valued at US\$20,000.

For the Hernandez Option, the vendors maintain a 2% NSR royalty on the applicable concessions. Samarkand may acquire 1.75% of the 2% NSR by making a cash payment of US\$612,500 to the vendors of the Hernandez Option. For additional details on the schedule of payments please visit the Company's website at www.sohoresources.ca.

In May 2011, the Company entered into a Surface Rights Agreement with Ejido Veranos, the local community residents' formal legal entity. The Surface Rights Agreement has an initial term of thirty years expiring in May 2041. The agreement covers the core 3,020 hectares of the project and allows the Company unrestricted access to explore, develop and mine metals within the area covered under the agreement. Under the terms of this agreement the Company must pay an annual fee based on the area occupied, and adjusted annually for inflation.

The fee due for the 2012 fiscal year of MXN\$174,493 (Cdn\$14,030) was paid in June 2011. In addition, upon commencement of commercial production the annual payment will be increased by 263% of the previous year's payment.

Jocuxtitita Exploration Activities

The Jocuxtitita Property hosts a number of northwest and cross cutting northeast, trending epithermal vein structures mineralized with silver, gold, lead and zinc. The principle structure hosting the El Carmen – La Salvadora – El Eden historic mine workings has been traced over a minimum of 3 km of strike length.

The Company commenced a first phase exploration program on the Jocuxtitita Project in February 2011. Access road rehabilitation was completed in the first week of March allowing crews to access the project and establish a base camp and start preliminary geological investigations of the mineralized zones and existing accessible underground adits. Geological mapping within and around the principle mineralized zones is continuing along with surface and underground channel sampling within the various zones, know to occur on the project.

Assay results for initial surface and underground sampling from the La Salvadora Zone within were released publically May 25, 2011. Highlights of the sampling results are as follows,

Total Width of Sample Line	Weighted Averages of all samples along sample line			
	Silver g/t	Gold g/t	Lead %	Zinc %
6.3 Meters	246.47	0.63	1.02	5.44
4.6 Meters	238.40	0.64	0.67	3.51
4.35 Meters	189.24	0.54	1.01	6.76
3.1 Meters	80.58	0.63	0.90	3.53
1.75 Meters	134.00	1.22	0.69	5.05

Results presented above represent a series of either, channel samples cut with a diamond saw, or continuous hammer chip samples, collected across the mineralized Salvadora Zone. Individual samples are not more than 1.75 m in width and where necessary, up to five individual samples were collected along a single sample line. In all cases sample lines do not represent the full width of the mineralization, as all individual samples at both ends of all sample lines ended in mineralization. In addition, on surface, overburden cover restricted sampling the true thicknesses of the zone. Maps displaying the location of the La Salvadora Zone within the Jocuxtitita Property, plus individual sample locations, detailed assay results, and photographs of the sample sites, where available, can be viewed at the following link on the company's website (<http://www.sohoresources.ca/index.php?nav=24>).

During May to July 2011, Soho conducted a first phase exploration program at the Jocuxtitita project consisting of geological mapping, surface and underground sampling followed by a diamond core drilling program using a small drill rig drilling BTW thin-wall sized drill core. Thirteen drill holes were completed reaching their target depth while five holes failed to reach their target depth and where abandoned due to difficult ground conditions that the small diamond drill was unable to overcome.

Significant results were obtained in 11 of the 13 holes completed. Highlights of some of the weighted average drill intersection assay results are as follows,

- **JCX-09:** from 85.7m to 96.5m - 10.8 meter width grading 165.38 g/t silver including 1.0m grading 1,050g/t (1.05 kg/t) silver and 0.73g/t gold plus, a second deeper intersection from 116-121.4m depth for 5.4m width grading 295.63 g/t Silver, including 1.0m of 1,500 g/t (1.5kg/t) Silver
- **JCX-18:** from 39.0m to 44.25m - 5.25 meter width grading 350.84 g/t Silver, 0.41 g/t Au including 1.7m grading 989 g/t silver and 1.13g/t gold plus **JCX-17:** from 43.3m to 49.0m - 5.70 meter width grading

138.74 g/t silver including 2.2m grading 292g/t silver, a second deeper intersection from 70.0-82.0m depth for 12m width grading 183.95 g/t Silver, including 3.0m of 409.12 g/t and 0.68g/t gold

- **JCX-07:** from 157.7m to 167.6m - 9.95 meter width grading 159.54 g/t Silver including, 6.10m grading 230 g/t silver.

A complete list of all significant weighted average drill hole assay intervals, a drill hole location map, and a completed list of all individual assay results for all holes can be viewed at the Company's web site at the following addresses:

- Assay Drill Results: <http://www.sohoresources.ca/index.php?nav=77>,
- Drill Hole Location Map: <http://www.sohoresources.ca/index.php?nav=71>

This first phase drilling program tested the EL Carmen and La Salvadora zones that are separated by approximately 700 m along a principle northwest - southeast trending structure. The EL Carmen zone appears to be the best mineralized area based upon the limited amount of drilling conducted to date. Within the EL Carmen area there are at least two crosscutting structures named Ano Nuevo and El Caballo both trending northeast – southwest. These two structures have returned very high grade assays. Future drilling programs, when funding permits, will follow up these structure, further explore both the EL Carmen and La Salvadora zones as well as explore the other unexplored areas of the Jocuixtita Project.

The Company will continue attempts to identify and acquire additional high quality exploration projects that will allow continued corporate growth. This search is primarily being conducted in Mexico but the Company would not rule out acquisitions in other jurisdictions depending upon the quality of a potential acquisition opportunity.

Corporate, General, and Administrative

Directors and Officers

At the Company's Annual General Meeting (the "AGM") held on November 3, 2011, shareholders elected the following individuals as directors of the Company:

Ralph Shearing
John Lynch
Yao Sun
John Anderson

Arthur Freeze
William Howald
Lianxi Zhang

At a subsequent directors meeting, the following director and officer appointments were made:

Audit Committee – Ralph Shearing, William Howald, and John Lynch
Human Resources & Compensation Committee – Arthur Freeze, John Lynch, John Anderson
Advisory Board – Paul Chung and Jack Miller
President and Chief Executive Officer – Ralph Shearing
Chief Financial Officer - Donald Crossley
Vice President Asia Pacific Region – Yao Sun

In December 2011, Mr. Miller resigned his position on the advisory board, and Mr. Barry Clark was appointed Vice-president of Corporate Development.

Management Agreements

In October 2007 the Company entered into an employment contract with Ralph Shearing to provide general management services to the Company for a monthly fee of \$13,333 and was granted 400,000 share purchase options. Mr. Shearing is the CEO and a Director of the Company. In January 2009, in light of the poor junior capital markets and the Company's restricted cash resources, Mr. Shearing agreed to temporarily reduce his monthly salary by 25% to \$10,000 per month.

In March 2009 the Company entered into an employment contract with Yao Sun to provide general management services to the Company for a monthly salary of \$3,000, and was granted 300,000 share purchase options. Mr. Sun is the Vice President Asia Pacific Region and a Director of the Company. This employment agreement was terminated effective March 31, 2010; Mr. Sun remains a director and officer of the Company.

On April 1, 2010, the Company entered into an employment contract with Mr. Yu Sun, who is related to Mr. Yao Sun, a Director of the Company. Under the terms of the employment contract, Mr. Yu Sun will assist the Company with its business development plans in China and is paid a salary of \$3,000 per month.

In February 2009 the Company entered into a consulting agreement with John Anderson, a Director of the Company, to provide general management and financial services to the Company for a monthly fee of \$2,000. This agreement was temporarily suspended effective March 1, 2011, and retroactively terminated in August 2011.

On December 1, 2011 the Company entered into a consulting agreement with Regal Barrington LLC, a company controlled by Barry Clark, an Officer of the Company, to provide general management, business development, and financial services to the Company for a monthly fee of \$8,333. In connection with this agreement Mr. Clark was appointed Vice-president of Corporate Development.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties. These agreements have received regulatory approval where required.

Financing Activities

On August 9, 2011, the Company completed a non-brokered private placement of 13,590,000 units at \$0.10 per unit for total proceeds of \$1,359,000. Each unit consists of one common share and a one-half transferable share purchase warrant. Each whole share purchase warrant shall be exercisable for a period of two years; at a price of \$0.13 per share during the first year, and at a price of \$0.175 per share during the second year.

In connection with this financing the Company paid finders' fees of \$60,000, and issued 480,000 non-transferable share purchase warrants. Each share purchase warrant shall be exercisable for a period of two years; at a price of \$0.13 per share during the first year, and at a price of \$0.175 per share during the second year.

On September 29, 2011, a Director loaned the Company US\$100,000. This loan is for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 297,000 shares of the Company. This loan is subject to regulatory approval; accordingly the shares have not yet been issued.

On November 10, 2011, a Director loaned the Company \$100,000. This loan is for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 286,000 shares of the Company. On December 21, 2011, the same Director loaned the Company an additional \$100,000. This loan is also for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 286,000 shares of the Company. These loans are subject to regulatory approval; accordingly the shares have not yet been issued.

In January 2012 the Company initiated a non-brokered private placement of up to 12,500,000 units of the Company. Each unit is priced at \$0.06 per unit for total gross proceeds of up to \$750,000. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each one whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.10 within two years of its date of issuance.

As of the date of this report, the Company has received subscription payments of \$150,000 with respect of this private placement financing.

Share Stock, Warrants, and Options

Share Capital

At January 30, 2012, there have been no changes in the issued share capital from the information provided in the November 30, 2011 financial statements.

Warrants

At January 30, 2012, there have been the following changes in the warrants outstanding from the information provided in the November 30, 2011 financial statements:

- a) The January 24, 2012 expiry date of 15,290,000 warrants was extended to January 24, 2013.
- b) 229,750 warrants expired on January 24, 2012 without being exercised.

As at January 30, 2012 the following share purchase warrants were outstanding:

Number of Shares	Exercise Price	Expiry Date
4,000,000	\$ 0.10	August 3, 2012
6,000,000	\$ 0.10	September 13, 2012
15,290,000	\$ 0.15	January 24, 2013
7,275,000	\$ 0.13 ⁽¹⁾	August 9, 2013
32,794,750		

(1) The exercise price of these warrants is \$0.175 in their second year.

Stock Option Plan

A 2011 Stock Option Plan was approved by the shareholders on November 3, 2011, at the Company's AGM. Under the 2011 plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 10 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

On September 1, 2011, the Company granted 400,000 stock options to a consultant at an exercise price of \$0.10 per common share, expiring on September 1, 2015. At the same time 400,000 stock options to a consultant at an exercise price of \$0.10 per common share, expiring on September 1, 2012 were cancelled.

On October 1, 2011, the Company granted 500,000 stock options to a consultant at an exercise price of \$0.10 per common share, expiring on October 1, 2016.

On December 1, 2011, the Company granted 600,000 stock options to a consultant at an exercise price of \$0.10 per common share, expiring on December 1, 2016.

During December 2011 250,000 stock options to two consultants at an exercise price of \$0.10 per common share expired or were cancelled.

At January 30, 2012, the following share purchase options were outstanding:

Number of Shares	Exercise Price	Expiry Date
200,000	\$0.10	March 19, 2012
150,000	\$0.10	April 25, 2012
25,000	\$0.10	May 10, 2012
250,000	\$0.10	September 1, 2012
3,465,000	\$0.10	March 20, 2014
425,000	\$0.10	May 1, 2014
200,000	\$0.10	September 1, 2012
550,000	\$0.10	September 1, 2015
500,000	\$0.10	December 1, 2013
325,000	\$0.10	December 1, 2015
5,025,000	\$0.115	February 1, 2016
50,000	\$0.10	April 1, 2016
575,000	\$0.10	August 1, 2016
500,000	\$0.10	October 1, 2016
600,000	\$0.10	December 1, 2016
12,840,000		

Liquidity

At November 30, 2011, the Company had a working capital deficiency of \$631,947.

On August 9, 2011, the Company completed a non-brokered private placement of 13,590,000 units at \$0.10 per unit for total proceeds of \$1,359,000. These funds were used for general and administrative expenses, and to fund exploration work at both the Tahuehueto and Jocuixtita mineral properties.

On September 29, 2011, a Director loaned the Company US\$100,000. This loan is for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 297,000 shares of the Company. This loan is subject to regulatory approval; accordingly the shares have not yet been issued.

On November 10, 2011, a Director loaned the Company \$100,000. This loan is for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 286,000 shares of the Company. On December 21, 2011, the same Director loaned the Company an additional \$100,000. This loan is also for a term of one year, bears interest at 10%, and a loan bonus is payable by the issuance of 286,000 shares of the Company. These loans are subject to regulatory approval; accordingly the shares have not yet been issued.

In January 2012 the Company initiated a non-brokered private placement of up to 12,500,000 units of the Company. Each unit is priced at \$0.06 per unit for total gross proceeds of up to \$750,000. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each one whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.10 within two years of its date of issuance.

As of the date of this report, the Company has received subscription payments of \$150,000 with respect of this private placement financing.

This financing will provide funds both for the Company to continue its exploration activities and for general working capital purposes. However the Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable operations in the near future. Due to financial market conditions affecting the junior resource public company markets, the Company may not be able to secure additional financing.

Investor Relations

The Company does not have any investor relations agreements. All investor relations activities are currently handled by employees of the Company.

Related Party Transactions

In addition to certain related party transactions mentioned above, the Company had additional significant transactions with related parties, as are summarized below.

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company, as follows:

Name	Nature of transaction
Ralph Shearing, CEO, Director	Salary
Donald Crossley, CFO	Professional fees
John Anderson, Director	Consulting fees
Yu Sun, related to a director	Salary
John Lynch, Director	Loans and Interest
Lianxi Zhang, Director	Loans and Interest

The Company incurred the following fees and expenses in the normal course of operations in connection with compensation of individuals who are key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	November 30, 2011	November 30, 2010
Consulting	\$ -	\$ 2,000
Interest	5,715	-
Professional fees	107,225	81,250
Salaries and benefits	117,000	117,000
	\$ 224,225	\$ 200,250

Trade and other payables include the following amounts owed to related parties:

	November 30, 2011	November 30, 2010
Consulting fees	\$ 10,000	\$ 18,000
Interest payable	2,288	-
Loans and advances	24,566	7,500
Professional fees	5,000	6,320
Salaries	27,000	84,000
	\$ 68,854	\$ 115,820

In February 2009 the Company entered into a consulting agreement with John Anderson, a Director of the Company, to provide general management and financial services to the Company for a monthly fee of \$2,000. Included in accounts payable at November 30, 2011 was \$10,000 for consulting fees due to John Anderson. This agreement was temporarily suspended effective March 1, 2011, and terminated in August 2011. At the same time Mr. Anderson also agreed to waive \$14,000 of consulting fees accrued by the Company in the 2011 fiscal year.

The Company has an employment contract with Mr. Ralph Shearing, who is the CEO and a director of the Company. Under the terms of the employment contract, Mr. Shearing is paid a salary of \$10,000 per month. During the period ended November 30, 2011 the Company paid or accrued a salary of \$90,000 with respect to this employment contract. At November 30, 2011 there is \$25,000 of salaries payable under this agreement.

The Company had an employment contract with Mr. Yao Sun, who is the Vice President Asia Pacific Region and a Director of the Company. This employment agreement was terminated effective March 31, 2010; Mr. Sun remains a director of the Company. During the period ended November 30, 2011 the Company paid or accrued a salary of \$Nil (2010- \$3,000) with respect to this employment contract.

On April 1, 2010, the Company entered into an employment contract with Mr. Yu Sun, who is related to Mr. Yao Sun, a Director of the Company. Under the terms of the employment contract, Mr. Yu Sun will assist the Company with its business development plans in China and is paid a salary of \$3,000 per month. During the period ended November 30, 2011 the Company paid or accrued a salary of \$27,000 (2010- \$24,000) with respect to this employment contract. At November 30, 2011 there is \$12,000 of salaries payable under this agreement.

The Company paid professional fees of \$107,225 (2010- \$81,250) to Mr. Donald Crossley, an officer of the Company. Mr. Crossley is a chartered accountant and the chief financial officer of the Company, and as such provides the company with general management, administrative, financial, and accounting services.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

Risk Factors and Uncertainties

Forward-Looking Statements

Certain statements made and information contained in this MD&A and elsewhere may constitute forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each management discussion and analysis. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of precious and base metals, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment, sufficient labour and subcontractors, and that the political environment within the Company's operating jurisdictions will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

The Company's ability to generate revenue and profit from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

Precious and Base Metal Price Fluctuations

The Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and

production of precious and base metals. The Company presently carries liability insurance; however any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

Exploration and Development

There is no known body of commercial ore on the Company's mineral properties. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. In addition, there can be no assurance that precious or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Government Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production; price controls; tax increases; maintenance of claims; tenure; and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving and requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Climate Change

The Company's current business and exploration activities are not a significant contributor to the greenhouse gases that are commonly believed to be responsible for climate change and a source of adverse weather patterns. The Company does not currently believe climate change will have a significant impact on its future operations. However there is no assurance that future changes in the environment resulting from climate change will not adversely affect the Company's operations.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt.

The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Internal Controls

Management maintains systems of both internal controls over financial reporting and disclosure controls and procedures, which are designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized and reported on a timely basis. Management believes that both the internal controls over financial reporting and the disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance of the achievement of these objectives.

Management has not made any change in the Company's system of internal controls over financial reporting during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company therefore is required to report using IFRS commencing with its unaudited interim financial statements for the three months ended May 31, 2011, which must include restated interim results for the prior period ended May 31, 2010 prepared on the same basis.

As a result of the change to IFRS, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis may differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Notes 2, 3, and 22 of the condensed consolidated interim financial statements for the period ended May 31, 2011.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective and therefore have not been applied in preparing these condensed consolidated interim financial statements.

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 – Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013.

Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended respectively, which addressed the classification and measurement of financial assets and financial liabilities.

IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. The standard applies for annual periods beginning on or after January 1, 2015.

Financial Instruments

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Foreign currency risk

The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use both the United States Dollar ("US\$") and the Mexican Peso ("MXN\$") as the main settlement currencies. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. The effect of a 1% change in foreign exchange rates would be approximately \$4,900.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital Risk Management

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value.

There have been no changes to the Company's approach to capital management during the period ended November 30, 2011. The Company is not subject to externally imposed capital requirements.

**On Behalf of the Board of Directors of
Soho Resources Corp.**

"Ralph Shearing"

Ralph Shearing, CEO
January 30, 2012