

February 17, 2009

Back In The Saddle In Mexico: Soho Resources Has New Friends, And New Funding Too

By Chris Cann

A modest but vital private placement to a group of Chinese investors has guaranteed the future of Toronto-listed Soho Resources, as the company looks to move its Tahuehueto polymetallic project in Mexico from the exploration to the development stage. And Soho's new Chinese friends may also be able to open up fresh opportunities for the company. Soho's chief executive Ralph Shearing has told Minesite that the deal lays the foundations for Soho potentially to broaden its Chinese investor base and pursue Chinese project opportunities. However, he also cautioned that the relationship is still in its infancy. At the very least, though, December's raising has injected a much-needed C\$1 million into the coffers, money that will see the company through 2009, albeit at reduced rates of activity, without the need for further financing.

"In these very difficult market conditions we are pleased to have negotiated this private placement, which ensures Soho will have adequate working capital throughout 2009 at our current vastly reduced burn rate," Shearing said. "Should market conditions improve such that it allows for additional funding to be achieved at less dilutive rates we intend to accelerate exploration work required to advance the Tahuehueto project towards economic studies and possible future production."

The flagship Tahuehueto project is in a historic mining district in Durango State, Mexico. The project lies within the Sierra Madre mineral belt, the belt which hosts most of Mexico's producing mines and active exploration and development projects. The project is made up of several structures that predominantly contain gold, but also contain zinc, silver, lead and copper. The total project area is 9,081 hectares. Soho received its initial NI 43-101 resource statement for Tahuehueto in April last year, though Shearing felt then that the numbers delivered by the engineering firm responsible for the estimate were fairly conservative. Conservative or otherwise, the company has since then been able to hang its hat on an inferred 6.4 million tonnes grading 1.34 grams per tonne gold, giving 276,000 ounces. There's also 6.429 million ounces of silver at 31 grams per tonne. The copper grade comes in at 0.24% giving 33.5 million pounds, while lead runs at 0.78% giving 110.5 million pounds, and zinc at 1.43% for 201.1 million pounds. These resources were drilled out of the top portion of the El Creston, Cinco de Mayo-Santiago, and El Rey structures.

The next milestone in the Soho story will come in two months time, when a resource upgrade is released. This will be calculated by a different consultancy company, and will incorporate incorporating data from another 72 holes drilled beyond the boundaries of the current resource, both along strike and at depth. "We anticipate the next resource

statement to be substantially bigger than the old one”, Shearing said, and he added that Soho is also fairly confident of moving Tahuehueto up the categories. “We’ll certainly get as much as we can into indicated and possibly a little bit of measured too,” Shearing said. The ballpark figure being thrown about at the moment is around 1.5 million gold equivalent ounces. Provided the resource delivers somewhere in the vicinity of the figures Soho expects, the company has enough money to continue metallurgical work. A preliminary economic assessment on Tahuehueto before the year is out is a distinct possibility. Not bad for a company just trying to survive.

If funds remain tight, then most of the on-site work at Tahuehueto will focus on geological mapping, but if the markets were to improve in the back half of the year then Soho may decide to not only upgrade the existing resource but also to drill for further resource extensions. Shearing said that there are further ounces and pounds to be drilled along strike and at depth. He also mentioned other nearby targets that have yet to be tested.

Shearing also hinted at the acquisition of another exploration project that is nearing completion, financed through some form of extended option agreement, though he wouldn’t go into detail. But it’s quite spectacular what a company founded on good exploration can do with C\$1 million and savvy management.

For more articles like this, register for FREE at www.minesite.com