

Cuervo Resources Inc. Management's Discussion and Analysis

Third Quarter Ended December 31, 2011

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 December 31st, 2011. This MD&A should be read in conjunction with the Company's most recent audited financial statements and related notes and the Company's interim 3 month unaudited statements. These statements and additional information regarding the Company can be found on SEDAR at www.sedar.com. All amounts following are expressed in Canadian dollars unless otherwise stated. This discussion and analysis is dated January 30th 2012.

Description of Business

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

The Company has two wholly owned subsidiaries, Minera Cuervo S.A.C. ("Minera Cuervo") and Minera La Gran Posada S.A.C. ("La Gran Posada"), both of which are incorporated in Perú. The financial statements of the Company and Minera Cuervo and La Gran Posada 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".

As at January 30th 2012, 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.
John M. Siriunas, P.Eng.	President, Secretary and Director
Brian M. Cloney, C.A.	Director
Kenneth J. Hellsten	Director
Malcolm R. Richmond	Director
Erwin Speckert, C.F.A.	Director

Mr. John M. Siriunas, P.Eng., is a "Qualified Person" for the Company under the definition of National Instrument 43-101.

Overall Performance

The Company's main focus during the three months ended December 31, 2011 continued to be the exploration of its wholly owned Cerro Ccopane iron ore property in southern Perú. The Orcopura Zone at the Cerro Ccopane project has reported an NI 43-101-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. Drilling on the property was suspended in April 2009; however, road maintenance and drill platform remediation continues on a regular basis. Activities in support of the local communities also continue and work has progressed on environmental permitting to allow detailed follow-up exploration of other targets on the property.

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.

Results of Operations

The Company's operations involve the acquisition and exploration of its iron properties in Perú. For the three months ended December 31, 2011, Cuervo had a net loss of \$ 559,587 (2010 - \$ 464,897). Details of the expenditures contributing to the loss are described below:

	Three months ended December 31	
	2011	2010
Consulting fees	67,500	57,000
Depreciation	13,691	24,764
Exploration (Note 2)	222,170	55,746
Foreign exchange loss/(gain)	7,650	189,840
General, office and investor relations	71,906	61,944
Stock Option Compensation Cost	32,500	0
Interest and bank charges	1,458	980
Professional fees	49,844	12,632
Rent	6,750	9,188
Telecommunications	6,649	14,658
Wages and benefits	92,573	38,877
	<u>572,961</u>	<u>465,679</u>
Interest and other income	<u>(13,374)</u>	<u>(782)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>559,587</u>	<u>464,897</u>

The period over period increase in expenditures was \$94,680. A decrease in foreign exchange expense of \$182,190 was offset by increases in exploration of \$166,424, wages and benefits of \$53,696 and professional fees of \$37,212. These increases are a result of increased activity in the development of the company's properties.

Interest and bank charges reflect the cost of incoming and outgoing wire transfers, principally due to the funding of the Company's Peruvian subsidiary, and monthly service costs. Rent is for head office space in Toronto and a corporate office in Lima.

The foreign exchange loss of \$7,650 (2010 – loss of \$22,730) for the three months ended December 31, 2011 reflects the impact of the fluctuating Canadian dollar on monetary assets and expense items. As detailed in Note 2 to the audited consolidated financial statements, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the transaction date. Revenues and expenses are translated at average exchange rates during the period.

Related Party Transactions

During the 3 months ended December 31 2011, related part transactions totalled \$129,979. The comparable figure for 2010 was \$40,500. These transactions are outlined in Note 8 of the Consolidated Interim Financial Statements.

Consulting fees expense

Corporate administrative fees were charged by an officer and director: \$30,000 (2010 - \$30,000). Consulting fees were charged by an officer for financial management services at the time of the transaction: \$15,000 (2010 - \$0). Consulting fees were charged by a company controlled by an individual related to a director of the Company for investor relations services: \$22,500 (2010 - \$10,500)

Exploration expense

Geologist services were charged by an officer and director: \$37,500 (2010 - \$0)

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: \$9,229 (2010 – 0). Travel and promotion costs were reimbursed by the Company at cost to companies controlled by individuals related to a director of the Company: \$ Nil (2010 - \$ Nil)

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 (2010 - \$0)

On July 1, 2009, the Company entered into a consulting agreement with an officer and director of the Company and a company controlled by the officer and director whereby the officer and director and the company controlled by the officer and director will be entitled to a success-oriented fee equal to 2.5% of the gross transaction value of certain potential corporate-finance transactions provided that the gross transaction value is more than \$ 25,000,000 and provided further that no fee shall be paid on any gross transaction value in excess of \$ 120,000,000. The Company also amended the existing agreement with an officer and director of the Company whereby the officer and director is entitled to a success-oriented fee of 0.5% on terms similar to those described above.

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 and on SEDAR at www.sedar.com.

Liquidity and Capital Resources

The Company's cash position increased to \$4,369,719 at September 30th, 2011 from \$ 201,223 at March 31, 2011. This increase was due to the issuance of Promissory Notes less the expenditures described above

On July 28, 2011 the Company signed an investment agreement with Strike Resources Limited (ASX:SRK; "Strike"), under which Strike will 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 Peru ("the Cerro Ccopane concessions"). Strike itself is also an important explorer for iron ore in southern Peru 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 Peru.

Under the agreement Strike will provide \$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 may be advanced to fund the remaining 21 months of the expected three-year exploration program. Security for the financing is 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 has 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; and the second warrant entitles the holder thereof to purchase 17,727,273 common shares at \$CDN 0.55 per share. The

second warrant will be cancelled if Strike elects 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 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.

On October 18th, 2011 the Company executed a non-brokered private placement of 1,350,000 units at 30 cents each. The proceeds of \$405,000 will continue to fund the Company’s iron ore exploration projects and general working capital requirements. Each Unit consists of one Cuervo common share and one half warrant, each one whole warrant a full warrant entitling the holder to purchase one Cuervo common share at a price of \$CDN 0.45 for a period of 24 months after the closing of the Financing.

Management believes the Company has sufficient funds to meet its commitments over the next 12 months. As at December 31, 2011, cash and cash equivalents were \$4,258,266 which is adequate to complete the currently planned exploration and evaluation projects over the next 10 months. Subsequently, the second stage of the investment agreement signed with Strike resources on July 28th, 2011 can provide \$9.75 million of working capital, at Strike’s election, to finance an additional 21 months of the evaluation programs. As an alternative to this financing, management may elect to modify the expenditure pattern to enable the available funds to extend to January 2013.

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.

As at December 31, 2011, 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

	2011	2010	2009
Interest income	\$ 0	\$ 3,599	\$ 74,193
Loss for the year	(1,096,322)	(3,732,702)	(5,987,070)
Loss per share	(0.030)	(0.114)	(0.202)
Total assets	750,737	1,179,220	2,496,320
Total long-term liabilities	-	-	-

Summary of Quarterly Results

Selected financial information for past eight quarters:

<i>Fiscal year 2012</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income		13,374	6,082	0
Loss		(559,587)	(774,977)	(188,380)
Loss per share		(.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)
<i>Fiscal year 2010</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	344	336	274	2,645
Loss	(878,634)	(391,763)	(836,852)	(1,625,453)
Loss per share	(0.024)	(0.012)	(0.026)	(0.052)

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.

IFRS Assessment

The interim unaudited statements associated with this discussion are issued by the Company in accordance with IFRS as issued by IASB. The policies described in the Significant Accounting Policies section have been applied in preparing the unaudited interim statements dated December 31th 2011, the statements dated June 30th 2011, the statements for March 31st, 2011 and the statements for April 1st, 2010, the Company's date of transition.

IFRS has been applied to the statement of financial position at the transition date, with any adjustments to the assets and liabilities as stated under Canadian GAAP taken into retained earnings. The effect of the elections and the exemptions applied by the Company are nil. Details of the relevant elections and exemptions are:

Estimates: The Company's estimates as at April 1st, 2010 under IFRS are consistent with its Canadian GAAP estimates as at the same date.

Expenditures on exploration and evaluation: The Company expenses all exploration and evaluation costs.

Property and Equipment: The Company has elected to use cost in accordance with IFRS at the date of transition.

Adjustments and Reconciliations

As at the date of transition, April 1, 2010, there were no adjustments or reconciling items between GAAP and IFRS. In all subsequent periods, there are no adjustments or reconciling items between GAAP and IFRS.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 December 31 2011 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 September 30, 2011:

Common shares	37,684,750
Common share purchase warrants	37,743,273
Stock options	3,745,000
Fully diluted	79,173,023

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 at that time. The escrowed shares were 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 shares were released from escrow on May 30, 2007; 345,000 shares were released on November 30, 2007; 345,000 were released on May 30, 2008; 345,000 were released on November 30, 2008; 345,000 were released on May 30, 2009; 345,000 were released on November 30, 2009 and the remaining 345,000 common shares held in escrow were released on May 30, 2010. As at December 31, 2011 there are no shares in escrow.

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 twenty-three (23) contiguous mining concessions south of Cuzco in southern Perú, The 23 concessions cover 14,000 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 X	600	Cusco	Paruro	Omacha
Bob XI	400	Cusco	Paruro	Omacha
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 original six (6) concessions, which covered 3,300 ha, 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” and is the main focus of exploration by the Company. 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. This agreement expired in March 2011 and the Company is working on entering into a renewed agreement with Huillque.

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 Directoral Resolution No. 229-2007 MEM/AAM on July 11, 2007. This approval allows the Company to commence advanced exploration including diamond drilling on concessions Posada 2 and Posada 5. On October 7, 2008 the Company’s existing Category “C” Environmental Assessment was accepted by the Ministerio de Energía y Minas del Perú, This Assessment now covers areas of proposed exploration work on the Aurora zones of mineralization on the Cerro Ccopane properties.

Minera Cuervo commenced a program of diamond drilling on July 29, 2007, which focussed on the Orcopura (also known as Wiychaucassa or Posada 2) zone of mineralization. The drilling program targeted near surface, relatively flat-lying iron mineralization (magnetite ± hematite). . By the end of the December 31, 2008, 14,500 m had been drilled in 121 drill holes and results for these drill holes were announced in fourteen press releases between October 22nd, 2007 and January 6th, 2009. The results for the drilling program can be found on the Company’s website at

www.cuervoresources.com or on SEDAR at www.sedar.com.

All drill holes on the Orcopura zone were logged and sampled at the project campsite on the property under the direction of Minera Cuervo's senior geologist at the timing. Abraham Castillo Ll. All exploration work has been carried out under the supervision of Mr. John M. Siriunas, P.Eng., the designated qualified person for Cuervo under the definition of NI43-101. A nominal sampling interval of 1.5 m were 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.

On July 31, 2008, the Company reported that the initial mineral resource estimate on the Orcopura Zone at its wholly owned Cerro Ccopane iron ore project in southern Perú stands at 60.5 million tonnes ("inferred") grading 51.5% Fe. This study, prepared by Gateway Solutions S.A.C. ("Gateway") of Lima, Perú, included results from the first 73 drill holes over a mineralized strike length of over 700 m. The Orcopura zone is the first of the five zones identified on the property to be drilled; to date a total of 121 drill holes have been put down on this zone of mineralization which is now known to have a strike length of at least 900 m.

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 at its wholly owned Cerro Ccopane iron ore project. The Measured, Indicated and Inferred Resources based on a 20% head iron cut-off are 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."

A program of geophysical surveying including magnetics and gravity that was commenced in December 2006 was executed at a slower than expected pace due to weather conditions and the topography of the property. A final report on the program of geophysical surveying including magnetics and gravity was prepared by VDG del Perú S.A.C. in June, 2007. This report was updated, with new interpretations based on the early results from the drilling program, in December, 2007 and again in June, 2008. A new program of geophysical surveying (magnetic and gravity) was commenced during fiscal 2009 on parts of the Cerro Ccopane property. 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 (magnetite) 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 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.

Submission was made to extend the environmental permitting covering the Posada 2 and Posada 5 concessions (original Directorial Resolution No. 229-2007 MEM/AAM). Processing of results of the submission remain suspended at the request of the Company.

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. The new 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 Geofisica, “VDG”) and originally suggested that it has the potential to host 1.1 billion tonnes of iron mineralization. VDG was responsible for the acquisition of all data in the field. Based on the work of MGT, the Company believes that additional field work will be necessary to reassess and refine the “Huillque Norte” anomaly which appears to be open to the north and to the west. Previous gravity modeling of this anomaly, again by VDG, had suggested that it has the potential to host 1.3 billion tonnes of iron mineralization. *Again, 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 Company also received the results of a preliminary low-intensity magnetic separation (Davis Tube) metallurgical study in December 2007. A total of twenty (20) samples selected from the early stages of its on-going diamond-drill program were submitted for this study. Each sample represented 1.5 m of drill-core length.

The Company recognized at an early stage that many of the samples submitted for analysis, while reporting iron contents in excess of 55%, also returned elevated sulphur and copper values; this was not to be totally unexpected given the geological setting and metallogeny of other deposits and occurrences in the Apurimac – Andahuaylas skarn belt. For example, the belt hosts such deposits as the Tintaya Mine which is being exploited by Xstrata Copper Inc. for its copper content.

The Company believes that the metallurgical issues can be addressed in a relatively simple manner. The preliminary Davis Tube results indicate that most of the contained sulphur-bearing minerals as well as the copper can be removed with limited processing while producing a very high-grade iron ore concentrate. Silica values were also found to be within acceptable limits by analyses carried out as part of this testing.

A follow-up program of mineral-processing studies was carried out in conjunction with the Micon resource update. These studies are being carried out at Midland Research Center in Nashwauk, MN, USA.

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.

Drilling started on the Huillque zone of mineralization during the first quarter of fiscal 2009. The Huillque zone is the second of five known target zones to be drilled and is located 2.5 km to the north of the Orcopura zone. In press releases dated September 30, 2008, October 8, 2008 and February 3, 2009 the Company released assay results from the 21 diamond drill holes on the Huillque zone. Results from the Huillque zone appear to be very similar to those encountered in the Orcopura zone and include intersections of 62.09% Fe over 75.85 m in HDH – 01 and 54.55% Fe over 98.70 m in HDH – 03.

Diamond drilling commenced on the Aurora and Aurora “B” zones of mineralization at its Cerro Ccopane iron ore project in December 2008. The Aurora zones are the smallest of the known targets on the property. On September 10, 2009, the Company released the final assay results from the program of diamond drilling on the Aurora and Aurora “B” zones. Geophysical modeling of gravity survey data has indicated that there could be a total of 50 million tonnes of mineralization in the two Aurora zones. The results from the Aurora zones continue to demonstrate grades of magnetite mineralization that are consistent with those previously reported on from the Orcopura and Huillque zones. The results reported included intersections of 51.05% Fe over 78.50 m in ADH – 06 and 55.60% Fe over 24.30 m in ADH – 08 in the Aurora zone. Intersections in the Aurora “B” zone were found to be somewhat narrower but nevertheless include up to 52.90% Fe over 13.50 m in ADH – 13.

All the geophysical targets (magnetic and gravity anomalies) that have been drill tested to date (i.e. Orcopura, Huillque, Aurora and Aurora “B”) have been found to contain massive magnetite mineralization; this gives the Company confidence in the exploration potential for the other large anomalies that have now been identified. The results of the geophysical modeling, as described above, have shown that the Cerro Ccopane property has the potential to host a total of over 2½ billion tonnes of mineralization. *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.*

Sampling, logging and analytical work on the Huillque and Aurora zones are *as per* the worked performed on the Orcopura zone. All results can be found on the Company’s website at www.cuervoresources.com or on SEDAR at www.sedar.com.

The 30 concessions that comprise the Cerro Ccopane concessions include:

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 X	600	Cusco	Paruro	Omacha
Bob XI	400	Cusco	Paruro	Omacha
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
Fierroando 1	200	Cusco	Chumbivilcas	Capacmarca
Bob 8	500	Apurimac	Cotabambas	Mara
Bob 9	1,000	Cusco	Chumbivilcas	Capacmara
Julian 01	400	Cusco	Paruro	Colquemarca/Ccapi
Julian OZ	600	Cusco	Paruro	Huanquite
Julian 03	200	Cusco	Paruro	Ccapi
Julian 04	400	Cusco	Paruro	Ccapi

Under the agreement Strike will provide \$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 may be advanced to fund the remaining 21 months of the expected three-year exploration program. Security for the financing is 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 has 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; and the second warrant entitles the holder thereof to purchase 17,727,273 common shares at \$CDN 0.55 per share. The second warrant will be cancelled if Strike elects 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 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.

During the period work continued toward negotiating agreements with the local campesino communities, in particular Misanapata and Huillque. After fulfilling outstanding contractual items with Huillque, an agreement for access-road construction was achieved with Huillque in December, 2011; field work was initiated and neared completion at the end of the period. Discussions with Huillque regarding further geophysical surveying continued. Progress was made toward a three-year comprehensive agreement with Misanapata. This also included meetings that are necessary for the completion of an environmental impact study regarding exploration work in the "Bob 1" project area.

The Organismo de Evaluación y Fiscalización Ambiental (OEFA) of the Peruvian Ministry of the Environment visited the the Cerro Ccopane Project area to assess the Company's compliance with environmental requirements. Three (3) minor observations will be addressed by the Company in Q4.

An up-to-date National Instrument 43-101 disclosure report was commissioned during the period. The Company is anticipating receipt of this report early in Q4.

Other Cuervo Properties

The Company has a 100% in thirty-one (31) other mining concessions in Perú totaling 12,461 ha.. All thirty-one 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
Francisca Victoria IX	64	La Libertad	Trujillo	Simbal
Francisca Victoria XI	97	La Libertad	Trujillo	Simbal
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
Fierroando 1*	200	Cusco	Chumbivilcas	Capacmarca
Huini I	400	Apurimac	Aymaraes	Lucre
Alexia 2007 - I	600	Ica	Nazca	Marcona
Sur 1	1,000	Arequipa	Islay	Islay
Sur 02-2009	1,000	Arequipa	Islay	Islay
Karina 03	300	Lambayeque	Lambayeque	Olmos
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
Johman 1	900	Apurimac	Aymareas	Lucre
Johman 2	100	Apurimac	Aymareas	Lucre
Julian 01*	400	Cusco	Paruro	Colquemarca/Ccapi
Julian OZ*	600	Cusco	Paruro	Huanquite
Julian 03*	200	Cusco	Paruro	Ccapi
Julian 04*	400	Cusco	Paruro	Ccapi

Concessions above marked with an asterisk (*) are included in the property package included in the agreement with Strike Resources Limited described above in the Cerro Ccopane section.

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 1,561 ha in eight (8) concessions
Chimbote 400 ha in two (2) concessions

Southern Perú

Arequipa 2,000 ha in two (2) concessions
Marcona 600 ha in one (1) concession
Apurimac 2,400 ha in four (4) concessions
Cerro Ccopane 5,200 ha in thirteen (13) concessions in the vicinity, but not contiguous with the main property

The Company's Category "B" Environmental Assessment regarding the Chimbote area property ("La Gringa Project") was given final approval by the Ministerio de Energía y Minas del Perú as Constancia de Aprobación Automática No. 004-2008 MEM/AAM on September 16, 2008. This approval would allow the Company to commence advanced exploration including diamond drilling on the La Gringa Ga concession. This permit was allowed to lapse in 2010 as the Company had no plans to carry out further work in that area, preferring to focus exploration activities in the Cusco area.

Property Acquisitions and Dispositions

The Company continues to assess other potential properties for acquisition. No additional mining concessions were staked during the period. One concession in the Marcona area (Hans Cad 3) was disallowed as it was deemed to be in an archeological area. The concession Bob 3 (as well as concessions held by other companies in the same area) is being disputed by local authorities but it is believed that this dispute has no validity.

The concessions Flamenco 1, Flamenco 3 and Iron Mine totaling 1,500 ha in Aija, Ancash were sold in a cash transaction in February, 2011.

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 of high grade and/or direct-shipping ore, on each property and perform economic and other studies that could eventually lead toward a decision regarding the feasibility of production. The Company is seeking a strategic partner to help fund these activities.

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