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MESSAGE TO SHAREHOLDERS

As we begin the new year of 2008 I would like to review the events and progress realized by Cuervo Resources Inc. in the year just completed. By any measure, 2007 was an eventful and highly successful year which generated extraordinary appreciation of shareholder value since the time of our Initial Public Offering in May. Multiple factors which are responsible for this performance warrant review at this point, perhaps particularly so amid the generalized volatility of capital markets of late. That volatility is widely viewed as traceable to problems within the U.S. subprime mortgage market – something which clearly is remote to Cuervo. Likely, these problems will be resolved over time, and equity markets will reassess securities which are unrelated to the problem but which have been discounted by the recent market decline.

At Cuervo we are focused on exploring for iron ore in Perú. That focus is not accidental, but rather is driven by two principal considerations. The first is persuasive evidence that the iron ore market has very strong fundamentals, notably a positive demand profile, and an extraordinary level of capacity concentration – three producers control over 70% of the global market. The second is the availability of highly prospective iron ore properties in Perú, a politically stable country recognized as a major player in worldwide metals production.

In 2007 Cuervo made the transition from being an aspiring explorer for iron ore in Perú to becoming an active driller for iron ore in Perú, with a meaningful land package, well equipped operational facilities and requisite permits in hand. Underpinning this transition was a private placement financing with European investors in late 2006 and an Initial Public Offering in Canada in May 2007. These financings, along with the exercising of warrants, raised \$8.4 million, providing us with operational funding and a current cash position of \$4.0 million.

Since the commencement of drilling in July 2007, over 6,000 meters of core have been drilled. A second drill was mobilized to the Cerro Ccopane property in October and a third drill in December. Results from this near surface drilling have been very encouraging, with a weighted average iron content of over 52% and a strike length of 750 meters in one zone being realized. Concurrently, property acquisitions have been made including a 30% increase in contiguous acreage to the Cerro Ccopane property. Cuervo's holdings now total over 12,000 hectares in Perú, compared to just over 7,000 hectares at the time of the IPO in May. Surface exploration efforts have also identified two additional target zones on the Cerro Ccopane property. Cuervo plans to drill all four known target zones in 2008.

Internal factors including strong drill results, an accelerating drilling program, a significantly expanded land position and a sound financial condition have all contributed to the marked appreciation of Cuervo shares. The key external factor is that the iron ore market continues strong as evidenced by the 110% prevailing spot price premium to long term contract prices.

This premium is largely traceable to reliance on the spot market by Chinese steelmakers who control only 6% of world iron ore production while producing 39% of global steel output. This imbalance is structural, as is the pricing power associated with only three producers controlling 70% of the iron ore market. I interpret this to be a very favourable commercial environment for Cuervo Resources Inc. Shareholders are referred to the company's website www.cuervoresources.com to obtain a new PowerPoint presentation which discusses the Company, Perú and the iron ore market.

Looking ahead, the Board is committed to build on the progress made to date. We remain focused on finding and proving iron ore deposits ideally totaling a minimum 250 million tonnes with potential to 1 billion tonnes. In this effort we are also committed to ensuring that the host communities in Perú share in the prospective benefits of success, in ways and in manners that are meaningful to them.

Lastly, may I express my personal appreciation to the other members of the Board, to our employees, to our host communities and to our shareholders for their continuing support.

On behalf of the Board,



John M. Siriunas, P.Eng.
President and Director

January 29, 2008