



**SOHO RESOURCES CORP.**

**FINANCIAL REPORTS:**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

**Six months ended**

**AUGUST 31, 2012**

**SOHO RESOURCES CORP.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS  
August 31, 2012**

**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**

(Unaudited – Expressed in Canadian dollars)

	August 31, 2012	February 29, 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 6,976	\$ 85,348
Receivables (Note 3)	72,787	341,322
Prepaid expenses and advances	39,734	75,072
	119,497	501,742
<b>Exploration and evaluation assets</b> (Note 4)	23,352,908	22,996,554
<b>Equipment</b> (Note 5)	14,340	19,205
	\$ 23,486,745	\$ 23,517,501
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 6)	\$ 654,088	\$ 643,706
Advances (Note 12)	65,000	30,000
Loans (Note 7)	291,629	270,827
Obligation under share purchase agreement (Note 4)	198,000	198,000
	1,208,717	1,142,533
<b>Non-current liabilities</b>		
Reclamation and remediation provision (Note 8)	163,155	168,630
	1,371,872	1,311,163
<b>Shareholders' equity</b>		
Share capital (Note 9)	42,689,349	42,411,856
Share subscriptions received (Note 9)	-	350,000
Share-based payments reserve (Note 10)	1,642,753	1,374,770
Deficit	(22,217,229)	(21,930,288)
	22,114,873	22,206,338
	\$ 23,486,745	\$ 23,517,501

**Nature of operations and going concern** (Note 1)**Commitments** (Note 16)**Subsequent events** (Note 9 and 17)

These condensed consolidated interim financial statements were approved by the Board of Directors on October 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 LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended August 31,		Six months ended August 31,	
	2012	2011	2012	2011
<b>EXPENSES</b>				
Amortization	\$ 1,663	\$ 3,475	\$ 4,865	\$ 6,950
Business promotion	5,602	21,495	5,602	126,018
Communications	3,810	4,848	7,515	12,854
Consulting and financial services	26,409	29,538	61,207	76,532
Foreign exchange loss (gain)	(12,817)	28,908	1,493	32,363
Insurance	11,938	9,599	21,498	19,199
Interest and finance charges	428	-	714	-
Interest on loans	18,634	-	36,700	-
Office and miscellaneous	3,370	7,026	8,026	15,771
Professional fees	46,210	116,913	123,581	212,579
Regulatory fees	2,720	2,730	13,049	24,258
Rent	22,723	22,498	45,985	39,046
Salaries and benefits	67,814	69,448	141,276	143,574
Share-based payments (Note 13)	2,302	85,661	21,855	286,339
Transfer agent	1,370	1,367	2,297	3,067
Travel	2,153	14,218	7,066	60,090
<b>Loss before other item</b>	(204,329)	(417,724)	(502,729)	(1,058,640)
<b>OTHER ITEM</b>				
Interest income	248	695	3,416	2,583
<b>Loss and comprehensive loss for the period</b>	\$ (204,081)	\$ (417,029)	\$ (499,313)	\$ (1,056,057)
<b>Basic and diluted loss per common share</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	213,092,676	188,931,176	206,542,676	187,232,426

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 August 31,		Six months ended August 31,	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (204,081)	\$ (417,029)	\$ (499,313)	\$ (1,056,057)
Items not affecting cash				
Amortization	1,663	3,475	4,865	6,950
Bonus shares included in interest	10,546	-	20,751	-
Share-based payments expensed	2,302	85,661	21,855	286,339
Unrealized foreign exchange loss (gain)	(6,525)	1,284	(5,425)	724
Changes in non-cash working capital items:				
Receivables	31,937	(152,168)	268,536	(241,356)
Prepaid expenses and advances	27,919	(22,609)	35,338	67,001
Trade and other payables	81,053	488,324	13,875	498,107
Net cash used in operating activities	(55,186)	(13,062)	(139,518)	(572,293)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of common shares	-	1,359,000	400,000	1,359,000
Share issue costs	(9,327)	(80,764)	(14,007)	(80,764)
Advances	35,000	-	35,000	-
Net cash from financing activities	25,673	1,278,236	420,993	1,278,236
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Mineral properties	(171,944)	(1,607,018)	(359,847)	(1,973,556)
Net cash used in investing activities	(171,944)	(1,607,018)	(359,847)	(1,973,556)
<b>Increase (decrease) in cash during the period</b>	(201,457)	(341,844)	(78,372)	(1,267,613)
<b>Cash, beginning of period</b>	208,433	566,671	85,348	1,492,440
<b>Cash, end of period</b>	\$ 6,976	\$ 224,827	\$ 6,976	\$ 224,827

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)

For the Six months ended August 31, 2012 and 2011

	Issued Number of Shares	Share Amount	Share Sub- scriptions Received	Share- based payments reserve	Deficit	Total
Balance, February 29, 2012	199,992,676	\$ 42,411,856	\$ 350,000	\$ 1,374,770	\$ (21,930,288)	22,206,338
Share subscriptions received	-	-	400,000	-	-	400,000
Share units issued	12,500,000	312,500	(750,000)	437,500	-	-
Share units issued – finder fee	600,000	15,000	-	21,000	-	36,000
Share units issue costs	-	(50,007)	-	-	-	(50,007)
Share-based payments						
- warrants expiry (Note 10)	-	-	-	(38,400)	38,400	-
Share-based payments						
- options (Note 10)	-	-	-	21,855	-	21,855
Share-based payments						
- options expiry (Note 10)	-	-	-	(173,972)	173,972	-
Loss and comprehensive loss for the year	-	-	-	-	(499,313)	(499,313)
<b>Balance, August 31, 2012</b>	<b>213,092,676</b>	<b>\$ 42,689,349</b>	<b>\$ -</b>	<b>\$ 1,642,753</b>	<b>\$ (22,217,229)</b>	<b>22,114,873</b>
Balance, February 28, 2011	185,533,676	41,317,360	-	1,048,761	(20,353,074)	22,013,047
Share units issued	13,590,000	1,155,150	-	203,850	-	1,359,000
Share units issue costs	-	(101,354)	-	20,590	-	(80,764)
Share-based payments						
- options (Note 10)	-	-	-	286,339	-	286,339
Share-based payments						
- option expiry (Note 10)	-	-	-	(218,558)	218,558	-
Loss and comprehensive loss for the year	-	-	-	-	(1,056,057)	(1,056,057)
<b>Balance, August 31, 2011</b>	<b>199,123,676</b>	<b>\$ 42,371,156</b>	<b>\$ -</b>	<b>\$ 1,340,982</b>	<b>\$ (21,190,573)</b>	<b>22,521,565</b>

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

**SOHO RESOURCES CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

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**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 (TSX-V) under the symbol "SOH".

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets consisting of mineral resource projects in Mexico ("mineral properties"). In conducting operations in Mexico, the Company is subject to considerations and risks not typically associated with companies operating in Canada. These include risks such as the political, economic and legal environments in an emerging market. Among other things, the Company's results may be adversely affected by changes in political and social conditions in Mexico, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into 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 condensed consolidated interim 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.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**2. BASIS OF PRESENTATION**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended February 29, 2012. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's February 29, 2012 annual consolidated financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on October 30, 2012.

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%

**3. RECEIVABLES**

The receivable amounts relate to both Canadian and Mexican refundable value added taxes.

**4. 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 return 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.



**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS (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 2013 fiscal year of US\$26,801 (2012 - US\$25,525) was paid in July 2012.

**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.

Due to an internal dispute amongst local residents the Company enforced a Force Majeure clause in the option agreements and suspended the January 31, 2012 payment due of US\$150,000. During the year ended February 28, 2011, the Company paid the vendors US\$75,000 and issued 480,483 common shares valued at \$49,730 (US\$50,000). The Company has elected to suspend exploration activities at the Jocuixtita Project until the dispute amongst local residents is resolved.

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. Fees for the 2013 fiscal year have not yet been determined, nor paid, as the Company is not carrying on exploration activities at this time.

**Exploration and evaluation assets costs**

Exploration and evaluation assets costs were incurred as follows:

	August 31, 2012		
	Tahuehueto	Jocuixtita	Total
Balance, beginning of period	\$21,636,035	\$1,360,519	\$22,996,554
Assays, data and maps	11,260	-	11,260
Equipment and supplies	58,342	127	58,469
Geological consulting	3,775	-	3,775
Insurance	2,019	-	2,019
Mineral concession taxes, licences, and fees	70,576	7,842	78,418
Project office	77,261	3,607	80,868
Transportation, travel, and lodging	6,864	560	7,424
Wages and benefits	112,661	1,455	114,121
Exploration and evaluation assets costs incurred during the period	342,763	13,591	356,354
Balance, end of period	\$21,978,798	\$1,374,110	\$23,352,908

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**4. EXPLORATION AND EVALUATION ASSETS (continued)****Exploration and evaluation assets costs (continued)**

	February 29, 2012		
	Tahuehueto	Jocuixtita	Total
Balance, beginning of year	\$20,756,798	\$355,475	\$21,112,273
Assays, data and maps	101,510	80,853	182,363
Drilling	159,892	375,342	535,234
Equipment and supplies	150,080	78,751	228,831
Geological consulting	-	68,857	68,857
Insurance	6,744	3,779	10,523
Mineral concession taxes, licences, and fees	59,310	30,534	89,844
Project office	139,581	84,288	223,869
Subcontractors and equipment rentals	44,726	157,628	202,354
Transportation, travel, and lodging	8,813	15,302	24,115
Wages and benefits	208,581	109,710	318,291
Exploration and evaluation assets costs incurred during the year	879,237	1,005,044	1,884,281
Balance, end of year	\$21,636,035	\$1,360,519	\$22,996,554

**5. EQUIPMENT**

	Computer equipment	Office equipment	Leasehold improvements	Geological equipment	Total
<b>Cost</b>					
February 29, 2012 and August 31, 2012	\$ 15,500	\$ 62,092	\$ 48,978	\$ 9,632	\$ 136,202
<b>Accumulated amortization</b>					
February 29, 2012	12,842	49,578	45,908	8,669	116,997
Amortization for the period	399	1,251	3,070	145	4,865
August 31, 2012	13,241	50,829	48,978	8,814	121,862
<b>Net book value</b>					
February 29, 2012	\$ 2,658	\$12,514	\$3,070	\$963	\$19,205
August 31, 2012	\$ 2,259	\$11,263	\$ -	\$818	\$14,340

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**6. TRADE AND OTHER PAYABLES**

In Canadian dollars	August 31, 2012	February 29, 2012
Trade payables	\$ 348,714	\$ 270,077
Accrued liabilities	172,931	248,780
Interest on loans	25,093	9,225
Salaries payable	46,220	42,489
Employment, withholding, and value-added taxes	61,130	73,135
	\$ 654,088	\$ 643,706

**7. LOANS**

In Canadian dollars	August 31, 2012	February 29, 2012
Loan from a director in the amount of US\$100,000 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 as a loan bonus. <sup>(1)</sup>	\$ 99,000	\$ 98,950
Loan from a director 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 as a loan bonus. <sup>(1)</sup>	100,000	100,000
Loan from a director in the amount of \$100,000 is unsecured, due on December 21, 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 as a loan bonus. <sup>(1)</sup>	100,000	100,000
	299,000	298,950
Value of loan bonus shares issued	(40,700)	(40,700)
Amortized to interest expense	33,329	12,577
Unamortized value of loan bonus shares	(7,371)	(28,123)
Net book value	\$ 291,629	\$ 270,827

(1) The value of the loan bonus shares is a financing cost and is amortized to interest expense over the term of the loan.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

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**8. RECLAMATION AND REMEDIATION PROVISION**

	Reclamation and Remediation Provision	
Balance, February 29, 2012	\$	168,630
Change in liability estimate		(5,475)
Balance, August 31, 2012	\$	163,155

The Company makes full provision for the future cost of site reclamation and remediation on a discounted basis at the time the exploration and evaluation activities take place. The reclamation and remediation provision represents the present value of reclamation and remediation costs relating to exploration and evaluation activities that have occurred to date.

**9. 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 2013 Transactions**

The Company completed a non-brokered private placement of 12,500,000 units of the Company. Each unit is priced at \$0.06 per unit for total gross proceeds of \$750,000. A value of \$437,500 has been allocated to warrants to reflect the residual value of the warrant portion of the unit. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each 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. At February 29, 2012, the Company had received subscription payments of \$350,000 relating to this private placement financing and during the period ended May 31, 2012 the Company received the remaining \$400,000 proceeds to completed this private placement.

In connection with this financing; the Company paid finder's fees by issuing 600,000 units valued at \$36,000, with the same terms as the private placement units; and incurred additional share issue costs of \$14,007.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

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**9. SHARE CAPITAL (continued)****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. A value of \$203,850 has been allocated to warrants to reflect the residual value of the warrant portion of the unit. Each unit consisted 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.

**10. 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.

**Share-based payments**

During the period ended August 31, 2012, the Company granted 450,000 (August 31, 2011 – 625,000) stock options. The options vested either at 100%; or 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 5 years.

For the period ended August 31, 2012, the total fair value of options granted using the Black-Scholes option pricing model was \$19,553 (August 31, 2011 – \$41,740). A total of \$21,855 (August 31, 2011 – \$286,339) was charged to operations; all offset to share-based payments reserve. The weighted average fair value of the options granted during the period was \$0.04 (August 31, 2011 – \$0.07) per option.

During the period ended August 31, 2012, 375,000 (August 31, 2011 – 500,000) options previously issued as share-based payments with a fair value of \$173,972 (August 31, 2011 – \$218,558) expired without being exercised. The previously recorded historical fair value of these options was transferred from reserve to deficit.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**10. SHARE-BASED PAYMENTS RESERVE (continued)****Share-based payments (continued)**

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

	August 31, 2012	August 31, 2011
Risk-free interest rate	1.60%	2.11%
Expected life of options/warrants	5 Years	5 Years
Annualized volatility	129.47%	117.24%
Dividend rate	0%	0%

As at August 31, 2012 the Company had outstanding stock options as follows:

Number of Shares	Number Vested and Exercisable	Exercise Price	Weighted average remaining life (years)	Expiry Date
450,000	450,000	\$0.10	0.00	September 1, 2012 <sup>(1)</sup>
3,465,000	3,465,000	\$0.10	1.55	March 20, 2014
425,000	425,000	\$0.10	1.67	May 1, 2014
550,000	550,000	\$0.10	3.00	September 1, 2015
500,000	500,000	\$0.10	1.25	December 1, 2013
325,000	325,000	\$0.10	3.25	December 1, 2015
5,025,000	5,025,000	\$0.115	3.42	February 1, 2016
50,000	50,000	\$0.10	3.59	April 1, 2016
575,000	575,000	\$0.10	3.92	August 1, 2016
500,000	375,000	\$0.10	4.09	October 1, 2016
600,000	450,000	\$0.10	4.25	December 1, 2016
450,000	450,000	\$0.10	4.67	May 1, 2017
12,915,000	12,765,000		2.77	

(1) Subsequent to the period end, these options expired without being exercised.

**SOHO RESOURCES CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

**10. SHARE-BASED PAYMENTS RESERVE** (continued)**Share-based payments** (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2011	11,865,000	\$ 0.11
Granted	2,125,000	\$ 0.10
Expired/cancelled	<u>(1,150,000)</u>	\$ 0.10
Balance, February 29, 2012	12,840,000	\$ 0.11
Granted	450,000	\$ 0.10
Expired/cancelled	<u>(375,000)</u>	\$ 0.10
Balance, August 31, 2012	<u>12,915,000</u>	\$ 0.11
Exercisable, August 31, 2012	<u>12,765,000</u>	\$ 0.11

**Warrants**

As at August 31, 2012 the following share purchase warrants were outstanding:

Number of Shares	Exercise Price	Weighted average remaining life (years)	Expiry Date
6,000,000	\$ 0.10	0.04	September 13, 2012 <sup>(1)</sup>
15,290,000	\$ 0.15	0.40	January 24, 2013
7,275,000	\$0.175 <sup>(2)</sup>	0.94	August 9, 2013
6,550,000	\$ 0.10	1.75	June 1, 2014
<u>35,115,000</u>		<u>0.70</u>	

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

(2) The exercise price of these warrants increased to \$0.175 on August 9, 2012.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

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**10. SHARE-BASED PAYMENTS RESERVE (continued)****Warrants (continued)**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2011	25,519,750	\$ 0.13
Granted	7,275,000	\$ 0.13
Expired/Forfeited	(229,750)	\$ 0.15
Balance, February 29, 2012	32,565,000	\$ 0.13
Granted	6,550,000	\$ 0.10
Expired/Forfeited	(4,000,000)	\$ 0.10
Balance, August 31, 2012	35,115,000	\$ 0.14

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	August 31, 2012	August 31, 2011
Cash paid during the year for interest	\$ 714	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

Significant non-cash transactions during the period ended August 31, 2012 included:

- The accrual of deferred exploration costs of \$150,036 at August 31, 2012.
- The reallocation of \$173,972 for expired options from share-based payments reserve to deficit.
- The reallocation of \$38,400 for expired warrants from share-based payments reserve to deficit.
- The issuance of 600,000 units valued at \$36,000 for a finder's fee.

Significant non-cash transactions during the period ended August 31, 2011 included:

- The accrual of deferred exploration costs of \$301,313 at August 31, 2011.
- The issuance of 480,000 warrants valued at \$20,590 for a finder's fee.



**SOHO RESOURCES CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**12. RELATED PARTY TRANSACTIONS**

The Company's related parties consist of key management personnel including individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company.

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors.

	August 31, 2012	August 31, 2011
Interest on loans	\$ 15,949 <sup>(1)</sup>	\$ -
Professional fees	59,500	78,125
Salaries and benefits	78,000	78,000
Share-based payments	8,956	254,127
	\$ 162,405	\$ 410,252

(1) Excluding \$20,751 charged to interest expense in the period ended August 31, 2012 for the amortized value of loan bonus shares issued in fiscal 2012.

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

	August 31, 2012	February 29, 2012
Consulting fees	\$ 10,000	\$ 10,000
Interest payable	25,093	9,327
Salaries	59,000	56,000
	\$ 94,093	\$ 75,327

During the year ended February 29, 2012, the Company received a cash advance of \$30,000 from a director. And during the current period the Company received additional cash advances of \$35,000 from directors of the Company. These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment (Note 17).

During the year ended February 29, 2012 the Company received three loans from two directors of the Company (Note 7).

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. SEGMENTED INFORMATION**

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

Geographical information is as follows:

	August 31, 2012	February 29, 2012
Capital assets are located in:		
Mexico	\$ 23,352,908	\$ 22,996,554
Canada	14,340	19,205
	<u>\$ 23,367,248</u>	<u>\$ 23,015,759</u>

**14. 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, trade and other payables, advances, and loans 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.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

August 31, 2012

(Unaudited - Expressed in Canadian dollars)

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****Financial instrument risk exposure and risk management (continued)**

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related party approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

**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. The Company has trade and other payables, advances, and loans.

**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.

**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 \$3,400.

**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.

**SOHO RESOURCES CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**15. 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 and balances with banks. 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 August 31, 2012. The Company is not subject to externally imposed capital requirements.

**16. COMMITMENTS**

The Company has the following commitments at August 31, 2012:

- a) The Company rents its office premises under an operating lease until June 2012. Subsequent to the period end, this lease was renewed until June 2014. The operating lease commitment, including rent plus estimated common area costs, is approximately \$100,000 per annum.
- b) The Company rents office and warehouse space in Mexico under operating leases until May 2013 at a total monthly rent of MXN\$24,000 (Cdn\$2,000).

**17. SUBSEQUENT EVENTS**

Subsequent to August 31, 2012:

- a) During September 2012, the Company received cash advances totalling \$158,150 from Directors. These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment.
- b) On September 1, 2012, the Company granted 400,000 stock options to an employee, and a consultant at an exercise price of \$0.10 per common share, expiring on September 1, 2017.