

CUERVO RESOURCES INC.  
(A Development Stage Enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

SEPTEMBER 30, 2007

The accompanying unaudited interim consolidated financial statements of Cuervo Resources Inc. for the six months ended September 30, 2007 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

CUERVO RESOURCES INC.  
(A Development Stage Enterprise)

INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited – Prepared by Management)

	September 30, 2007	March 31, 2007 (Audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,166,804	\$ 1,449,933
Accounts receivable	158,606	64,251
Prepaid expenses	2,477	9,877
Deferred financing costs	-	136,053
Property pre-acquisition costs (note 9)	<u>326,909</u>	<u>215,042</u>
	2,654,796	1,875,156
MINING INTERESTS (notes 2 and 4)	161,862	155,946
CAPITAL ASSETS (note 3)	<u>149,858</u>	<u>13,449</u>
	<u>\$ 2,966,516</u>	<u>\$ 2,044,551</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 26,237	\$ 176,661
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (note 6(a))	5,294,552	3,088,480
CONTRIBUTED SURPLUS (note 6(c))	980,286	-
DEFICIT	<u>( 3,334,559)</u>	<u>( 1,220,590)</u>
	<u>2,940,279</u>	<u>1,867,890</u>
COMMITMENTS (note 4)		
SUBSEQUENT EVENTS (note 12)	<u>\$ 2,966,516</u>	<u>\$ 2,044,551</u>

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

CUERVO RESOURCES INC.  
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INTERIM STATEMENTS OF LOSS AND DEFICIT  
(Unaudited – Prepared by Management)

	<u>Three months ended</u> <u>September 30</u>		<u>Six months ended</u> <u>September 30</u>	
	2007	2006	2007	2006
<b>EXPENSES</b>				
Consulting fees	\$ 36,250	\$ 9,678	\$ 109,500	\$ 42,800
Depreciation	7,861	-	8,287	-
Exploration	165,606	79,966	487,525	143,056
Foreign exchange loss (gain)	12,364	12,419	31,368	( 18,116)
General, office and investor relations	39,227	8,148	154,347	52,944
Interest and bank charges	372	1,642	1,200	3,445
Professional fees	58,038	10,343	167,776	78,098
Rent	18,586	1,661	40,362	1,661
Telecommunications	5,084	3,753	9,813	4,585
Stock-option compensation cost	45,450	-	980,286	-
Vehicle	28,029	19,093	36,703	19,093
Wages and benefits	<u>70,978</u>	<u>35,415</u>	<u>108,932</u>	<u>53,001</u>
	487,845	182,118	2,136,099	380,567
Interest and other income	<u>( 22,130)</u>	<u>-</u>	<u>( 22,130)</u>	<u>-</u>
<b>NET LOSS FOR THE PERIOD</b>	465,715	182,118	2,113,969	380,567
<b>DEFICIT AT BEGINNING OF THE PERIOD</b>	<u>2,868,844</u>	<u>476,391</u>	<u>1,220,590</u>	<u>277,942</u>
<b>DEFICIT AT END OF THE PERIOD</b>	<u>\$ 3,334,559</u>	<u>\$ 658,509</u>	<u>\$ 3,334,559</u>	<u>\$ 658,509</u>
<b>Loss per common share</b>				
Basic	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.11</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>
<b>Weighted-average number of common shares outstanding</b>				
Basic	<u>21,125,333</u>	<u>11,900,000</u>	<u>19,447,500</u>	<u>11,150,000</u>
Diluted	<u>22,797,057</u>	<u>11,900,000</u>	<u>21,119,224</u>	<u>11,150,000</u>

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CUERVO RESOURCES INC.  
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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited – Prepared by Management)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	2007	2006	2007	2006
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Net loss for the period	(\$ 465,715)	(\$ 182,118)	(\$ 2,113,969)	(\$ 380,567)
Add items not affecting cash:				
Depreciation	7,861	-	8,287	-
Stock-option compensation cost	45,450	-	980,286	-
Net changes in working capital balances:				
Decrease (increase) in accounts receivable	( 34,618)	( 3,973)	( 94,355)	763
Decrease (increase) in prepaid expenses	7,177	-	7,400	( 54,229)
Decrease in deferred financing costs	-	-	136,053	-
Increase in property pre-acquisition costs	-	-	( 111,867)	-
Increase (decrease) in accounts payable and accrued liabilities	( 28,726)	24,851	( 150,424)	( 12,139)
Cash used in operations	<u>( 468,571)</u>	<u>( 161,240)</u>	<u>( 1,338,589)</u>	<u>( 446,172)</u>
<b>CASH USED IN INVESTING ACTIVITIES:</b>				
Purchase of capital assets	( 56,786)	-	( 144,696)	-
Mineral property expenditures	<u>-</u>	<u>( 4,286)</u>	<u>( 5,916)</u>	<u>( 10,029)</u>
Cash used in investing	<u>( 56,786)</u>	<u>( 4,286)</u>	<u>( 150,612)</u>	<u>( 10,029)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>				
Issue of common shares	62,250	-	2,562,250	425,030
Share issue cost	<u>-</u>	<u>-</u>	<u>( 356,178)</u>	<u>-</u>
Cash provided by financing	<u>62,250</u>	<u>-</u>	<u>2,206,072</u>	<u>425,030</u>
INCREASE (DECREASE) IN CASH POSITION	( 463,107)	( 165,526)	716,871	( 31,171)
CASH POSITION AT BEGINNING OF THE PERIOD	<u>2,629,911</u>	<u>350,416</u>	<u>1,449,933</u>	<u>216,061</u>
CASH POSITION AT END OF THE PERIOD	<u>\$2,166,804</u>	<u>\$ 184,890</u>	<u>\$2,166,804</u>	<u>\$ 184,890</u>

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

CUERVO RESOURCES INC.  
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

1 - NATURE OF OPERATIONS:

Cuervo Resources Inc. (the “Company”) was incorporated on February 11, 2005 under the Business Corporations Act (Ontario). The Company is in the business of acquiring, exploring for and developing mineral properties in Peru. 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 development stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

2 - SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Minera Cuervo S.A.C. (“Minera”), which is incorporated in Peru (see note 5). All intercompany transactions have been eliminated.

ESTIMATES

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Precise determination of amounts of some assets and liabilities is dependent on future events. This requires that management make estimates in the preparation of financial statements. Significant estimates and assumptions include those related to the recoverability of mining interests, benefits of future income tax assets, and estimated useful lives of capital assets. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

MINING INTERESTS AND EXPLORATION

The Company has adopted the recommendation issued by the CICA EIC 126 and expenses exploration expenditures as incurred. Costs attributable to property acquisitions are capitalized while exploration expenditures on the property can only be capitalized once mineral reserves have been established. Once a mineral reserve has been established, all development costs will be capitalized. These costs together with the costs of mining interests will be charged to operations on a unit-of-production method based on estimated recoverable reserves. If the mining interests are abandoned, or when impairment in value has been determined, the capitalized costs will be charged to operations. Exploration expenditures that have been charged to operations: six months ended September 30, 2007- \$487,525; six months ended September 30, 2006 - \$143,056; three months ended September 30, 2007- \$165,606; three months ended September 30, 2006 - \$79,966.

CASH AND CASH EQUIVALENTS

Cash and short-term investments with a remaining maturity of three months or less at the date of acquisition are classified as cash and cash equivalents.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

CAPITAL ASSETS

Capital assets are stated at cost. Depreciation is provided on the diminishing balance basis at the following annual rates:

Computer equipment.....	45%
Machinery and equipment .....	20%

INCOME TAXES

Future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax basis generally using the enacted income tax rates at each balance sheet date. Future income tax assets also arise from unused loss carry forwards and other deductions. The amount of the future income tax asset recognized is limited to the amount that is more likely than not to be realized. The estimated realizable amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets including mining interests, property and equipment and other assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there has been no impairment of the Company's long-lived assets as at September 30, 2007.

FINANCING COSTS

Costs directly identifiable with the raising of capital are charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. Deferred financing costs are charged against the related capital stock or charged to operations if the shares are not issued.

LOSS PER SHARE

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per share. Diluted loss per share is similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that options and warrants with an average market price for the year greater than their exercise price are exercised and the proceeds used to repurchase common shares.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in note 6(c). The Company accounts for stock-based compensation using the fair-value method. Under the fair value method, stock-based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholder's equity.

SHARE CAPITAL

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the price per share paid in the most recent prior sale of shares for cash.

Costs incurred to issue common shares are deducted from share capital.

REVENUE RECOGNITION

Interest income is recognized on an accrual basis as it is earned.

ASSET RETIREMENT OBLIGATION

The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated. The asset retirement costs are capitalized to the assets carrying value and amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2007, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration properties.

PROPERTY PRE-ACQUISITION COSTS

The Company capitalizes pre-acquisition costs relating to the evaluation of potential mineral property acquisitions. However, if the Company determines that a specific property acquisition should not be concluded, the costs associated with the specific property are charged to operations in the current period (see note 9).

TRANSLATION OF FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars at approximate exchange rates prevailing at the transaction date. Revenue and expenses are translated at average exchange rates prevailing during the period. The resulting gains and losses are included in loss for the period.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

3 - CAPITAL ASSETS:

	September 30, 2007			March 31, 2007
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	\$ 4,923	\$ 288	\$ 4,635	\$ 2,635
Machinery and equipment	<u>153,967</u>	<u>8,744</u>	<u>145,223</u>	<u>10,814</u>
	<u>\$ 158,890</u>	<u>\$ 9,032</u>	<u>\$ 149,858</u>	<u>\$ 13,449</u>

4 - MINING INTERESTS AND COMMITMENTS:

The Company has a 100% interest in 15 mining concessions covering approximately 7,064 hectares in Peru.

Accumulated mineral property costs have been incurred as follows:

	Six months ended September 30, 2007	Year ended March 31, 2007
Balance, beginning of the period	\$ 155,946	\$ 145,917
Costs	<u>5,916</u>	<u>10,029</u>
Balance, end of the period	<u>\$ 161,862</u>	<u>\$ 155,946</u>

Tax and concession payments amount to approximately US\$40,000 per annum.

On March 2, 2007 (effective date), the Company entered into an agreement with the rural community of Huillque, Peru which holds the surface rights on certain concessions held by the Company. The agreement allows the Company to build access roads, a camp, and conduct exploration on the property. Pursuant to this agreement, the Company must make a payment on signing of US\$2,000, which was paid, and three equal quarterly instalments from the effective date totalling US\$6,000.

During the year ended March 31, 2007, the Company entered into an office lease and office management contract with a company controlled by an individual related to a director of the Company. Lease payments total \$5,000 per month for a period of one year ending December 31, 2007.

5 - ACQUISITION OF MINERA CUERVO S.A.C.:

Minera is focused on exploration and development of mineral properties in Peru. On March 9, 2006, the

Company acquired 100% of the outstanding common shares of Minera Cuervo S.A.C. ("Minera") for cash consideration of \$11,988. The Company's consolidated balance sheet includes the accounts of Minera at their fair value. The consolidated statements of loss and deficit and statements of cash flow include the results of operations and changes in cash flow of Minera for the period from March 9, 2006. The purchase price of \$11,988 plus liabilities assumed, in the amount of \$59,776, resulted in a cost of \$71,764 being allocated to mining interests.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

6 - SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

Issued and outstanding:

	Six months ended September 30, 2007		Year ended March 31, 2007	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	16,103,000	\$ 3,088,480	10,400,000	\$ 603,500
Issued for cash	5,000,000	2,500,000	5,703,000	2,551,500
Issued for cash / on exercise of warrants	83,000	62,250	-	-
Issue costs	-	( 356,178)	-	( 66,520)
Balance, end of the period	<u>21,186,000</u>	<u>\$ 5,294,552</u>	<u>16,103,000</u>	<u>\$ 3,088,480</u>

i) On June 9, 2006, the Company completed a non-brokered private placement and issued 1,500,000 common shares for aggregate proceeds of \$450,000.

ii) On November 22, 2006, the Company completed a private placement of 4,203,000 units at \$0.50 per unit for gross proceeds of \$2,101,500; each unit is comprised of one common share and one two-year common share purchase warrant exercisable at \$0.75. The expiry date may be accelerated by the Company, after six months from the warrant issue date, to a period that is 30 days after written notice is given by the Company that the common shares have traded on a recognized stock exchange at a closing price of \$1.10 or higher for twenty consecutive trading days (see note 12 d)).

iii) On May 30, 2007, the Company completed an initial public offering comprised of 5,000,000 units at \$0.50 per unit for gross proceeds of \$2,500,000; each unit is comprised of one common share and one two-year common share purchase warrant exercisable at \$0.75. The expiry date may be accelerated by the Company, after six months from the warrant issue date, to a period that is 30 days after written notice is given by the Company that the common shares have traded on a recognized stock exchange at a closing price of \$1.10 or higher for twenty consecutive trading days.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

6 - SHARE CAPITAL (continued):

b) Warrants:

The following summarizes warrants that have been issued:

	<u>Number of Warrants</u>	
	Six months ended September 30, 2007	Year ended March 31, 2007
Balance, beginning of period	4,703,000	500,000
Warrants issued on issuance of shares for cash	5,000,000	4,203,000
Warrants exercised during the period	<u>( 83,000)</u>	<u>-</u>
Balance, end of period	<u>9,620,000</u>	<u>4,703,000</u>

At September 30, 2007, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Number of shares	Exercise price	Expiry date
500,000	\$ 0.15	November 18, 2007
<u>9,120,000</u>	\$ 0.75	November 22, 2008 and May 30, 2009
<u>9,620,000</u>		

See notes 12, 6a)ii) and 6a)iii) for additional warrant information.

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 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 fair value of each option was estimated on the date of grant with the following assumptions at

the measurement date.

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6 - SHARE CAPITAL (continued):

c) Stock-option plan (continued):

	Six months ended September 30, 2007	Year ended March 31, 2007
Risk-free interest rate	3.19%	nil
Expected life	5 years	nil
Price volatility	55%	nil
Dividend yield	nil	nil

Under Black-Scholes the options issued during the period ended September 30, 2007 have been valued at \$980,286 and have been expensed as stock-option compensation cost. This has resulted in contributed surplus of \$980,286.

A summary of the status of the Company's stock option plan as of September 30, 2007 and March 31, 2007, and changes during the periods are presented below:

	Six months ended September 30, 2007		Year ended March 31, 2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of the period	-	\$ -	-	\$ -
Exercised	-	-	-	-
Expired	-	-	-	-
Granted	<u>2,010,000</u>	1.15	<u>-</u>	-
Outstanding at end of the period	<u>2,010,000</u>	\$ 1.15	<u>-</u>	\$ -

d) Agent's option warrants:

Pursuant to the terms of an agency agreement dated May 3, 2007, agent's option warrants to

purchase 450,000 units, exercisable over a two-year period at an exercise price of \$0.50 per unit, were issued as part of the commission related to the initial public offering. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at a price of \$0.75 per common share for a two-year period. The expiry date may be accelerated by the Company, after six months from the warrant issue date, to a period that is 30 days after written notice is given by the Company that the common shares have traded on a recognized stock exchange at a closing price of \$1.10 or higher for twenty consecutive trading days.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

7 - RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were expensed in the consolidated financial statements during the periods ended September 30, 2007 and 2006 as follows:

	Six Months  2007	Three Months  2007	Six Months  2006	Three Months  2006
Consulting fees expense:				
Consulting fees were charged by an officer for financial management services	\$ 15,000	\$ 7,500	\$ 15,000	\$ 7,500
Corporate administrative fees were charged by an officer and director	\$ 30,000	\$ 15,000	\$ 15,000	\$ 7,500
Corporate administrative fees were charged by a company controlled by an individual related to a director of the Company	\$ 9,000	\$ 4,500	\$ 9,000	\$ 4,500
Consulting fees were charged by a company controlled by an individual related to a director of the Company for investor relations services	\$ 13,000	\$ 7,000	\$ 3,800	\$ nil
Exploration expense:				
Geologist services were charged by an officer and director	\$ 30,000	\$ 15,000	\$ 15,000	\$ 7,500
General, office, and investor relations expense:				
Travel costs were reimbursed by the Company at cost to a director and officer	\$ 22,998	\$ 12,998	\$ 26,050	\$ 8,148
Promotion costs were reimbursed by the Company at cost to an officer	\$ 5,107	\$ 2,635	\$ 3,954	\$ nil
Travel and promotion costs were reimbursed				

by the Company at cost to a company controlled by a director of the Company	\$ 5,890	\$ -	\$ 15,951	\$ nil
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**Rent:**

Office lease and office management fees were charged by a company controlled by an individual related to a director of the Company	\$ 30,000	\$ 15,000	\$ nil	\$ nil
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**7 - RELATED PARTY TRANSACTIONS (continued):**

See note 4 for additional related party information.

Management believes these transactions 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 related parties.

**8 – INCOME TAXES:**

At September 30, 2007, the Company has non-capital losses in Canada of approximately \$790,000 carryforward for which no benefit has been recognized in the accounts. If these losses are not utilized, they will expire through 2028.

**9 – PROPERTY PRE-ACQUISITION COSTS:**

During the period, the Company incurred property pre-acquisition costs amounting to \$111,867 (year ended March 31 2007- \$215,042) relating to the evaluation of Peruvian exploration properties for the purposes of possible acquisitions. To date, the evaluation process remains ongoing. See note 12 a).

**10 - FINANCIAL INSTRUMENTS:****a) Fair value**

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and equivalents, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

**b) Credit risk**

The Company does not have any material risk exposure to any single debtor or group of debtors.

**c) Commodity price risk**

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

**d) Foreign exchange risk**

Certain of the Company's expenses are incurred in foreign currencies and are therefore subject to gains or losses due to fluctuations in these currencies.

11 - COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect prior period's net losses.

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FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

12 - SUBSEQUENT EVENTS:

- a) Subsequent to period end, the Company acquired a 100% interest in 14 mineral concessions covering a total of 5,600 ha in Peru. Consideration for the concessions was an all cash transaction totalling \$326,909 of which certain pre-acquisition payments were made by the Company in the course of evaluating and identifying the concessions of interest in advance of the purchase agreement.
- b) Subsequent to period end, 2,311,050 common shares were issued upon exercise of warrants for cash totalling \$1,427,019.
- c) On November 8, 2007, the Company invoked a warrant attribute clause accelerating the expiry date of the remaining common shares purchase warrants, of an original 4,203,000 issued, exercisable at \$0.75 each (see note 6a)ii). The expiry date has been accelerated to 30 days from November 8, 2007.