

Management's Discussion and Analysis

SIX MONTHS ENDED SEPTEMBER 30, 2007

General

This Management Discussion and Analysis is dated November 20, 2007. This discussion reflects the six-month period from April 1, 2007 through the period ended September 30, 2007 and should be read in conjunction with the Interim (Unaudited) Financial Statements for the second quarter ("Q2") of Fiscal Year ("FY") 2008 and all notes thereto. Those Statements have not been reviewed by auditors who are in compliance with the Canadian Public Accountability Board ("CPAB"). All dollar amounts reported herein are in Canadian dollars unless otherwise specified.

Description of Business

The Company is a reporting issuer engaged in the acquisition and exploration of mineral properties with a primary interest in iron. The Company was incorporated under the *Business Corporations Act* (Ontario) as "2064937 Ontario Inc." on February 11, 2005. On March 14, 2005 the Company amended its articles to change its name to "Cuervo Resources Inc."

The Company filed and received a final receipt from the Ontario Securities Commission, dated May 7, 2007, for a Prospectus for an initial public offering (the "Offering"). Through the mutual reliance review system (National Policy 43-201) this also includes receipts from the securities regulators in Alberta and British Columbia. The Prospectus and associated documentation can be viewed on SEDAR. Jones, Gable & Company Limited agreed to act as agent for the Offering for the Company. The Offering was fully subscribed for five (5) million Units at \$0.50 per unit for gross proceeds of \$2.5 million. Each Unit consisted of one (1) common share and one (1) common share purchase warrant. Each warrant can be exercised to acquire one additional common share at a price of \$0.75 per share for 24 months from the closing date (May 30, 2007), subject to earlier acceleration upon the occurrence of certain specified events. Subsequent to the Offering, the Company had 21,103,000 shares outstanding (31,706,000 fully diluted). The Company began trading on the Canadian Trading and Quotation System Inc. (CNQ) on May 30, 2007 with the trading symbol "IRON". Subsequently the Company began trading on the Frankfurt Stock Exchange (FWB) with the trading symbol "CRR".

The Company is currently focusing its exploration efforts in Perú.

The Company has one subsidiary, Minera Cuervo S.A.C., a Peruvian corporation of which the Company owns 100% of the outstanding shares: 99.7% directly and 0.3% indirectly through a trustee. The financial statements of the Company and Minera Cuervo have been combined as they are affiliated businesses.

As at November 20, 2007, the directors and officers of the Company were:

| | |
|--------------------------|-----------------------------------|
| John M. Siriunas, P.Eng. | President, Secretary and Director |
| Paul R. Ankcorn | Chief Financial Officer |
| Gordon D. Watts, P.Eng. | Director |
| Brian Berner | Director, Chairman of the Board |
| Velasquez Spring, P.Eng. | Director |
| Brian M. Cloney, C.A. | Director |

Messrs. John M. Siriunas, P.Eng., Gordon Watts, P.Eng. and Velasquez Spring, P.Eng. are all "Qualified Persons" under the definition of National Instrument 43-101. Mr. Siriunas acts as the primary qualified person for the Company.

Overall Performance

For the six months ended September 30, 2007 the Company's cash position increased from \$1,449,933 at

March 31, 2007 to \$2,166,804 at September 30, 2007. During the six-month period the Company completed an initial public unit offering of its shares and issued 5,000,000 common shares for gross proceeds of \$2,500,000. A total of 83,000 warrants associated with the unit offering was exercised for additional proceeds of \$62,250. All these funds will be used for the purpose of providing general working capital and funds for exploration for FY 2008, and possibly beyond.

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. There is no operating history upon which investors may rely. 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. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities it will be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These include commodity prices, availability of capital, exploration risks, political and regulatory risks, environmental risks, competition, dependence on key personnel, potential risks relating to mineral titles and aboriginal land claims, currency risk and potential amendments to tax laws.

Selected Annual Information

| Fiscal Years Ended March 31, | 2007 | 2006 |
|------------------------------|-----------|-----------|
| Interest income | 13,462 | - |
| Profit (Loss) for the year | (942,648) | (277,942) |
| Profit (Loss) per share | (0.072) | (0.042) |
| Total assets | 2,044,551 | 368,783 |
| Total long-term liabilities | - | - |

Results of Operations

The Company's operations involve the acquisition and exploration of its iron properties in Perú. For the six months ended September 30, 2007 Cuervo had a net loss of \$2,113,969 (2006 - \$380,567). Details of the expenditures, comprised principally of general and administration costs and exploration costs, contributing to the loss are described below.

| General and Administrative Costs | 2008 | 2007 |
|---------------------------------------|------------|-------------|
| Professional fees | \$ 167,776 | \$ 78,098 |
| Consulting fees | \$ 109,500 | \$ 42,800 |
| Stock-based compensation | \$ 980,286 | \$ N/A |
| General office and Investor Relations | \$ 154,347 | \$ 52,944 |
| Foreign exchange gain (loss) | \$ 31,368 | (\$ 18,116) |
| Depreciation | \$ 8,287 | \$ - |
| Telecommunication | \$ 9,813 | \$ 4,585 |
| Rent | \$ 40,362 | \$ 1,661 |
| Interest and bank charge | \$ 1,200 | \$ 3,445 |
| Vehicle rentals | \$ 36,703 | \$ 19,093 |
| Exploration costs | \$ 487,525 | \$ 143,056 |
| Wages and benefits | \$ 108,932 | \$ 53,001 |

For the six months ended September 30, 2007, Cuervo incurred total general and administrative expenses of \$2,136,099 (2007 - \$380,567). Professional fees of \$167,776 (2007 - \$78,098) were all paid to unrelated parties, legal counsel and auditors. Consulting fees of \$67,000 (2007 - \$42,800) were paid, for administrative and financial management services, to related parties and fees of \$42,500 (2007 - \$NIL)

were paid to unrelated parties. General office and investor relations expenses of \$154,347 (2007 - \$52,944) reflect reimbursements by the corporation at cost to related parties of \$33,995 (2007 - \$45,955) and payments to unrelated parties of \$120,352 (2007 - \$6,989). Wages and benefits of \$108,932 (2007 - \$53,001) were paid by Minera Cuervo to Peruvian residents for services rendered to Minera Cuervo.

Interest and bank charges reflect the cost of incoming and outgoing wire transfers. Rent is for head office space. Vehicle rentals relate to the subsidiary office in Peru.

The high levels of general and administrative expenses in the period reflects sizeable legal fees related to the filing of a prospectus to become a public issuer, the costs of becoming a public issuer and the granting of stock options. The general and administrative expenses are expected to be less going forward.

The foreign exchange loss (gain) of \$31,368 (2007 - \$(18,116)) in the six month period primarily reflects the impact of the fluctuating Canadian dollar on monetary assets and expense items. As detailed in Note 2 to the consolidated financial statements, monetary assets and liabilities denominated in foreign currencies are translated 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. Revenues and expenses are translated at average exchange rates prevailing during the period.

Drilling and other exploration expenditures on Minera Cuervo's 15 individual mining concessions are expensed as incurred and amounted to \$487,525 (2007 - \$143,056) for the six months ended September 30, 2007 including \$30,000 (2007 - \$15,000) in consulting fees to a related party.

A total of 2,010,000 stock options had been granted under the Company's stock option plan as of September 30, 2007, resulting in stock compensation expense in the quarter of \$980,286.

Related Party Transactions

A total of \$97,000 (2007 - \$57,800) was paid to related parties in the six month period ended September 30, 2007 for consulting and exploration fees, \$67,000 (2007 - \$42,800) of which was accounted for as consulting fees expenses for financial management, administrative services and investor relations services and \$30,000 (2007 - \$15,000) of which was accounted for as exploration expenses. Of the aforementioned \$67,000, \$15,000 (2007 - \$15,000) was paid to the Chief Financial Officer for financial management services, \$30,000 (2007 - \$15,000) was paid to the president for administrative services, \$22,000 (2007 - \$12,800) were paid to a director of the Company and companies controlled by individuals related to a director of the Company for administrative and investor relations services. The aforementioned \$30,000 (2007 - \$15,000), accounted for as exploration expenses, was paid to the President for geological consulting services.

A total of \$33,995 was reimbursed to related parties for out of pocket expenses incurred by the related parties on behalf of Cuervo. Of the aforementioned \$33,995, \$22,998 was reimbursed to the President for travel costs, \$5,107 was reimbursed to the Chief Financial Officer for Promotion costs, \$5,890 was reimbursed to a company controlled by a related party to a director for travel and promotion costs, and \$NIL was reimbursed to a company controlled by a related party to a director for administrative costs.

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.

Summary of Quarterly Results

Selected financial information for the first two quarters of FY 2008, the four quarters of FY 2007 and each of the last quarter of FY 2006 follows:

| <i>Fiscal year 2008</i> | 4 th Quarter | 3 rd Quarter | 2 nd Quarter | 1 st Quarter |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue | - | - | 22,130 | - |
| Gain (Loss) | - | - | (465,715) | (1,648,254) |

| | | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Gain (Loss) per share | - | - | (0.02) | (0.0925) |
| <i>Fiscal year 2007</i> | 4 th Quarter | 3 rd Quarter | 2 nd Quarter | 1 st Quarter |
| Revenue | 8,140 | 5,322 | - | - |
| Gain (Loss) | (387,535) | (174,546) | (182,118) | (198,449) |
| Gain (Loss) per share | (0.032) | (0.015) | (0.016) | (0.019) |
| <i>Fiscal year 2006</i> | 4 th Quarter | 3 rd Quarter | 2 nd Quarter | 1 st Quarter |
| Revenue | - | - | - | - |
| Gain (Loss) | (277,942) | - | - | - |
| Gain (Loss) per share | (0.042) | - | - | - |

Liquidity and Capital Resources

Cash as at September 30, 2007 was \$2,166,804, the balance of its funds raised during the first 35 months of operations less funds expended. The Company has no long-term debt. Accounts payable and accrued liabilities at September 30, 2007 were \$26,237.

The Company issued 5,000,000 shares at a price of \$0.50 per share for its initial public offering to provide operating capital. A summary of the total of the outstanding shares follows:

| Date of Issue | Number of Common Shares Issued | Price Per Share/Deemed Price Per Share | Manner of Issue |
|-------------------|--------------------------------|--|--|
| February 11, 2005 | 100 | \$0.01 | Cash |
| May 30, 2005 | 4,849,900 | \$0.01 | For services |
| July 6, 2005 | 400,000 | \$0.10 | Cash |
| November 16, 2005 | 3,250,000 ¹ | \$0.10 | Cash |
| November 23, 2005 | 1,150,000 | \$0.10 | Cash as to 1,000,000 shares and as to 150,000 for services |
| March 15, 2006 | 750,000 | \$0.10 | Cash |
| June 9, 2006 | 1,500,000 | \$0.30 | Cash |
| October 31, 2006 | 2,938,000 ² | \$0.50 | Cash |
| November 22, 2006 | 1,265,000 ² | \$0.50 | Cash |
| May 30, 2007 | 5,000,000 ^{3,4} | \$0.50 | Cash |
| July, August 2007 | 83,000 ⁵ | \$0.75 | Cash |
| Total | 21,186,000 | | |

1 - A total of 500,000 warrants were also issued to a single individual as part of a unit offering. Each warrant can be exercised to acquire one additional common share at a price of \$0.15 per share. These

warrants expire on November 18, 2007. The balance of warrants outstanding on September 30, 2007 was 500,000.

2 – A total of 4,203,000 warrants were also issued. Each warrant can be exercised to acquire one additional common share at a price of \$0.75 per share. These warrants expire two (2) years from the date of issue. If, after six (6) months from the issue date, the closing price of the common shares on a recognized stock exchange for at least twenty (20) consecutive trading days is \$1.10 or more per share, the Company shall have the right, upon 30 days notice, to accelerate the expiry date of the warrants to the day following the last day of such notice period. The balance of warrants outstanding on September 30, 2007 was 4,203,000.

3 - A total of 5,000,000 warrants were also issued. Each warrant can be exercised to acquire one additional common share at a price of \$0.75 per share. These warrants expire two (2) years from the date of issue. If, after six (6) months from the issue date, the closing price of the common shares on a recognized stock exchange for at least twenty (20) consecutive trading days is \$1.10 or more per share, the Company shall have the right, upon 30 days notice, to accelerate the expiry date of the warrants to the day following the last day of such notice period. The balance of warrants outstanding on September 30, 2007 was 4,917,000.

4 – A total of 450,000 Agent's Option warrants were also issued as part of the Agent's commission related to the initial public offering. Each Agent's Option warrant can be exercised to acquire 1) one additional common share at a price of \$0.50 per share; and 2) one additional warrant which can be exercised to acquire one additional common share at a price of \$0.75 per share. The Agent's Option warrants expire two (2) years from the date of issue. If, after six (6) months from the issue date, the closing price of the common shares on a recognized stock exchange for at least twenty (20) consecutive trading days is \$1.10 or more per share, the Company shall have the right, upon 30 days notice, to accelerate the expiry date of the warrants attached to the Agent's Option warrants to the day following the last day of such notice period. The balance of Agent's Option warrants outstanding on September 30, 2007 was 450,000.

5 – A total of 83,000 warrants issued as per Note 3 were exercised on various dates during July and August.

Changes in Accounting Policies including Initial Adoption

Stock-based compensation

Effective April 1, 2005, the Company adopted the revised *CICA Handbook* Section 3870, "Stock-based Compensation and Other Stock-based payments", which requires that a fair value-based method of accounting be applied to all stock-based compensation payments to both employees and non-employees.

Other

As of April 1, 2007, the Company adopted three (3) new standards issued by the Canadian Institute of Chartered Accountants (CICA). These new standards pertain to 1) financial instruments, recognition and measurement (*CICA Handbook* Section 3855); 2) hedges (Section 3865); and 3) comprehensive income (Section 1530).

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, sundry receivables, advance 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.

Management's Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and

procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), so that appropriate decisions can be made by them regarding public disclosure.

The system of disclosure controls and procedures includes, but is not limited to, our Disclosure Policy, our Code of Business Ethics, the effective functioning of our Audit Committees, procedures in place to systematically identify matters warranting consideration of disclosure by the Board of Directors and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the financial statements, MD&As, Annual Information Forms and other documents and external communications.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted, under the supervision of Management, including the CEO and CFO, as of March 31, 2007. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances.

Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of March 31, 2007.

The CEO and CFO are also required, under Multilateral Instrument 52-109, to file certifications of our interim filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 September 30, 2007, the Company does not have any off-balance sheet arrangements.

Other Information

Disclosure of Outstanding Share Data

| | Authorized | Outstanding |
|--|---|---|
| Voting or equity securities issued and outstanding | Unlimited Common Shares | 21,186,000 Common Shares |
| Securities convertible or exercisable into | 10,603,000 warrants exercisable to acquire 10,603,000 common shares | 10,520,000 warrants exercisable to acquire 10,520,000 common shares |

| | | |
|-------------------------|------------------------------------|------------------------------------|
| voting or equity shares | expiring as follows: | expiring as follows: |
| | Nov. 18, 2007 - 500,000 @ \$0.15 | Nov. 18, 2007 - 500,000 @ \$0.15 |
| | Nov. 22, 2008 - 4,203,000 @ \$0.75 | Nov. 22, 2008 - 4,203,000 @ \$0.75 |
| | May 30, 2009 - 450,000 @ \$0.50 | May 30, 2009 - 450,000 @ \$0.50 |
| | May 30, 2009 - 5,450,000 @ \$0.75 | May 30, 2009 - 4,367,000 @ \$0.75 |

During the period ended September 30, 2007, the Company made the following share issuances:

- a) 5,000,000 shares were issued from treasury for an initial public offering for proceeds of \$2,500,000; and
- b) 83,000 shares were issued from treasury for the exercise of warrants for proceeds of \$62,250.

Share capital at September 30, 2007 consists of 21,186,000 issued and outstanding common shares compared to 16,103,000 at March 31, 2007.

During the period the Company issued a total of 2,010,000 stock options to directors, officers, consultants and employees. A total of 1,860,000 of these options can be exercised at a price of \$1.15 per common share and expire on June 4, 2012. The remaining 150,000 options can be exercised at a price of \$1.15 per common share and expire on September 27, 2012.

In accordance with the requirements of National Policy 46-201, as of March 31, 2007 there were 2,300,000 common shares held in escrow, representing approximately 14% of the outstanding common shares of the Company. The escrowed shares will be released from escrow as to 1/10 thereof on the date that the common shares are listed on a recognized Canadian stock exchange, 1/6 of the remaining common shares 6 months after the listing date, 1/5 of the remaining common shares 12 months after the listing date, 1/4 of the remaining common shares 18 months after the listing date, 1/3 of the remaining common shares 24 months after the listing date, 1/2 of the remaining common shares 30 months after the listing date, and the remaining escrowed common shares on the date that is 36 months after the listing date. A total of 230,000 were released from escrow on May 30, 2007 leaving 2,070,000 common shares still held in escrow as of September 30, 2007.

Exploration Activities

The Company is focused on exploring and developing its iron properties located in Perú.

Cerro Ccopane

The Company has a 100% interest in six (6) contiguous mining concessions south of Cuzco in southern Perú. The concessions are the subject of a NI 43-101-compliant report entitled "Technical Report on the Cerro Ccopane Iron Project" authored by James A. McCrea, P.Geo. and Ryan Grywul, B.Sc. and dated January 8, 2007. The Cerro Ccopane property constitutes the Company's "property of merit". Effective March 2, 2007, the Company entered into an agreement with the local landowners from the rural community of Huillque for surface rights in the area. The agreement allows the Company to build access roads, a camp and conduct exploration on the property. During the fiscal year, the Company carried out mapping, road construction and trenching on the property.

The Company's Category "C" Environmental Assessment regarding the Cerro Ccopane property was given final approval by the Ministerio de Energía y Minas del Perú as Directorial Resolution No. 229-2007 MEM/AAM on July 11, 2007. This approval allows the Company to commence advanced exploration including diamond drilling.

A program of geophysical surveying including magnetics and gravity was commenced in December 2006; this geophysical surveying continued at a slower than expected pace due to weather conditions and the topography of the property. A final report prepared by VDG del Perú S.A.C. was received in June, 2007.

Diamond drilling commenced on July 29, 2007 and was continuing as of the date of this discussion. Results

from the drill program are announced intermittently at such times as they can be presented in the proper geological context and/or with regard to other relevant factors.

Other Cuervo Properties

The Company has a 100% in nine (9) other mining concessions in Perú totaling 3,764 ha. All these 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 |
|------------------------|------------------|-------------------|-----------------|------------------|
| Francisca Victoria IX | 64 | La Libertad | Trujillo | Simbal |
| Blanquita 2 | 100 | La Libertad | Trujillo | Poroto |
| Charango 1 | 300 | La Libertad | Trujillo | Poroto/Simbal |
| Charango 2 | 100 | La Libertad | Trujillo | Poroto |
| Flamenco 1 | 400 | Ancash | Aija | Aija |
| Flamenco 3 | 600 | Ancash | Aija | Aija |
| Sur 1 | 1,000 | Arequipa | Islay | Islay |
| Posada 4 | 1,000 | Apurimac | Aymareas | Colcabamba/Lucre |
| Fierroando 1 | 200 | Cuzco | Chumbivilcas | Ccapacmarca |

The Company continues to assess other potential properties for acquisition.

Outlook

The Company plans to advance its mining properties by exploration and development work. The work programs will be designed to attempt to delineate resources of iron ore, in particular direct-shipping ore, on each property and perform economic and other studies that could eventually lead toward a decision regarding the feasibility of production.

Subsequent Events

The Company made an election, registered with Canada Revenue Agency, to be an RSP-eligible entity.

The Company announced that it was accelerating the expiry date of warrants to purchase common shares of the Company for warrants that were issued on either October 31, 2006 or November 22, 2006.

The common shares of the Company traded on the Canadian Trading and Quotation System, Inc. ("CNQ") at or above \$CDN1.10 for a period of twenty (20) consecutive trading days (October 11, 2007 to November 7, 2007). This allowed the Company to invoke a clause which requires the remaining holders of the original 4,203,000 warrants to exercise their warrants at a price of \$CDN0.75 within thirty (30) days. Failure to exercise the warrants within the specified period of time will mean that all rights evidenced by the warrants shall be void and of no further force or effect.

As a consequence of the exercise of warrants to purchase common shares the following disclosure of outstanding share data as at November 20, 2007 is made:

| | Authorized | Outstanding |
|---|---|--|
| Voting or equity securities issued and outstanding | Unlimited Common Shares | 23,497,050 Common Shares |
| Securities convertible or exercisable into voting or equity | 10,103,000 warrants exercisable to acquire 8,208,950 common shares expiring as follows: | 8,208,950 warrants exercisable to acquire 8,208,950 common shares expiring as follows: |

| | | |
|--------|--|--|
| shares | Dec. 10, 2007 – 4,203,000 @ \$0.75 May 30, 2009 – 450,000 @ \$0.50 May 30, 2009 – 5,450,000 @ \$0.75 | Dec. 10, 2007 – 3,153,000 @ \$0.75 May 30, 2009 – 424,925 @ \$0.50 May 30, 2009 – 4,631,025 @ \$0.75 |
|--------|--|--|

As of November 20, 2007, the Company made the following share issuances:

- a) 5,000,000 shares were issued from treasury for an initial public offering for proceeds of \$2,500,000;
- b) 1,868,975 shares were issued from treasury for the exercise of warrants for proceeds of \$1,401,731.20;
- c) 500,000 shares were issued from treasury for the exercise of warrants for proceeds of \$75,000; and
- d) 25,075 shares were issued from treasury for the exercise of Agent's Option warrants for proceeds of \$12,537.50.

Share capital at November 20, 2007 consists of 23,497,050 issued and outstanding common shares compared to 16,103,000 at March 31, 2007.

The program of diamond drilling by the Company's wholly owned subsidiary Minera Cuervo S.A.C. ("Minera Cuervo") is currently being focussed on the Orcopura (also known as Wychaucassa or Posada 2) zone of mineralization. The Company is targeting near surface, relatively flat-lying iron mineralization (magnetite ± hematite). The following list describes the general locations of the first eighteen (18) diamond drill holes being reported on:

ODH – 01, ODH – 02 and ODH – 03 were drilled from the same location (platform), ODH – 01 being a vertical drill hole, ODH – 02 being drilled toward grid north at an inclination of 45° and ODH – 03 toward grid south at 60°. The site was selected as being central to the known surface expression of iron-bearing mineralization within the Orcopura zone. Elevation of the location is 3805 m AMSL;

ODH – 04, ODH – 05 and ODH - 06 were drilled from a second platform at a point 100 m to the (grid) east of ODH – 01 etc. ODH – 04 was a vertical drill hole, ODH – 05 was drilled toward grid north at an inclination of 45° and ODH – 06 toward grid south at 45°. Elevation of the location is 3755 m;

ODH – 07 and ODH – 08 were drilled from another platform 110 m to the (grid) south of ODH – 01 etc. (*i.e.* on the same section as ODH – 01 etc.). ODH – 07 was a vertical drill hole and ODH – 08 was drilled toward grid south at an inclination of 60°. Elevation of the location is 3750 m.

ODH – 09 and ODH – 10 were drilled from the same location (platform), ODH – 09 being a vertical drill hole and ODH – 10 being drilled toward grid south at an inclination of 45°. The site was located 100 m to the (grid) south of holes ODH – 07 and ODH – 08. Elevation of the location is 3725 m AMSL; and

ODH – 11 was a vertical hole drilled from a platform at a point 100 m to the (grid) east of ODH – 07 and ODH – 08 and 100 m to the (grid) south of holes ODH – 04, ODH – 05 and ODH – 06. Elevation of the location is 3725 m.

ODH – 12 was drilled from the same location (platform) as ODH – 11, ODH - 11 being a vertical drill hole and ODH – 12 being drilled toward grid south at an inclination of 60° to a depth of 100.3 m. The site was located 100 m to the (grid) east of holes ODH – 07 and ODH – 08 and 100 m to the (grid) south of holes ODH – 04, ODH - 05 and ODH – 06. Elevation of the location is 3725 m AMSL; and

ODH – 13 and ODH – 14 were drilled from the same platform, ODH- 13 being a vertical hole (total depth 52.2 m) and ODH – 14 being drilled toward grid south at an inclination of 45° to a total depth of 88.25 m. This site was located at a point 100 m to the (grid) east of holes ODH – 09 and ODH – 10 and 100 m to the (grid) south of holes ODH – 11 and ODH – 12. Elevation of the location is 3725 m. Holes ODH – 13 and ODH – 14 along with ODH - 09 and ODH – 10 were all drilled to test and study the southern contact of the mineralized body.

ODH – 15, ODH – 16 and ODH – 17 were all drilled from the same location (platform), ODH - 15 being a vertical drill hole to a depth of 95 m, ODH – 16 being drilled toward grid north at an inclination of 45° to a depth of 128.25 m and ODH – 17 being drilled toward grid east to a depth of 195.40 m. The site was located 100 m to the (grid) west of holes ODH – 07 and ODH – 08. ODH – 15 was collared just outside the known limits of surface mineralization and did not encounter any mineralization at depth. No samples were taken from this hole for analysis. Elevation of the location is 3727 m AMSL; and

ODH – 18 was a vertical hole (total depth 106.75 m). This site was located at a point 100 m to the (grid) west of holes ODH – 01, ODH – 02 and ODH - 03. Elevation of the location is 3769 m.

The following tables present a list of the intersections that were sampled during the recent work program:

| DRILL HOLE | INTERSECTION (m) | WIDTH (m) | TVD (m)* | Fe (%) | S (%) | P (%) | Mn (%) | Cu (%) |
|-----------------|------------------|-----------|----------|--------|-------|-------|--------|--------|
| ODH – 01 | 0 - 131.25 | 131.25 | 131 | 57.31 | 2.18 | 0.03 | 0.05 | 0.12 |
| Includes | 15.00 - 49.50 | 34.50 | | 58.01 | 0.30 | 0.04 | 0.04 | 0.10 |
| | 60.00 - 87.00 | 27.00 | | 59.98 | 3.39 | 0.03 | 0.03 | 0.16 |
| | 92.00 - 131.25 | 39.25 | | 60.30 | 3.72 | 0.03 | 0.05 | 0.16 |
| ODH – 02 | 1.40 - 47.05 | 45.65 | 32 | 52.75 | 0.05 | 0.06 | 0.19 | 0.06 |
| Includes | 20.05 - 45.55 | 25.50 | | 58.31 | 0.05 | 0.05 | 0.19 | 0.06 |
| ODH – 03 | 0 - 149.00 | 149.00 | 129 | 53.92 | 1.35 | 0.05 | 0.07 | 0.11 |
| Includes | 27.50 - 48.50 | 21.00 | | 56.27 | 0.92 | 0.05 | 0.06 | 0.14 |
| | 53.20 - 132.00 | 78.80 | | 59.48 | 1.47 | 0.04 | 0.06 | 0.12 |
| ODH – 04 | 4.50 - 78.50 | 74.00 | 74 | 60.29 | 0.79 | 0.04 | 0.08 | 0.10 |
| Includes | 15.50 - 78.50 | 63.00 | | 62.61 | 0.92 | 0.03 | 0.08 | 0.12 |
| ODH – 05 | 3.00 - 108.00 | 105.00 | 74 | 60.40 | 1.36 | 0.04 | 0.04 | 0.09 |
| Includes | 34.50 - 108.00 | 73.50 | | 62.94 | 1.90 | 0.02 | 0.04 | 0.10 |
| ODH – 06 | 1.70 - 92.70 | 89.50 | 63 | 56.57 | 0.71 | 0.05 | 0.04 | 0.07 |
| Includes | 15.50 - 62.00 | 46.50 | | 63.50 | 0.13 | 0.04 | 0.02 | 0.04 |
| | 70.20 - 88.20 | 18.00 | | 60.80 | 2.14 | 0.03 | 0.06 | 0.06 |
| ODH – 07 | 0 - 71.00 | 71.00 | 71 | 53.94 | 0.83 | 0.08 | 0.07 | 0.11 |
| Includes | 0 - 37.50 | 37.50 | | 61.55 | 0.25 | 0.10 | 0.06 | 0.16 |
| | 46.00 - 68.00 | 22.00 | | 55.23 | 1.49 | 0.04 | 0.09 | 0.07 |
| Other | 75.50 - 81.50 | 6.00 | | 54.66 | 3.87 | 0.03 | 0.12 | 0.11 |
| | 138.50 - 152.35 | 13.85 | | 59.42 | 4.05 | 0.06 | 0.07 | 0.12 |
| ODH – 08 | 5.30 - 106.64 | 99.84 | 86 | 46.79 | 1.42 | 0.05 | 0.08 | 0.11 |
| Includes | 5.30 - 43.70 | 38.40 | | 53.41 | 0.09 | 0.04 | 0.05 | 0.12 |
| | 56.60 - 67.20 | 10.60 | | 59.07 | 0.42 | 0.07 | 0.07 | 0.10 |
| | 79.64 - 93.14 | 13.50 | | 55.94 | 3.46 | 0.06 | 0.08 | 0.12 |

| DRILL HOLE | INTERSECTION (m) | WIDTH (m) | TVD (m)* | Fe (%) | S (%) | P (%) | Mn (%) | Cu (%) |
|-----------------|------------------|-----------|----------|--------|-------|-------|--------|--------|
| ODH – 09 | 6.50 – 55.30 | 48.80 | 48 | 56.77 | 1.34 | 0.03 | 0.12 | 0.11 |
| Includes | 6.50 – 41.00 | 34.50 | | 60.56 | 0.56 | 0.03 | 0.09 | 0.11 |
| ODH – 10 | 0 – 81.60 | 81.60 | 58 | 54.45 | 0.30 | 0.04 | 0.11 | 0.09 |
| Includes | 3.30 – 35.20 | 31.90 | | 61.46 | 0.05 | 0.03 | 0.11 | 0.07 |
| | 41.20 – 50.20 | 9.00 | | 60.98 | 0.07 | 0.05 | 0.07 | 0.06 |
| ODH – 11 | 0 - 34.00 | 34.00 | 34 | 55.06 | 0.02 | 0.07 | 0.08 | 0.02 |
| Includes | 0 - 23.50 | 23.50 | | 59.81 | 0.02 | 0.07 | 0.08 | 0.03 |
| Other | 44.95 – 53.95 | 9.00 | | 50.81 | 12.81 | 0.11 | 0.10 | 0.11 |
| | 74.90 – 83.90 | 9.00 | | 53.69 | 4.53 | 0.10 | 0.11 | 0.10 |
| | 87.41 – 90.41 | 3.00 | | 53.37 | 2.65 | 0.11 | 0.09 | 0.11 |
| ODH – 12 | 1.50 – 39.05 | 37.55 | 32 | 57.51 | 0.03 | 0.04 | 0.10 | 0.04 |
| Includes | 1.50 – 18.32 | 16.82 | | 59.94 | 0.04 | 0.04 | 0.06 | 0.04 |
| Other | 45.05 – 55.55 | 10.50 | | 56.82 | 3.24 | 0.13 | 0.07 | 0.13 |
| Other | 59.83 – 81.50 | 21.67 | | 57.45 | 3.61 | 0.12 | 0.08 | 0.12 |
| Includes | 62.00 – 72.50 | 10.50 | | 62.29 | 3.66 | 0.01 | 0.07 | 0.15 |
| ODH – 13 | 0 – 22.50 | 22.50 | 22 | 53.76 | 0.08 | 0.11 | 0.08 | 0.11 |
| Includes | 3.00 – 7.50 | 4.50 | | 59.64 | 0.04 | 0.05 | 0.07 | 0.11 |
| | 10.80 – 22.50 | 11.70 | | 57.42 | 0.12 | 0.04 | 0.09 | 0.11 |
| ODH – 14 | 7.80 – 36.85 | 29.05 | 20 | 59.68 | 0.06 | 0.08 | 0.04 | 0.08 |
| Includes | 7.80 – 16.80 | 9.00 | | 63.03 | 0.03 | 0.05 | 0.03 | 0.07 |
| ODH – 16 | 16.65 – 46.65 | 30.00 | 21 | 59.83 | 3.07 | 0.01 | 0.07 | 0.17 |
| Other | 66.15 – 90.15 | 24.00 | | 57.60 | 3.35 | 0.02 | 0.08 | 0.11 |
| Other | 93.15 – 99.15 | 6.00 | | 57.13 | 3.52 | 0.03 | 0.09 | 0.11 |
| ODH – 17 | 17.00 – 29.00 | 12.00 | | 54.40 | 2.76 | 0.01 | 0.09 | 0.14 |
| Other | 33.50 – 60.50 | 25.50 | 17 | 52.29 | 3.80 | 0.01 | 0.11 | 0.08 |
| Other | 72.40 – 80.10 | 7.70 | | 57.13 | 4.77 | 0.01 | 0.10 | 0.07 |
| Other | 102.6 – 122.65 | 20.05 | | 53.87 | 5.29 | 0.02 | 0.12 | 0.10 |
| Other | 157.65 – 180.0 | 22.35 | | 54.07 | 4.03 | 0.03 | 0.09 | 0.11 |
| ODH – 18 | 5.50 – 40.00 | 34.50 | 34 | 62.97 | 0.37 | 0.12 | 0.03 | 0.03 |
| Other | 78.15 – 82.65 | 4.50 | | 55.94 | 3.12 | 0.02 | 0.13 | 0.05 |
| Other | 91.65 – 99.15 | 7.50 | | 56.32 | 4.28 | 0.03 | 0.06 | 0.12 |

* TVD – approximate total vertical depth from top to bottom of intersection

All drill holes were logged and sampled at the project campsite on the property under the direction of Minera Cuervo's senior geologist, ing. Abraham Castillo Ll. A nominal sampling interval of 1.5 m is currently being used within sections of typical iron mineralization. Analyses were performed by SGS

Minerals Services at their laboratory facilities in Lima (Callao), Perú. Iron (Fe) analyses reported were performed by titration methods, sulphur (S) were carried out with a LECO furnace and all other analyses reported herein, being phosphorus (P), manganese (Mn) and copper (Cu), were by performed ICP-AES after a multi-acid (“total”) digestion. Laboratory check analyses were performed on approximately 10% of the samples submitted while field duplicate samples are submitted on a rate of approximately 5% of the total samples sent to the laboratory. The Company is satisfied with the reproducibility of analyses for the elements reported.

While the Company recognizes that certain elements, including sulphur, can affect the quality of a potential iron ore product, at this stage the Company has no indications that this could be of consequence at this location. The sulphur is identified as being present as sulphide minerals, predominantly pyrite, in the Orcopura zone. The Company has selected samples for preliminary separate mineralogical and metallurgical (Davis Tube) studies to further assess the nature of the iron mineralization. The results of these studies should be available to the Company in the near future.

A second diamond drill and crew from the Company’s contractor, MDH S.A.C. of Lima, Perú, was mobilized to the project by the Company in October to accelerate the program of exploration on the Orcopura zone and to expand exploration to other known zones of mineralization on the Cerro Ccopane property.

The Company’s wholly owned Peruvian subsidiary Minera Cuervo S.A.C. completed the acquisition of a 100% interest in 14 mineral concessions covering a total of 5,600 ha in Perú. The concessions were acquired from Minera La Gran Posada S.A.C. Consideration for the concessions was an all cash transaction totaling \$CDN326,909.

The concessions are variously located in the Trujillo – Chimbote area (La Libertad and Ancash Departamentos) of northern Perú, where the Company already holds a number of concessions, and in the Ica, Apurimac and Cusco Departamentos of southern Perú. All properties are considered to be prospective for iron ore but all are also considered to be of a grassroots nature as no exploration work of a significant nature is known to have been carried out on any of the concessions. The acquisition also represents an increase in the contiguous size of the Company’s main Cerro Ccopane property from 3,300 ha to 5,800 ha.

The Company commissioned Frank Hanson Consulting of Kila, Montana, to prepare a study of transportation alternatives related to conceptual mining development at or in the vicinity of the Cerro Ccopane property.

Risks and Uncertainties

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.