

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of CNSX Issuer: CUERVO REOURCES INC. (the “Issuer”).

Trading Symbol: FE

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the CNSX Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

FINANCIAL STATEMENTS ATTACHED

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

RELATED PARTY TRANSACTIONS DISCLOSED IN FINANCIAL STATEMENTS AND MD&A (attached)

## 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

<b>Date of Issue</b>	<b>Type of Security (common shares, convertible debentures, etc.)</b>	<b>Type of Issue (private placement, public offering, exercise of warrants, etc.)</b>	<b>Number</b>	<b>Price</b>	<b>Total Proceeds</b>	<b>Type of Consideration (cash, property, etc.)</b>	<b>Describe relationship of Person with Issuer (indicate if Related Person)</b>	<b>Commission Paid</b>
May 31/13	Common Shares	Private Placement	1,500,000	\$0.10	\$150,000	Cash	None	None

(a) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

INFORMATION INCLUDED IN FINANCIAL STATEMENTS (ATTACHED)

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Gordon Watts, Chairman of the Board

Brian Berner, Chief Executive Officer, Director

Velasquez Spring, Chief Operating Officer, Director

Brian Cloney, Director

William Johnson, Director

John Gruetzner, Director

Tim Nigh, Chief Financial Officer

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

MD&A ATTACHED

### Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: August 12, 2013

Brian Berner

Name of Director or Senior Officer



Chief Executive Officer

Official Capacity

<b>Issuer Details</b> Name of Issuer Cuervo Resources Inc	For Quarter Ended June 30, 2013	Date of Report YY/MM/D 2013/08/12
Issuer Address: 247 Major Street		
Toronto, Ontario M5S 2L5	Issuer Fax No. (416) 203-4197	Issuer Telephone No. (416) 203-3957
Contact Name: Tom Berner	Contact Position Administration	Contact Telephone No. (416) 203-3957x202
Contact Email Address office@cuervoresources.com	Web Site Address <a href="http://www.cuervoresources.com">www.cuervoresources.com</a>	

# **Cuervo Resources Inc.**

**(An Exploration Stage Company)**

## **Condensed Consolidated Interim Financial Statements**

**For the three months ended June 30, 2013 and 2012**

**(Unaudited)**

## NOTICE OF NO AUDITOR'S REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Cuervo Resources Inc. ("Cuervo" or the "Company") for the three months ended June 30th, 2013 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# **Cuervo Resources Inc.**

(An Exploration Stage Company)

**As at June 30, 2013**

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# Cuervo Resources Inc.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Financial Position

Unaudited, expressed in Canadian Dollars, unless otherwise stated

	Note	June 30 2013	March 31 2013 (Audited)
<b>Assets</b>			
Cash and cash equivalents		128,565	186,018
Amounts receivable		28,171	35,640
Prepaid Expenses		38,061	41,168
		194,797	262,826
Property and equipment	4	92,498	96,298
Mining interests	5	338,099	338,099
		<u>\$ 625,394</u>	<u>\$ 697,223</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable		239,404	119,932
		239,404	119,932
Promissory note payable	6	1,399,540	1,132,108
		<u>1,638,944</u>	<u>1,252,040</u>
<b>Shareholders' Equity</b>			
Share Capital	7	14,738,961	14,588,961
Reserves		8,519,545	8,519,545
Deficit		(24,272,056)	(23,663,323)
		<u>(1,013,550)</u>	<u>(554,817)</u>
		<u>\$ 625,394</u>	<u>\$ 697,223</u>

Nature of Operations (Note 1)

Commitments (Note 5)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on Aug. 09, 2012

/signed/

Brian Berner – Director

/signed/

Brian Cloney - Director

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Comprehensive Loss

Unaudited, expressed in Canadian Dollars, unless otherwise stated

	Note	Three Months Ended June 30	
		2013	2012
<b>Expenses</b>			
Accretion of Interest and Bank Charges		267,998	76,075
Consulting Fees		90,000	67,500
Depreciation		3,800	4,000
Exploration		72,029	621,389
Foreign Exchange Loss (Gain)		10,423	69,840
General Office and Investor Relations		25,318	94,787
Professional Fees		51,847	37,587
Rent		37,661	27,002
Stock Based Compensation		0	0
Telecommunications		6,737	7,061
Wages and Benefits		43,025	96,744
		608,838	1,101,984
<b>Loss from Operations</b>		<b>(608,838)</b>	<b>(1,101,984)</b>
Gain on Disposal of Mining Interests		0	0
Gain on Disposal of Property		0	0
Interest Income		106	1,630
		106	1,630
<b>Net Loss and Comprehensive Loss</b>		<b>(608,732)</b>	<b>(1,100,355)</b>
Basic and Diluted Shares O/S		42,434,750	37,684,750
<b>Loss Per Share</b>		<b>(0.014)</b>	<b>(0.029)</b>

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

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Consolidated Statements of Changes in Equity

Unaudited, expressed in Canadian Dollars, unless otherwise stated

	Share Capital		Reserves			Deficit	Total Equity
	Number	Dollar Amount	Warrants	Equity Settled Employee Benefits	Equity Settled Consultant Benefits		
<b>Balance as at March 31, 2011</b>	<b>36,334,750</b>	<b>13,733,849</b>	<b>601,816</b>	<b>2,884,143</b>		<b>(16,583,467)</b>	<b>636,341</b>
Issued for cash on Private Placement	1,350,000	405,000					405,000
Share Issue Costs		(6,651)					(6,651)
Stock Based Compensation to Employees				78,794			78,794
Stock Based Compensation to Consultants					17,313		17,313
Value assigned to Private placement Warrants		(33,156)	33,156				-
Warrants Extension of Modification			29,316			(29,316)	-
Warrants Issued on Promissory Note Payable			4,875,007				4,875,007
Net loss for the 12 months ended March 31 (Audited)						(2,233,466)	(2,233,466)
<b>Balance as at March 31, 2012</b>	<b>37,684,750</b>	<b>14,099,042</b>	<b>5,539,295</b>	<b>2,962,937</b>	<b>17,313</b>	<b>(18,846,249)</b>	<b>3,772,338</b>
Net loss for the 3 months ended June 30 2012 (Unaudited)						(1,100,355)	(1,100,355)
<b>Balance as at June 30, 2012</b>	<b>37,684,750</b>	<b>14,099,042</b>	<b>5,539,295</b>	<b>2,962,937</b>	<b>17,313</b>	<b>(19,946,604)</b>	<b>2,671,984</b>
Issued for cash on Private Placement	4,000,000	500,000					500,000
Share Issue Costs		(10,081)					(10,081)
Net loss for the 9 months ended March 31 (Unaudited)						(3,716,719)	(3,716,719)
<b>Balance as at March 31, 2013 (Audited)</b>	<b>41,684,750</b>	<b>14,588,961</b>	<b>5,539,295</b>	<b>2,962,937</b>	<b>17,313</b>	<b>(23,663,323)</b>	<b>(554,817)</b>
Issued for cash on Private Placement	1,500,000	150,000					150,000
Net loss for the 3 months ended June 30 2013 (Unaudited)						(608,732)	(608,732)
<b>Balance as at June 30, 2013</b>	<b>43,184,750</b>	<b>14,738,961</b>	<b>5,539,295</b>	<b>2,962,937</b>	<b>17,313</b>	<b>(24,272,055)</b>	<b>(1,013,550)</b>

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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	Three Months Ended June 30	
	2013	2012
<b><u>Operations</u></b>		
Net Loss	-608,839	-1,101,984
Items not affecting cash		
Depreciation	3,800	4,000
Interest Income	107	1,630
Accretion of interest on promissory note	267,432	74,366
	<u>-337,500</u>	<u>-1,021,989</u>
Net Changes in non-cash working capital		
(Increase) decrease in amounts receivable	7,470	-5,666
(Increase) decrease in prepaid expenses	3,107	-80,442
(Decrease) increase in accounts payable and accrued liabilities	119,471	65,192
	<u>-207,453</u>	<u>-1,042,904</u>
<b><u>Investing</u></b>		
Purchase of property and equipment	0	-363
	<u>0</u>	<u>-363</u>
<b><u>Financing</u></b>		
Issuance of Units	150,000	0
Promissory notes payable	0	0
	<u>150,000</u>	<u>0</u>
Net change in cash	-57,453	-1,043,267
Cash, beginning of year	186,018	3,554,566
	<u>128,565</u>	<u>2,511,299</u>

# **Cuervo Resources Inc.**

(An Exploration Stage Company)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the three months ended June 30, 2013 and 2012**

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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### **1. NATURE OF OPERATIONS**

Cuervo Resources Inc. (the "Company") was incorporated on February 11, 2005 under the Business Corporations Act (Ontario) and its registered office is 247 Major Street, Toronto, Ontario. The Company is in the business of acquiring, exploring for and developing mineral properties in Perú. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interests in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets are located outside of North America and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

### **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

The Company is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended March 31, 2013.

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended March 31<sup>st</sup>, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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### 3. ACCOUNTING POLICY

#### Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Minera Cuervo S.A.C. ("Minera"). In 2011 and 2010, the consolidated financial statements also include another wholly owned subsidiary, Minera La Gran Posada S.A.C. ("La Gran Posada"). La Gran Posada was liquidated on March 29, 2012. Both subsidiaries are incorporated in Perú (see note 4). All intercompany transactions have been eliminated. Since La Gran Posada had immaterial balances on the balance sheet and no transactions for the year, there were no adjustments needed on liquidation of this subsidiary.

#### Income Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

#### Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### Critical judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid for. The functional currency of its subsidiary in Peru is the Canadian dollar as management considered the operations are carried out as an extension of the parent rather than being carried out with a significant degree of autonomy.

#### Estimates

- the recoverability of amounts receivable included in the consolidated statement of financial position;

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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- the estimated useful lives of property and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- the inputs used in accounting for stock-based compensation expense in the consolidated statement of comprehensive loss;
- the inputs used in accounting for share purchase warrants in the consolidated statement of financial position;
- the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position;
- the assessment of indications of impairment of each mining interest and property and equipment and related determination of the net realizable value and write-down of those properties where applicable; and
- the estimation of fair value of the promissory note payable.

### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The Company had no material provisions at June 30, 2013 or March 31, 2013.

### New Accounting Standards and Interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

- (a) IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

# **Cuervo Resources Inc.**

(An Exploration Stage Company)

## **Notes to Condensed Consolidated Interim Financial Statements**

### **For the three months ended June 30, 2013 and 2012**

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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- (b) IFRS 10 Consolidated Financial Statements was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (c) IFRS 11 Joint Arrangements was issued by the IASB on May 12, 2011 and will replace IAS 31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- (d) IFRS 12 Disclosure of Interests in Other Entities was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (e) IFRS 13 Fair Value Measurement was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- (f) IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011 requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.



# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

### 4. PROPERTY AND EQUIPMENT

	June 30, 2013			March 31, 2013
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Machinery and equipment	41,263	33,115	8,148	8,483
Furniture	7,848	4,509	3,339	3,476
Buildings	95,615	19,180	76,435	79,575
Computer equipment	8,345	3,769	4,576	4,764
	<u>153,071</u>	<u>60,573</u>	<u>92,498</u>	<u>96,298</u>

### 5. MINING INTERESTS AND COMMITMENTS

The Company, through its wholly-owned Peruvian subsidiary, Minera Cuervo S.A.C., has a 100% interest in 54 mining concessions covering over 26,000 hectares in Perú.

Accumulated mineral property costs have been incurred as follows:

	June 30, 2013	March 31, 2013
Balance, beginning of the period	\$338,099	\$338,099
Acquisition or Disposal during the period	-	0
Balance, end of the period	<u>\$416,779</u>	<u>\$416,779</u>

Under Peruvian law, the concessions acquired from the government remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. One grace year is added in the event of a delinquent payment.

In addition, concession holders must reach an annual production of a least US\$100 per hectare in gross sales within six years from January 1st of the year following the date the title was granted. If there is no production on the claim within that period, the concession holder must pay a penalty of US \$6 per hectare under the general regime, of US \$1 for small scale miners, and US \$0.50 for artisan miners, during the 7th through the 11th years following the granting of the concession. From the 12th year onwards the penalty is equal to US \$20 per hectare under the general regime, US \$5 per hectare for small scale miners and US \$3 for artisan miners. The concession holder is exempt from the penalty if exploration expenditures incurred during the previous year were ten times the amount of the applicable penalty.

Failure to pay the license fees or the penalty for two consecutive years will result in the forfeiture of the concession.

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

The fees applicable to the Company's mineral concessions have been paid through the year ended March 31, 2013 and expensed through the exploration costs. There were no payments due or made during the quarter ended June 30 2013.

Tax and concession payments commitment per annum are approximately as follows:

	Amount (US\$)
2014	123,800
2015	144,800
2016	226,000
2017	235,600

As June 30, 2013, the Company's only significant commitment was with respect to its ongoing funding of its tax and concession payments for its mineral concessions in Perú.

### 6. PROMISSORY NOTE PAYABLE

On July 28, 2011, the Company obtained the first stage financing of a secured three year loan in the principal amount of \$5,250,000 from Strike Resources Limited ("Strike"), under an investment agreement with Strike which will provide two-stage financing of up to \$15 million to Cuervo to fund advanced exploration work on the Company's iron ore exploration project in Perú. The promissory note is repayable on July 28, 2014.

As security for the loan, the Company has provided a pledge of the shares of its subsidiary, Minera and a mortgage on the mining concessions of Minera.

As interest consideration on the promissory note given to Strike, the Company issued two warrants:

(a) one warrant (the "Phase One Warrant") entitling Strike to acquire 17,500,000 common shares of Cuervo ("Common Shares") at an exercise price of \$0.30 per share during the three-year period from the date of issuance; and (b) one warrant (the "Phase Two Warrant" and together with the Phase One Warrant, the "Warrants") entitling Strike to acquire 17,727,273 Common Shares at an exercise price of \$0.55 during the three-year period from the date of issuance.

Under the agreement, proceeds from the exercise of warrants will be applied against amounts owing under the promissory note(s). Automatic exercise of warrants and retirement of outstanding amounts under the promissory note(s) will occur if Cuervo common shares trade for 20 consecutive days above \$CDN 1.00 (volume-weighted average price), with a minimum 20- day trading volume of 1.5 million shares, or if Cuervo files a National Instrument 43-101- compliant Mineral Resource Estimate (CIM definition "Inferred Mineral Resources" category) of iron ore that is at least 700 million tonnes with an average grade of 40% Fe or greater. Upon the full exercise of both warrants Strike would own approximately 49% of Cuervo's outstanding common shares and approximately 46% on a fully diluted basis. As part of the financing, Cuervo has provided Strike with certain pre-emptive rights on future share issuances during the term of the investment agreement.

The fair values of the Warrants were determined to be \$2,586,374 and \$2,288,633 respectively and were

# Cuervo Resources Inc.

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## Notes to Condensed Consolidated Interim Financial Statements

### For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

calculated using the Black-Scholes option pricing model, as the fair value of the services provided was not reliably determinable, assuming a risk free rate of 1.67%, market share price of \$0.21, an expected life of 3 years, a volatility of 131% and no dividends.

Expected stock volatility was estimated based on historical volatility of the Company.

The Company accretes the carrying value of the promissory note to its principal amount due on maturity using the effective interest rate method. For the quarter ended June 30, 2012, the Company recorded \$267,432 of accretion expense. Correspondingly, \$74,366 was recorded during the first three months of 2012, to June 30.

Issue costs and legal costs of \$157,500 (see note 9) and \$100,844 respectively were incurred and have been deducted from the face value of the promissory note payable.

A summary of the transaction is as follows:

Promissory note payable	\$ 5,250,000
Value of Phase one warrant issued	(2,586,374)
Value of Phase two warrant issued	(2,288,633)
Issue costs incurred	(157,500)
Legal costs incurred	(100,844)
	116,649
Interest accretion to March 31, 2013	1,005,459
Interest accretion during Q1 2013, to June 30	267,432
	\$ 1,399,540

## 7. SHARE CAPITAL

### a) Common shares

The Company has authorized share capital of an unlimited number of common shares without par value. The balances of number and value of shares outstanding are presented in the Statement of Changes in Equity, page 6. Details of the last two issues are:

- i) On May 31, 2013, Cuervo closed a private placement of 1,500,000 common shares of the Company at an issue price of CDN\$0.10 per share for gross proceeds of CDN\$150,000.

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

- ii) On October 17, 2011, the Company closed a \$405,000 non-brokered private placement equity financing. The Company issued 1,350,000 units, at a price of \$0.30 per unit, for gross proceeds of \$405,000 (the "Financing"). Each unit consists of one common share and one half common share purchase warrant entitling the holder to purchase one common share at a price of \$0.45 for a period of 24 months from the closing of the financing. If the closing price of the Company's common shares is equal to or greater than \$0.90 for a period of 10 consecutive trading days any time after six months after the closing of the Financing, the Company may accelerate the expiry date of the warrants. A value of \$33,156 has been allocated to the warrants and \$371,844 to the common shares. Share issuance costs of \$6,651 were paid and deducted from the share capital amount.

b) Warrants

A summary of the status of the warrants as of June 30 2013 and the year ended March 31, 2013 and changes during the periods are presented below:

	Number of Warrants	
	Three months Ended June 30	2013 Year
Balance, beginning of the year	18,175,000	37,743,273
Warrants expired during the year	0	(19,568,273)
Balance, end of period	18,175,000	18,175,000

There were no warrants issued in the first quarter of 2013 ended June 30. The fair value of warrants issued during the year ended March 31, 2012 of \$4,908,163 has been estimated using the Black-Scholes option pricing model and this value has been disclosed as a component of share-based payment reserves. The assumptions used for the valuation of warrants are as follows:

	2012
Risk-free interest rate	1.01 to 1.67%
Expected life	2 to 3 years
Estimated volatility in the market price of the common shares	65% to 131%
Average share price	\$0.24 - \$0.30
Dividend yield	Nil

As at June 30, 2013, the following warrants were outstanding. The warrants entitle the holder to purchase the stated number of common shares at the exercise price on or before the expiry date:

Exercise Price	Number of Warrants	Weighted Average exercise Price	Weighted Average Remaining Contractual Life (years)
\$ 0.45	675,000	\$ 0.45	1.30
\$ 0.30	17,500,000	\$ 0.30	2.08
	18,175,000	\$ 0.31	

See notes 5 a) for additional warrant information.

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

### c) Stock-option plan

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options, to acquire an increased proprietary interest in the Company. Under the Plan, options are non-assignable, vest immediately and may be granted for a term not exceeding five years. The number of common shares that may be reserved for issuance to any one person must not exceed 5% of the outstanding common shares. The options are non-transferable.

The Company determined the fair value of the stock options granted using the Black-Scholes option pricing model. The fair value of each option was estimated on the date of grant with the following assumptions at the measurement date:

	2013
Risk-free interest rate	1.15%-1.46%
Expected life	5 years
Price volatility (estimated using the historical volatility of the Company )	82%-84%
Share price	\$0.20 - \$0.28
Exercise price	\$0.32
Dividend yield	Nil

There were no options granted during the quarters ended June 30, 2013 or June 30 2012.

A summary of the status of the Company's Stock-option plan as of June 30, 2013 and March 31 2013, and changes during the periods is presented below:

	3 months June 30 2013		12 months March 31	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	3,200,000	\$ 0.55	3,745,000	\$ 0.55
Expired/cancelled	350,000	-	(545,000)	\$ 0.52
Granted	0	-	0	\$ n/a
Ending balance	2,850,000	\$0.55	3,200,000	0.55

The Company had the following stock options outstanding at June 30, 2013:

Number of Options	Exercisable	Exercise Price	Expiry Date
2,000,000	2,000,000	\$ 0.60	April 23, 2014
375,000	375,000	\$ 0.60	September 17, 2014
300,000	300,000	\$ 0.32	August 29, 2016
175,000	175,000	\$ 0.32	December 21, 2016
<b>2,850,000</b>	<b>2,850,000</b>		

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

### 8. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the exploration and development of mineral properties. Segmented geographic information is as follows:

Non-current assets by geographical segment:

	June 30 2013	March 31 2013
Canada	\$ 683	\$ 753
Perú	429,914	433,644
Total non-current assets	430,597	434,397

Capital expenditures for the 3 months ended June 30

	2013	2012
Canada	\$ -	\$ -
Perú	-	363
Total capital expenditures	-	363

Comprehensive loss for the 3 months ended June 30:

	2013	2012
Canada	471,926	317,548
Perú	136,806	782,807
Total comprehensive loss for the year	\$ 608,732	\$ 1,100,355

All the mining interests are located in Perú.

# Cuervo Resources Inc.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2013 and 2012

Unaudited, expressed in Canadian Dollars, unless otherwise stated

### 9. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the consolidated financial statements during the 3 months ended June 30, 2013 and 2012:

	2013	2012
<b>Consulting fees expense</b>		
Corporate administrative fees were charged by two officers and directors	\$ 30,000	\$ 30,000
Consulting fees were charged by an officer for financial management services at the time of the transaction	\$ 15,000	\$ 15,000
Consulting fees were charged by a company controlled by an individual related to a director of the Company for investor relations services	\$ 22,500	\$ 22,500
<b>Exploration expense</b>		
Geologist services were charged by an officer and director	\$ 30,000	\$ 37,500
<b>General, office, and investor relations expense</b>		
Travel and promotion costs were reimbursed by the Company at cost to directors and officers and companies controlled by a director of the Company	\$ 2,028	\$ 6,885
<b>Rent and general, office and investor relations</b>		
Office lease and office management fees were charged by a company controlled by a director of the Company	\$ 15,750	\$ 15,750

No additional amounts were paid as compensation to key management.

# **Cuervo Resources Inc.**

(An Exploration Stage Company)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the three months ended June 30, 2013 and 2012**

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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### **10. CAPITAL MANAGEMENT**

The Company's objectives in managing capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue investments and new projects of merit; and to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions.

The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the quarter ended June 30, 2013. Neither the Company nor its subsidiary are subject to externally imposed capital requirements.

### **11. FINANCIAL RISK FACTORS**

#### **Fair Value**

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash and cash equivalents and accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The carrying value of the promissory note payable approximates its fair value.



# **Cuervo Resources Inc.**

(An Exploration Stage Company)

## **Notes to Condensed Consolidated Interim Financial Statements**

**For the three months ended June 30, 2013 and 2012**

Unaudited, expressed in Canadian Dollars, unless otherwise stated

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### **Credit Risk**

The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of bank deposits and short-term investments which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote.

### **Liquidity Risk**

The Company's approach to managing liquidity risk is to have sufficient liquidity to meet liabilities when due. As at June 30, 2013 the Company had cash and cash equivalents of \$128,565 to settle accounts payable and accrued liabilities of \$239,404. All of the Company's financial liabilities, which are subject to normal trade terms, have contractual maturities of less than 90 days, except for the promissory note payable which is due on July 28, 2014. The ability of the Company to continue to pursue its exploration activities and maintain its working capital is dependent on its ability to secure additional equity or other financing.

### **Interest Rate Risk**

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents and the term deposit entered into by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. The cash and cash equivalent and term deposit are invested in high grade, highly liquid instruments and as such the Company manages its exposure to potential interest rate fluctuations to short term. A one percentage (1%) fluctuation in the interest rate would affect the profitability of the Company by an immaterial amount. The promissory note payable does not bear interest.

### **Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars, Peruvian New Soles, and US dollars. The Company funds major operations and exploration in Peru. The Company maintains US dollar and Peruvian New Soles bank accounts in Peru. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. During the quarter ended June 30, 2012, the Company recorded a foreign exchange loss of \$69,840 (2011 - loss of \$3,198) which reflects the volatility in the current exchange market of the Peruvian New Soles and the US dollar against the Canadian dollar and due to the variances in the balance sheet from year to year

# Cuervo Resources Inc.

## Management's Discussion and Analysis

Three Months Ended June 30, 2013

### General

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Cuervo Resources Inc. (the "Company" or "Cuervo") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended June 30, 2013. This MD&A should be read in conjunction with the Company's most recent audited financial statements and related notes. These statements and additional information regarding the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts following are expressed in Canadian dollars unless otherwise stated. This discussion and analysis is dated August 09, 2013.

### Description of Business

The Company is currently focusing its exploration efforts on its iron ore properties in Perú.

The Company has a wholly owned subsidiary, Minera Cuervo S.A.C. ("Minera Cuervo") which is incorporated in Perú. The financial statements of the Company and Minera Cuervo have been combined as they are affiliated businesses.

The common shares of the Company are listed on the Canadian National Stock Exchange ("CNSX") in Canada with the trading symbol "FE". Shares of the Company are also traded on the Frankfurt Stock Exchange with the trading symbol "CRR".

On June 30, 2013 the directors and officers of the Company were:

Gordon D. Watts, P.Eng.	Chairman
Brian Berner	C.E.O. and Director
Timothy Nigh, M.B.A.	C.F.O.
Velasquez Spring B.A.Sc.	Chief Operating Officer and Director
Brian M. Cloney, C.A.	Director
Kenneth J. Hellsten	Director
William Johnson	Director
John Gruetzner	Director

Mr. Velasquez Spring B.A.Sc. is a "Qualified Person" for the Company under the definition of National Instrument 43-101.

### Overall Performance and Exploration Activity

The Company's main focus is the exploration of its wholly owned Cerro Ccopane iron ore property in southern Perú. For the latest details regarding the drilling activities and results, please refer to the press releases on the Company's website [www.cuervoresources.com](http://www.cuervoresources.com). During the last three months management has been focused on obtaining funds to provide for ongoing working capital requirements and future exploration and development programs.

The Orcopura Zone at the Cerro Ccopane project has reported a National Instrument 43-101 ("NI43-101") - compliant Mineral Resource Estimate of 55.5 million tonnes "measured and indicated" grading 46.75% iron in addition to 50.8 million tonnes "inferred" grading 43.68% iron, all at a 20% iron cut-off grade. The Huillque and Aurora zones of mineralization have a total NI43-101-compliant "inferred" resource of over 72 million tonnes grading 52.60% iron with a 30% iron cut-off.

In early June 2012, a program of diamond drilling on the “Bob 1” zone commenced. This first phase of the drilling program extended through to November 2012, with almost 4,400 meters of drilling carried out utilizing three drill rigs. Activities have included extensive permitting, infrastructure construction and associated community relations programs, as well as drilling a total of 4,378 meters in 18 holes and 600 meters of surface trenching.

The aim of the drill program was to test the billion tonne potential of the Bob 1 zone indicated by a 3+ kilometer belt of coincident outcropping magnetite and strong geophysical signatures. This potential has found strong support from internal analysis of geophysical data, surface trenching and drill results along approximately two-thirds of the known strike length of the anomaly.

In December 2012, the Company completed the final 2 holes of the 18 hole drilling program. Laboratory results of Hole 17, designated BDH 12-17, intersected 112.5 meters grading 49.3% Fe. Hole 18, designated BDH12-18, intersected 35.4 meters grading 52.4% Fe. Both holes were drilled as northerly step outs from the central area of the zone.

As a consequence of the northerly step out drilling, the indicated strike length of the Bob 1 magnetite mineralization has been extended from approximately 1,400 meters to over 2,000 meters

On February 16 2013, the Company announced the filing of an updated National Instrument 43-101 compliant report on its wholly-owned Cerro Ccopane Iron Project in Peru. The report includes a measured and indicated mineral resource estimate at Cerro Ccopane of 55.6 million tonnes grading 46.7% Fe and an inferred mineral resource of 576.4 million tonnes grading 42.8% Fe.

The updated report, prepared by B.J. McKay Ltd of Cornwall, Ontario, follows the recent completion of a \$5.25 million exploration program centered on the Bob 1 zone of the Cerro Ccopane property. It notes eight distinct geological and/or geophysical targets on the Cerro Ccopane property on which a total of approximately 23,000 meters of diamond drilling have been completed to date on three zones (Orcopura, Bob 1 and Huillque). Minor amounts of drilling have been completed on two other zones (Aurora N and S) and two other zones have not as yet been drill tested. As recently reported, additional geophysical surveying and refined modeling included in the recently completed exploration program resulted in the identification of an additional anomaly nearby to Bob 1 and an increased estimate of the geophysical indicated mineralization potential at or nearby the Bob 1 zone from 1.1 billion to 2.4 billion tonnes. The limits of both the Bob 1 zone and the newly identified anomaly remain open at depth, along strike and over their widths.

The new NI 43-101 report on the Cerro Ccopane property concludes with recommendations for further advanced exploration work to refine current resources estimates and to assess, in particular, the multi-billion tonne potential indicated by geophysical survey modeling of the Bob 1 zone and the nearby Huillque Norte zone.

Table 1 below presents summary resource estimate results on the Cerro Ccopane property. Table 2 presents a summary of target zones identified at Cerro Ccopane with outlined geophysical potential and activity. All targets are open along strike.

**Table 1**  
**Summary of Resource Estimates: Cerro Ccopane Property**

<b>Zone</b>	<b>Measured &amp; Indicated</b>	<b>Inferred</b>
	(million tonnes)	(million tonnes)
Bob 1		453.50
Orcopura	55.50	50.83
Huillque		55.99
Aurora North		9.08
Aurora South		6.97
<b>Totals</b>	<b>55.50</b>	<b>576.37</b>

**Table 2**  
**Summary of Geophysical Potential & Drilling to Date**

Zone	Geophysical Potential	Drilling to Date
	(million tonnes)	(metres)
Bob 1	2,438	4,400
Orcopura	147	16,000
Huillque Norte	1,265	None to date
Huillque	128	3,000
Aurora North	18	1,000
Aurora South	32	1,100
<b>Totals</b>	<b>4,028</b>	<b>25,500</b>

This potential quantity of mineralization, of undetermined grade, is conceptual in nature, and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource

The report referred to herein was prepared by Bryan McKay M.Sc. (A.) P. Geo. of B.J. McKay Ltd. who is a qualified person as defined in NI 43-101 and is for purposes of NI 43-101 independent of Cuervo Resources Inc. The complete text of the report is available on SEDAR.

Summary of Diamond Drill Logs Bob1 Zone			
Drill Hole	Hole Depth	Magnetite + Mixed Zones	Fe
	(Meters)	(Meters)	(%)
Hole 01	219.2	126.50	50.90
Hole 02	215.4	159.95	44.50
Hole 03	175.7	114.00	47.20
Hole 04	270.3	213.10	33.60
Hole 05	209.2	135.65	40.80
Hole 06	192.4	97.80	43.80
Hole 07	311.4	74.15	43.20
Hole 08	250.8	169.30	50.70
Hole 09	138.6	na	na
Hole 10	214.8	126.60	54.30
Hole 11	191.8	78.85	36.00
Hole 12	436.6	152.95	33.00
Hole 13	320.3	20.50	28.20
Hole 14	386.9	72.55	23.80
Hole 15	455.5	60.00	22.10
Hole 16	119.3	59.50	42.30
Hole 17	182.5	98.70	52.80
Hole 18	86.8	34.10	54.00
Total/Weighted Average	4377.5	105.54	42.17

## Financial Results of Operations

Details of the expenditures contributing to the losses incurred for the periods ended June 30 are described below:

	3 Months Ended June 30	
	2013	2012
Accretion of Interest and Bank Charges	267,998	76,075
Consulting Fees	90,000	67,500
Depreciation	3,800	4,000
Exploration	72,029	621,389
Foreign exchange loss/(gain)	10,423	69,840
General, office and investor relations	25,318	94,787
Professional fees	51,847	37,587
Rent	37,661	27,002
Stock Option Compensation Cost	0	0
Telecommunications	6,737	7,061
Wages and benefits	43,025	96,744
	<u>608,838</u>	<u>1,101,984</u>
<b>Loss from Operations</b>	<u>(608,838)</u>	<u>(1,101,984)</u>
Gain on Disposal of Mining Interests	0	-
Loss on Disposal of Property and Equipment	0	-
Interest and other income	<u>106</u>	<u>1,630</u>
	<u>106</u>	<u>1,630</u>
<b>Loss Before Income Taxes</b>	<u>(608,732)</u>	<u>\$(1,100,355)</u>
<b>Deferred Income Tax Expense</b>	<u>0</u>	<u>-</u>
<b>Net Loss and Comprehensive Loss</b>	<u>\$(608,732)</u>	<u>\$(1,100,355)</u>

In the quarter ended June 30 2013, the loss from operations was \$608,838. For the same 3 months in 2012, the loss was \$1,101,984. Exploration expenditures have declined by 549,360. This decrease reflects the decline in drilling activity.

Interest accretion expense for the quarter ended June 30 2013 totaled \$267,432. This non-cash expense amortizes the notional value of the warrants associated with the Strike Resources financing. For the year prior the expense totaled \$74,366.

All other expense categories were similar to the previous year, or remained within expected operating ranges.

*The Company is engaged in the business of preliminary or early stage mineral exploration and mine development. The Company holds no interests in producing or commercial ore deposits. The Company has no production or other revenue. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of iron or other mineral resources are discovered. If in the future a discovery is made, substantial financial resources will be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered.*

## Related Party Transactions

During the quarter ended June 30, 2013, related party transactions totalled \$115,278. The comparable figure for 2012 was \$127,635. These transactions are outlined in Note 9 of the Consolidated Interim Financial Statements.

### *Consulting fees expense*

Corporate administrative fees were charged by an officer and director: \$30,000 (2012 - \$30,000). Consulting fees were charged by an officer for financial management services at the time of the transaction: \$15,000 (2012 - \$15,000). Consulting fees were charged by a company controlled by an individual related to a director of the Company for investor relations services: \$22,500 (2012 - \$22,500).

### *Exploration expense*

Geologist services were charged by officers and directors: \$30,000 in 2013 vs \$37,500 in 2012.

### *General, office, and investor relations expense*

Travel and promotion costs were reimbursed by the Company at cost to directors and officers and companies controlled by a director of the Company: \$2,028 in 2013 vs \$6,885 in 2012.

### *Rent and general, office and investor relations*

Office lease and office management fees were charged by a company controlled by a director of the Company: \$15,750 in 2013 vs \$15,750 in 2012.

Management of Cuervo believes that the amounts paid to related parties are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Company is a junior exploration company with no revenue generating properties. Currently the Company's funding continues to be derived from issuing securities and its short-term investments.

For further quarterly financial information, please refer to the Company's unaudited interim consolidated financial statements and management's discussion and analysis that have been filed on the Company's website at [www.cuervoresources.com](http://www.cuervoresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Liquidity and Capital Resources

During the quarter ended June 30 2013, the Company's cash position decreased to \$128,565 from \$186,018 at March 31, 2013. This decrease was due to the working capital maintenance expenditures incurred during the quarter.

The Company will require substantial additional funding to further explore, and if necessary, develop, its Cerro Ccopane concessions. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of exploration, development or commercialization of its properties.

On July 28, 2011 the Company signed an investment agreement with Strike Resources Limited (ASX:SRK; "Strike"), under which Strike would provide two-stage financing of up to \$CDN 15 million to Cuervo to fund advanced exploration work on the Company's iron ore exploration project in the Cusco area of southern Perú ("the Cerro Ccopane concessions"). Strike itself is also an important explorer for iron ore in southern Perú through its interest in Apurímac Ferrum S.A.C. ("AF"). The companies believe that a cooperative exploration effort between Cuervo and Strike will be strategic to the development of the iron ore resource potential of Perú.

Under the agreement Strike provided \$CDN 5.25 million in the form of a non-cash interest-bearing three-year secured promissory note to fund an initial 15-month exploration program. At Strike's election, a further \$CDN 9.75 million of non-cash interest-bearing secured funding could have been advanced to fund the remaining 21 months of the expected three-year exploration program. Security for the financing was provided by a pledge of the shares held by Cuervo in its Peruvian subsidiary and a mortgage over the Cerro Ccopane concessions. In addition Cuervo agreed to certain customary negative covenants in favour of Strike that are typical of transactions of this type.

As interest consideration for the provision of funding by Strike, Cuervo will issue to Strike two warrants, each with an initial term of three years commencing at the closing of the financing, to purchase Cuervo common shares: the first warrant entitles the holder thereof to purchase 17,500,000 common shares at \$CDN 0.30 per share; the second warrant entitles the holder thereof to purchase 17,727,273 common shares at \$CDN 0.55 per share. The second warrant is subject to cancellation should Strike elect not to advance a total of \$CDN 15 million. The term of the warrants may be extended if there are delays in the exploration program.

Under the agreement, proceeds from the exercise of warrants will be applied against amounts owing under the promissory note(s). Automatic exercise of warrants and retirement of outstanding amounts under the promissory note(s) will occur if Cuervo common shares trade for 20 consecutive days above \$CDN 1.00 (volume-weighted average price), with a minimum 20-day trading volume of 1.5 million shares, or if Cuervo files a National Instrument 43-101-compliant Mineral Resource Estimate (CIM definition “Inferred Mineral Resources” category) of iron ore tonnage that is at least 700 million with an average grade of 40% Fe or greater.

On December 13, 2012 Strike elected not to advance the \$9.75 million Phase Two loan. This decision caused the extinguishment of the mortgage provided as security for the \$5.25 million Phase One loan and the cancellation of the Phase Two warrants entitling Strike to acquire an additional 17.7 million Cuervo shares.

Upon the full exercise of the outstanding Phase One warrants Strike would own approximately 32.4% of Cuervo’s outstanding common shares and approximately 30% on a fully diluted basis.

On December 27, 2012 the Company completed a private equity placement of 4,000,000 shares at \$.125 per share for \$500,000. There were no warrants attached to the issue. The proceeds have been used to fund the completion of the resource estimate at Bob1 and for general working capital requirements.

On May 31, 2013 the Company completed a private equity placement of 1,500,000 shares at \$.10 per share for \$150,000. There were no warrants attached to the issue. The proceeds are being used to fund general working capital requirements.

As at June 30, 2013, the Company’s only significant commitment relating to continuing operating activities was with respect to its ongoing funding of its mineral concessions in Peru of approximately US\$ 85,000 per year.

## Selected Annual Information

	2013	2012	2011
Interest income	\$12,617	\$ 38,250	\$ 2,603
Loss for the year	(4,817,074)	(2,233,466)	(1,096,322)
Loss per share	(0.120)	(0.060)	(0.030)
Total assets	697,223	4,137,378	750,737
Total long-term liabilities	-	-	-

## Summary of Quarterly Results

Selected financial information for past 12 quarters:

<i>Fiscal year 2013</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	752	2,051	3,000	6,813
Loss	(782,718)	(1,476,250)	(1,457,751)	(1,100,355)
Loss per share	(.017)	(0.035)	(0.39)	(0.029)
<i>Fiscal year 2012</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	18,794	13,374	6,082	0
Loss	(710,522)	(559,587)	(774,977)	(188,380)
Loss per share	(.019)	(.015)	(.021)	(0.005)
<i>Fiscal year 2011</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	0	1,543	711	349
Loss	(166,237)	(464,897)	(336,020)	(387,644)
Loss per share	(0.005)	(0.013)	(0.009)	(0.011)

## Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

## Disclosure of Internal Controls

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited annual financial statements; and (ii) the audited annual financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the period presented by the audited annual financial statements.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Use of Estimates

The preparation of the interim financial statements associated with this discussion requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

## Accounting Standards and Policies - Critical Accounting Estimates

Critical accounting estimates that require judgment are used in the preparation of the consolidated financial statements. The carrying values of mining interests are the lower of the historic cost and the recoverability of the recorded value of the mining interests. The recoverability of the recorded value of mining interests is based on



market conditions for minerals, the minerals associated with the properties and the future costs that could be required to develop the properties or the potential for the sale to a third party of the mining interests.

### Off-Balance Sheet Arrangements

As at June 30 2013 and the date of this report the Company does not have any off-balance sheet arrangements

### Other Information

*Disclosure of Outstanding Share Data as at June 30, 2013:*

Common shares	43,184,750
Common share purchase warrants	18,175,000
Stock options	2,850,000
Fully diluted	64,209,750

### Earlier Exploration Activities

Approximately 21,000 m of diamond was carried out on the Cerro Ccopane property by the Company between July, 2007 and April, 2009; 16,000 m of that drilling was performed on the Orcopura Zone. On April 21, 2009, the Company reported on the mineral processing studies that were carried out in conjunction with the updated Mineral Resource Estimate on the Orcopura Zone. The Measured, Indicated and Inferred Resources based on a 20% head iron cut-off were reported as:

Classification	Tonnes	Head Fe (%)	Head S (%)
Measured	19,696,000	48.26	2.44
Indicated	35,856,000	45.91	2.61
<i>M+I</i>	<i>55,552,000</i>	<i>46.75</i>	<i>2.55</i>
Inferred	50,825,000	43.68	3.13

Micon International Limited ("Micon"), who prepared the Resource Estimate and Technical Report, concluded that "the Cerro Ccopane – Orcopura iron deposit resource is a high quality magnetite deposit with respect to head iron, weight recovery, and the total gangue content of Davis magnetic tube concentrates."

An updated NI43-101-compliant Mineral Resource Estimate focussing on the Huillque, Aurora ("Aurora North") and Aurora "B" ("Aurora South") zones was completed in February 2012. These additional inferred resources based on a 30% head iron cut-off are reported as follows:

Zone	Tonnes (Inferred)	Head Fe (%)
Aurora South	6,970,000	49.72
Aurora North	9,080,000	49.01
Huillque	55,990,000	53.54
<i>Total</i>	<i>72,040,000</i>	<i>52.60</i>

The updated study, prepared by B.J. McKay Ltd., uses a polygonal and sectional model method and includes results from 25 drill holes put down in the Aurora zones of mineralization and from 20 drill holes put down in the Huillque zone of mineralization (approximately 5,000 m of drilling in total). This drilling was originally completed and sampled in 2009 but a resource estimate was not commissioned by the Company at that time.

All Mineral Resources reported herein, including the Orcopura, Huillque and Aurora zones, are as per nomenclature defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in CIM Standards on Mineral

Resources and Reserves, Definitions and Guidelines prepared by CIM Standing Committee on Reserve Definitions. *Mineral Resources that are not Mineral Reserves do not have any demonstrated economic viability.*

Geophysical surveying (magnetic and gravity) was carried out on parts of the Cerro Ccopane property between 2006 and 2009. On May 12, 2009, the Company announced that the program of geophysical surveying carried out on the Cerro Ccopane property identified an additional intense coincident magnetic and gravity anomaly that modeling suggests could be caused by near surface (magnetite) bodies totaling on the order of 1.068 Gt (billion tonnes) in size. This new iron-ore exploration target has been designated “Bob 1” by the Company. On May 19, 2009, the Company announced that the remaining results from the program of geophysical surveying included the identification of a second large gravity anomaly that modeling suggests could be caused by a near surface body on the order of 1.265 Gt (billion tonnes) in size. This new iron-ore exploration target (“Huillque Norte”) is located about 3.5 km to the southwest of the “Bob 1” anomaly (1.068 Gt model size). The limits of this new anomaly remain open to the northwest. All magnetic and gravity surveys and ancillary gravity modeling were carried out under contract by VDG del Perú S.A.C. *The potential quantity of mineralization described above, of undetermined grade, is conceptual in nature, and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource.*

On September 22, 2009, the Company reported the results of a study undertaken as an internal due diligence exercise to confirm the potential of the original geophysical (magnetic and gravity) anomalies at its wholly owned Cerro Ccopane iron ore project in southern Perú. This study was carried out by Matrix GeoTechnologies Ltd. (“MGT”) of Toronto, ON. Their work confirmed the quality of the Company’s “Bob 1” anomaly and its similarity in geophysical characteristics to known zones of mineralization on the property. Gravity modeling of this anomaly was carried out by VDG del Perú S.A.C. (Val D’or Geofísica, “VDG”)

On July 28, 2009, the Company reported on the results of mini-pot pelletizing tests that were carried out on composite samples from the Orcopura Zone. Previously reported mineral-processing studies have shown the material from the Orcopura Zone to be of high quality (magnetite) with respect to head grade of iron, weight recovery, and the total gangue content of Davis magnetic tube concentrates. The new balling and indurating tests indicate that the concentrates are suitable to the production of commercial-grade pellets. The pelletizing tests were carried out by the Midland Research Center in Nashwauk, MN, USA. Four composite samples of mineralization previously prepared for other studies were used in the current tests. As none of this material had been the subject of pelletizing tests, a standard composition and firing sequence was used in the mini-pot testing. The testing was intended to provide a preliminary indication of the ability to make commercial-grade pellets from the mineralization in the Orcopura Zone. The Company is of the opinion that similar results can be expected from mineralization in the other zones on the Cerro Ccopane property.

Cuervo was granted, by the Government of Perú, the necessary environmental permitting for a period of three years to carry out exploration on “Bob 1”(Constancia de Aprobación Automática N° 010-2012-MEM-AAM). Permits for the use of water were finalized with the Ministry of Agriculture. An agreement for surficial access to the “Bob 1” target area for exploration was approved by the Campesino Community of Misanapata (this agreement has been formally registered) and an agreement for surficial access to adjacent areas for geophysical work and geological mapping was approved by the Campesino Community of Parcco.

Road construction to access the “Bob 1” area was completed and access to the various planned drilling sites prepared. A field camp was made operational and diamond drilling commenced at the beginning of June, 2012. MLD S.A.C. was contracted for a minimum of 4,500 metres of diamond drilling. This drilling, comprising 18 holes, was completed during the quarter ended December 31, 2012.

The current field exploration work is being carried out under the supervision of Velasquez Spring., a qualified person for Cuervo under the definition of NI43-101.

## **Transportation Studies**

Two transportation studies have been commissioned by the Company to assess the potential development of the Cerro Ccopane iron ore project. The second, and more comprehensive report, was completed in February 2009. This study, entitled “Cuervo Resources, Cerro Ccopane Mine Perú: Mine to Port Conceptual Transport Study” was prepared by Sandwell Engineering Inc. (“Sandwell”) of Vancouver, BC with input from PSI Engineering Inc. also of Vancouver. Mr. Frank Hanson of Frank Hanson Consulting of Kila, Montana, the Company’s transportation advisor, provided the initial specifications for the study. The study was initiated in response to the continuing success of the ongoing program of exploration drilling on the Cerro Ccopane property which is located 65 km south of Cuzco, Perú and approximately 320 km north of the Pacific tidewater port at Matarani, Departamento Arequipa, Perú.

The principal findings and recommendations of the Sandwell report may be summarized as follows:

- Transportation of material from the Cerro Ccopane property does not present unique logistical challenges. All examined transport scenarios are technically feasible;
- A slurry pipeline from the property to port is considered to be the best overall transportation alternative at this time. It is noted that similar pipelines for mining operations of comparable proposed capacities are presently in operation elsewhere; and
- Recommendations for further studies include additional port studies at Matarani and linking future mineral-processing studies with future transportation evaluations.

The Company is encouraged by the findings of these reports as they give confidence in the potential to advance the project.

## Cuervo Properties

### *Cerro Ccopane*

The Company has a 100% interest in thirty-six (36) contiguous mining concessions south of Cusco in southern Perú, The 36 concessions cover 19,200 ha and are described in the following list:

Concession Name	Size (ha)	Department	Province	District
Posada 1	500	Cusco	Chumbivilcas/Paruro	Capacmarca/Omacha
Posada 2	800	Cusco	Paruro	Omacha
Posada 3	900	Cusco	Paruro	Omacha
Posada 5	500	Cusco	Chumbivilcas/Paruro	Capacmarca/Omacha
Posada 6	200	Cusco	Chumbivilcas/Paruro	Chamaca/Omacha
Posada 7	400	Cusco	Paruro	Omacha
Huini II	200	Cusco	Paruro	Omacha
Huini III	600	Cusco	Chumbivilcas/Paruro	Capacmarca/Omacha
Huini IV	800	Cusco	Chumbivilcas	Capacmarca/Colquemarca
Huini V	600	Cusco	Chumbivilcas	Capacmarca/Colquemarca
Alizandra	500	Cusco	Paruro	Omacha
Bob 1	1,000	Cusco	Paruro	Omacha
Bob 8	500	Apurimac	Cotabambas	Mara
Bob 9	1,000	Cusco	Chumbivilcas	Capacmara
Bob II	200	Cusco	Chumbivilcas	Livitaca
Bob 3	600	Cusco	Chumbivilcas/ Acomayo	Pomacanchi/Acopia
Bob 4	400	Cusco	Chumbivilcas	Livitaca
Bob 5	400	Cusco	Canas	Yanaoca
Bob 6	100	Cusco	Chumbivilcas	Livitaca
Bob 7	200	Cusco	Canas/ Chumbivilcas	Quehue/Livitaca
Bob X	600	Cusco	Paruro	Omacha
Bob XI	400	Cusco	Paruro	Omacha
Fierroando 1	200	Cusco	Chumbivilcas	Capacmarca
Julian 01	400	Cusco	Paruro	Colquemarca/Ccapi
Julian OZ	200	Cusco	Paruro	Huanquite
Julian 03	600	Cusco	Paruro	Ccapi
Julian 04	400	Cusco	Paruro	Ccapi
Karina 01	600	Cusco	Paruro	Omacha
Karina 02	100	Cusco	Paruro	Omacha
Karina 04	1,000	Cusco	Paruro	Accha
Karina 05	800	Cusco	Paruro	Omacha
Karina 06	400	Cusco	Chumbivilcas	Capacmarca/Accha
Mafe 1	1,000	Cusco	Paruro	Accha
Mafe Z	1,000	Cusco	Paruro	Omacha/Accha
Mafe 3	700	Cusco	Paruro	Capacmarca/Accha
Mafe 4	400	Cusco	Paruro	Capacmarca/Accha

The Company has a 100% in sixteen (16) other mining concessions in Perú totaling 6,600 ha. All sixteen concessions are prospective for iron mineralization. Only limited prospecting and sampling has been carried out on these concessions to date. The concessions are listed below:

Concession Name	Size (ha)	Department	Province	District
Blanquita II	100	La Libertad	Trujillo	Poroto
Charango 1	300	La Libertad	Trujillo	Poroto/Simbal
Charango 2	100	La Libertad	Trujillo	Poroto
Arena Dorada	400	La Libertad	Trujillo	Poroto/Simbal
Tigre I	100	La Libertad	Trujillo	Poroto
Palosanto 2007 - I	400	La Libertad	Trujillo	Poroto
Sabrina I	200	Ancash	Santa	Chimbote
La Gringa Ga	200	Ancash	Santa	Chimbote
Posada 4	1,000	Apurimac	Aymareas	Colcabamba/Lucre
Huini I	400	Apurimac	Aymaraes	Lucre
Alexia 2007 - I	600	Ica	Nazca	Marcona
Sur 1	1,000	Arequipa	Islay	Islay
Sur 02-2009	500	Arequipa	Islay	Islay
Karina 03	300	Lambayeque	Lambayeque	Olmos
Johman 1	900	Apurimac	Aymareas	Lucre
Johman 2	100	Apurimac	Aymareas	Lucre

The concessions can be grouped in the following property areas; concessions within a designated area may or may not form contiguous groups but nonetheless are located geographically near to each other:

*Northern Perú*

Olmos 300 ha in one (1) concession  
Trujillo 1,400 ha in six (6) concessions  
Chimbote 400 ha in two (2) concessions

*Southern Perú*

Arequipa 1,500 ha in two (2) concessions  
Marcona 600 ha in one (1) concession  
Apurimac 2,400 ha in four (4) concessions

## Property Acquisitions and Dispositions

Two non-core concessions of 161 hectares were sold during the 3 months ended September 30, for \$US200,000. The Board has approved a program to sell the remaining 6,600 hectares of non core properties. There were no acquisitions during this period. The Company continues to assess other potential properties for acquisition or disposition.

## Outlook

The Company plans to add value to its mining properties by exploration activities and project studies. The work programs will be designed to delineate resources of iron ore, in particular, high grade and/or direct-shipping ore. Also we will conduct studies that could eventually lead toward a decision regarding the feasibility of production.

Upon receipt of additional financing, we will conduct additional drilling in order to fully define the iron ore resource at Bob1 and its potential extensions as well as test the geophysical anomaly at Huillque Norte.

## Subsequent Events

None to report

## **Risk Factors**

Investment in a natural resource company involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration, as opposed to the development or production stage. All of the Company's properties are in the exploration stage.

There are a number of risks inherent to the Company's business. These risks include:

**Limited Business of the Corporation:** Other than the Company's exploration stage properties in Perú, the Company has no material non-cash assets. There is no assurance the Company will be able to finance the acquisition of properties or the exploration or development thereof.

**Exploration and Development:** All of the resource properties in which the Company has an interest or the right to acquire an interest are in the exploration stage and without a known body of commercial ore. Development of any resource property held or acquired by the Company will only follow obtaining satisfactory exploration results. Exploration for and the development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration activities will result in any discovery of commercial ore.

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract reserves and to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Few properties that are explored are ultimately developed into producing mines.

**Environmental and Government Legislation:** Existing and possible future environmental legislation, regulations, and actions could cause significant expense, capital expenditures, restrictions, and/or delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties is subject to various reporting requirements and to obtaining certain governmental approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without delay or at all.

Any exploration program executed by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining project is affected both by production costs and by markets for the project's metals which in turn may be influenced by factors including the supply and demand for such metals, the rate of inflation, the inventories of larger producers, the political environment and changes in international investment patterns.

**Environmental Factors:** All phases of the Company's future operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental 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, if any, will not adversely affect the Company's business.

**Financing:** The Company does not presently have sufficient financial resources to complete, by itself, the exploration required to develop its properties to an advanced stage. The exploration and development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

**Limited Operating History and Lack of Cash Flow:** The Company has a limited business history. The Company has no history of earnings or cash flow from its present operations. The only present source of funds available to the Company is through the sale of equity or debt securities or borrowing. Even if the results of exploration are

encouraging, the Company may not have sufficient funds to conduct further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on any property it has or it acquires and the Company may not realize a return on its investment. While the Company may generate additional working capital through equity offerings, borrowing, sale or the joint venture development of its properties and/or a combination thereof, there is no assurance that any such funds will be available. Failure to obtain such additional capital, if needed, would have a material adverse effect on the Company.

The Company has neither declared nor paid dividends since its incorporation and does not anticipate doing so in the foreseeable future.

**Conflicts of Interest:** Certain of the directors and officers of the Company are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any material interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter.

**Operating Hazards and Risks:** Future operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. The nature of the risks associated with the Company's business are such that liabilities might exceed insurance policy limits, the liabilities and hazards might not be insurable, or the Company may elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

The Company may become subject to liability for personal injury, property, or environmental damage, and other hazards of mineral exploration against which it cannot insure or against which it may elect not to insure due to high premium costs or other reasons. Payment of such liabilities could have a material adverse effect on the financial position of the Company.

**Permits and Licenses:** Upon acquisition of a property interest, the operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**Fluctuating Prices:** The Company's future revenues, if any, are expected to be in large part derived from the extraction and sale of iron ore. The price of those commodities fluctuates widely and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of iron ore, and therefore the economic viability of any of the Company's exploration projects, cannot be predicted accurately.

The Company's business of exploring and developing mineral properties is highly uncertain and risky by its very nature. In addition, the ability to raise funding in the future to maintain the Company's exploration and development activities is dependent on financial markets that often fail to provide necessary capital.

Regulatory standards continue to change making the review process longer, more complex and more costly. Even if an apparently mineable deposit is developed, there is no assurance that it will ever reach production or be profitable, as its potential economics are influenced by many key factors such as commodity prices, foreign exchange rates, equity markets and political interference, which cannot be controlled by management.

## **Forward Looking Statements**

*This discussion may contain forward-looking statements that involve a number of risks and uncertainties including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, capital and operating costs varying significantly from estimates, delays in or failure to obtain governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law*