CUERVO RESOURCES INC.
(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars, unless otherwise stated)

MARCH 31, 2010 AND 2009

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AUDITORS' REPORT

To the Shareholders' of
Cuervo Resources Inc.:

We have audited the consolidated balance sheets of Cuervo Resources Inc. (the "Company") as at March 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

(Signed) "*Edmund Cachia & Co. LLP*"

Toronto, Canada, July 15, 2010

CHARTERED ACCOUNTANTS

Licensed Public Accountants

CUERVO RESOURCES INC.
(An Exploration Stage Enterprise)

CONSOLIDATED BALANCE SHEETS

MARCH 31,

	2010	2009
ASSETS		
CURRENT		
Cash and cash equivalents	$ 444,732	$ 962,670
Accounts receivable	9,844	800,240
Prepaid expenses	109,346	101,725
	563,922	1,864,635
MINING INTERESTS (notes 2 and 4)	465,571	465,571
CAPITAL ASSETS (note 3)	149,727	166,114
	$ 1,179,220	$ 2,496,320
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 59,057	$ 98,140
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 5(a))	13,319,941	11,968,724
CONTRIBUTED SURPLUS (note 5(b))	3,287,367	2,183,899
DEFICIT	(15,487,145)	(11,754,443)
	1,120,163	2,398,180
NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS (note 1)		
COMMITMENTS (note 4)		
	$ 1,179,220	$ 2,496,320

Approved on behalf of the Board:

"Brian Berner" Director

"Brian Cloney" Director

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

CUERVO RESOURCES INC.
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CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED MARCH 31,

	2010	2009
EXPENSES		
Consulting fees	$ 233,808	$ 201,091
Depreciation	16,386	20,679
Exploration (Note 2)	1,635,623	3,704,868
Foreign exchange loss/(gain)	162,878	(147,225)
General, office and investor relations	250,114	543,906
Interest and bank charges	5,918	12,857
Professional fees	102,610	163,498
Rent	135,555	98,893
Telecommunications	24,604	36,808
Stock-option compensation cost (Note 5(d))	969,285	843,822
Vehicle	43,642	166,330
Wages and benefits	155,878	415,736
	3,736,301	6,061,263
Interest and other income	(3,599)	(74,193)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	3,732,702	5,987,070
DEFICIT, BEGINNING OF YEAR	11,754,443	5,767,373
DEFICIT, END OF YEAR	$ 15,487,145	$ 11,754,443
Loss per common share		
Basic and diluted	$ 0.114	$ 0.202
Weighted-average number of common shares outstanding		
Basic and diluted	32,912,413	29,583,832

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

CUERVO RESOURCES INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31,

	2010	2009
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	($ 3,732,702)	($ 5,987,070)
Add items not affecting cash:		
Depreciation	16,386	20,679
Stock-option compensation cost	969,285	843,822
Net changes in working capital balances:		
Decrease (increase) in accounts receivable	790,396	(80,495)
Increase in prepaid expenses	(7,621)	(34,567)
Increase (decrease) in accounts payable and accrued liabilities	(39,082)	43,794
Cash used in operations	(2,003,338)	(5,193,837)
CASH USED IN INVESTING ACTIVITIES:		
Purchase of capital assets	-	(43,152)
Cash used in investing	-	(43,152)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Issue of common shares	1,485,400	3,582,500
Share issue cost	-	(226,995)
Cash provided by financing	1,485,400	3,355,505
INCREASE (DECREASE) IN CASH POSITION	(517,938)	(1,881,484)
CASH POSITION AT BEGINNING OF THE YEAR	962,670	2,844,154
CASH POSITION AT END OF THE YEAR	$ 444,732	$ 962,670

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

CUERVO RESOURCES INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

1 - NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS:

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

The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

As at March 31, 2010, the Company had not yet achieved profitable operations, had accumulated losses of $15,487,145 (2009- $11,754,443) since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct exploration programs, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

Subsequent to year-end, the Company completed an equity financing of 1,750,000 units for gross proceeds of $612,500 (See note 11 (ii)).

2 - SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Cuervo S.A.C. ("Minera") and Minera La Gran Posada S.A.C. ("La Gran Posada"), which are incorporated in Perú (see note 4). All intercompany transactions have been eliminated.

On April 3, 2009, the Company acquired 100% of the outstanding common shares of La Gran Posada. As consideration for this acquisition the Company paid cash of US $18,000. The transaction has been accounted for on a "continuity of interests" basis. The results of operations for periods prior to the acquisition of La Gran Posada are presented as those of the Company.

ESTIMATES

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

CUERVO RESOURCES INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

MINING INTERESTS AND EXPLORATION

The Company expenses exploration expenditures as incurred. Costs attributable to property acquisitions are capitalized while exploration expenditures on the property can only be capitalized once mineral reserves have been established. Once a mineral reserve has been established, all development costs will be capitalized. These costs together with the costs of mining interests will be charged to operations on a unit-of-production method based on estimated recoverable reserves. If the mining interests are abandoned, or when impairment in value has been determined, the capitalized costs will be charged to operations.

The Company applies for early recover of Impuesto General A Las Vuentas ("IGV") on certain exploration expenditures it incurs in Peru. IGV is a value added tax charged at a rate of 19% on all goods and services. The IGV expenditures are partially refundable if recovery is applied for early. Based on management's best estimate the portion refundable is included in accounts receivable and the amount not refundable to the Company is expensed to exploration or capitalised to mining interests if the Company has established mineral reserves in accordance with the Company's accounting policy. In addition, any amount not refunded to the Company can be used to offset amounts due to the Peruvian Revenue Service by the Company resulting from IGV charged to clients on future sales. Moreover, if the Company recovers amounts that have been deferred, the amount received will be applied to reduce mining interests or taken as a credit against current exploration expenses depending on the prior treatment.

The aggregate recoverable against IGV collected on potential future revenues earned by the Peruvian subsidiaries is $965,623 as at March 31, 2010 (2009- $983,269).

The Company reviews its exploration properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write down.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

CASH AND CASH EQUIVALENTS

Cash and short-term investments with a remaining maturity of three months or less at the date of acquisition are classified as cash and cash equivalents. The Company places its cash and cash investments with institutions of high credit worthiness.

CAPITAL ASSETS

Capital assets are stated at cost. Depreciation is provided over the useful lives of the capital assets on the diminishing balance basis at the following annual rates:

Buildings 3%
Furniture and Fixtures 10%
Computer equipment...45%
Machinery and equipment...................................20%

Depreciation is recorded at half the annual rate in the year of acquisition.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

INCOME TAXES

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

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there has been no impairment of the Company's long-lived assets as at March 31, 2010.

FINANCING COSTS

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

LOSS PER SHARE

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

STOCK-BASED COMPENSATION

The Company has a stock option plan, which is described in note 5(d). The Company accounts for stock-based compensation using the fair-value method. Under the fair value method, stock-based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholders' equity. In the event the stock options are exercised, the applicable amount of contributed surplus is transferred to share capital. However, if the options are not exercised, the allocated amount remains in contributed surplus.

WARRANTS

Warrants issued as part of a private placement unit are valued using the Black-Scholes model. The proceeds from the issue of units is allocated between share capital and contributed surplus on a pro-rata basis based on the relative fair values. The related charge is allocated to the appropriate expense or asset category when issued for services or to equity when issued for cash.

Upon the exercise of warrants, the amount relating to the award is transferred from contributed surplus to share capital and the proceeds received are credited to share capital.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

SHARE CAPITAL

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

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

REVENUE RECOGNITION

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

ASSET RETIREMENT OBLIGATION

The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated. The asset retirement costs are capitalized to the assets carrying value and amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at March 31, 2010, the Company has not incurred or committed any asset retirement obligations related to its exploration properties.

PROPERTY PRE-ACQUISITION COSTS

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

TRANSLATION OF FOREIGN CURRENCIES

The Company uses the temporal method of foreign currency translation in accounting for its integrated foreign operations. Under this method foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars at approximate exchange rates prevailing at the transaction date. Revenue and expenses are translated at average exchange rates prevailing during the year. The resulting gains and losses are included in loss for the year.

COMPREHENSIVE INCOME

Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to translating financial statements of self-sustaining foreign operations. As at March 31, 2010 and 2009, the Company has no items that represent comprehensive income, and therefore, has not included a schedule of comprehensive income in these consolidated financial statements.

ASSESSING GOING CONCERN

Management is required to assess the Company’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on the Company’s ability to continue as a going concern, these uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not

limited to, twelve months from the balance sheet date. Because of management's assessment, the Company has prepared the consolidated financial statements on a going concern basis.

CUERVO RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL INSTRUMENTS

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; accounts receivable are loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Handbook Section 3862, Financial Instruments – Disclosures, was amended in June 2009. It establishes revised standards for the disclosure of financial instruments. The new standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents.

GOODWILL AND INTANGIBLE ASSETS

Section 3064 replaces CICA 3062 and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. This standard becomes effective for interim and annual financial statements from October 1, 2008. The Company adopted this standard on April 1, 2009. This adoption has not resulted in significant impact on the Company's financial statements.

FINANCIAL STATEMENT CONCEPTS

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal year beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning April 1, 2009. This adoption has not resulted in significant impact on the Company's financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, Emerging Issues Committee issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the impact and has determined that no adjustments were required.

FUTURE ACCOUNTING AND REPORTING CHANGES

Business combinations, consolidated financial statements and non-controlling interest -

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

The Company does not expect that the adoption of these sections will have a significant impact on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for the fiscal year ending March 31,

2012 and apply them to its opening April 1, 2010 balance sheet.

The Company has completed the initial diagnostic phase and will continue to update its disclosures throughout 2010 to reflect specific actions taken to facilitate the changeover to IFRS effective April 1, 2011.

CUERVO RESOURCES INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

3 – CAPITAL ASSETS:

	2010			2009
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Machinery and equipment	$ 92,131	$ 42,183	$ 49,948	$ 61,695
Furniture	15,624	4,951	10,673	12,023
Buildings	95,615	6,948	88,667	91,599
Computer equipment	3,400	2,961	439	797
	$ 206,770	$ 57,043	$ 149,727	$ 166,114

4 - MINING INTERESTS AND COMMITMENTS:

The Company, through its wholly-owned Peruvian subsidiary, Minera, has a 100% interest in 58 mining concessions covering over 28,000 hectares in Perú.

Accumulated mineral property costs have been incurred as follows:

	2010	2009
Balance, beginning of the year	$ 465,571	$ 465,571
Costs incurred during the year	-	-
Balance, end of the year	$ 465,571	$ 465,571

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

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

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

The fees applicable to the Company’s mineral concessions have been paid through the year ended March 31, 2010.

Tax and concession payments amount to approximately US$83,000 per annum.

As at March 31, 2010, the Company's only significant commitment was with respect to its ongoing funding of its mineral concessions in Peru.

CUERVO RESOURCES INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

5 - SHARE CAPITAL:

a) Common shares:

Authorized:

Unlimited number of common shares

Issued and outstanding:

	2010		2009	
	Shares	Amount	Shares	Amount
Balance, beginning of the year	30,179,750	$ 11,968,724	26,569,750	$ 8,882,260
Issued for cash - private placement	1,000,000	350,000	3,500,000	3,500,000
- exercise of warrants (iii)	3,244,000	1,135,400	110,000	82,500
Issued for finder's fee on private placement (i)	70,000	24,500	-	
Fair value assigned to warrants issued on private placement (i) (ii)	-	(125,405)	-	(287,700)
Fair value assigned to finder's fee warrants (i)	-	(8,778)	-	-
Non-cash cost of share issuances	-	(24,500)	-	-
Cash cost of share issuances	-	-	-	(208,336)
Balance, end of the year	34,493,750	$ 13,319,941	30,179,750	$ 11,968,724

i) On December 17, 2009, the Company closed a $350,000 non-brokered private placement equity financing. The Company issued 1.0 million units, at a price of $0.35 per unit, for gross proceeds of $350,000 (the "Financing"). Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.55 for a period of 18 months from the closing of the financing. If the closing price of the Company's common shares is equal to or greater than $1.10 for a period of 10 consecutive trading days any time after December 17, 2009, the Company may accelerate the expiry date of the warrants. The Company paid a finder's fee equal to 7% units (70,000 units). A value of $125,405 has been allocated to the warrants (notes 5(b) and 5(c)) and $224,595 to the common shares. A value of $8,778 has been allocated to the warrants issued as part of the finder's fee (notes 5(b) and 5(c)).

ii) On May 30, 2008, the Company closed a $3.5 million non-brokered private placement equity financing. The Company issued 3.5 million units, at a price of $1.00 per unit, for gross proceeds of $3.5 million (the "Financing"). Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $1.50 for a period of 24 months from the closing of the financing. If the closing price of the Company's common shares is equal to or greater than $2.25 for a period of 10 consecutive trading days any time after November 30, 2009 the Company may accelerate the expiry date of the warrants. The Company paid a finder's fee equal to 6% cash ($210,000) and 6% unit purchase options

(210,000 unit purchase options; see note 5(e)) in regard to the financing. A value of $287,700 has been allocated to the warrants (notes 5(b) and 5(c)) and $3,212,300 to the common shares.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

5 - SHARE CAPITAL (continued):

a) Common shares (continued):

iii) On May 30, 2007, the Company completed an initial public offering comprised of 5,000,000 units at $0.50 per unit for gross proceeds of $2,500,000; each unit was comprised of one common share and one two-year common share purchase warrant exercisable at $0.75. On March 5, 2009, the Company announced that it had received approval to amend certain terms of these warrants. In particular, the exercise price of the warrants was reduced from $0.75 to $0.35 and the term of the warrants was extended by twelve months from May 30, 2009 to May 30, 2010. Pursuant to the policies of the Canadian National Stock Exchange the amended warrants were also subject to an additional acceleration clause which provides that if the common shares of the Company trade at greater than $0.466 for 10 consecutive trading days then the Company would be required to trigger an acceleration of the expiry date of the warrants to a date which is 37 days following such 10 day period. On May 26, 2009, the Company announced that it was accelerating the expiry date of these warrants to July 1, 2009. As a result, 3,244,000 warrants were exercised during the year for gross proceeds of $1,135,400 (see note 5(c)).

b) Contributed surplus:

A summary of the status of contributed surplus as of March 31, 2010 and 2009, and changes during the years is presented below:

	2010	2009
Balance, beginning of year	$2,183,899	$ 1,071,036
Fair value of stock options	969,285	843,822
Fair value of warrants issued in private placement	125,405	287,700
Fair value of warrants issued as finder’s fees	8,778	-
Issue cost	-	(18,659)
Balance, end of year	$3,287,367	$ 2,183,899

c) Warrants:

A summary of the status of the warrants as of March 31, 2010 and 2009 and changes during the years are presented below:

	Number of Warrants	
	2010	2009
Balance, beginning of year	7,544,800	4,154,800
Warrants issued in private placement	1,000,000	3,500,000
Warrants issued as finder's fees	70,000	-
Warrants exercised during the year	(3,244,000)	(110,000)

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5 - SHARE CAPITAL (continued):

c) Warrants (continued):

The fair value of warrants issued during the year ended March 31, 2010 of $134,183 (2009 - $287,700) has been estimated using the Black-Scholes option pricing model and this value has been disclosed as a component of contributed surplus. The assumptions used for the valuation of warrants were consistent with the assumptions used in the valuation of stock options and are as follows:

	2010	2009
Risk-free interest rate	1.33%	2.77%
Expected life	1.5 years	1.5 years
Estimated volatility in the market price of the common shares	155.51%	30%
Dividend yield	nil	nil

As at March 31, 2010, the following warrants were outstanding. The warrants entitle the holder to purchase the stated number of common shares at the exercise price on or before the expiry date:

Exercise Price	Number of warrants	Weighted average exercise price	Weighted average remaining contractual life (years)
$1.50	3,500,000	$ 1.50	0.17
$0.55	1,070,000	$ 0.55	1.19
	4,570,000	$ 1.28	

See notes 5 a), 5 e) and 11 for additional warrant information.

d) Stock-option plan:

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

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5 - SHARE CAPITAL (continued):

d) Stock-option plan (continued):

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

	2010	2009
Risk-free interest rate	1.93% - 2.68%	3.20% - 3.56%
Expected life	5 years	5 years
Price volatility	130% - 133%	100%
Dividend yield	nil	nil

The fair value compensation recorded for options granted and vested during the year ended March 31, 2010 was $969,285 (2009 - $843,822) and has been expensed to net loss and comprehensive loss as stock-option compensation cost. This has resulted in an allocation of $969,285 to contributed surplus (2009 - $843,822).

A summary of the status of the Company's Plan as of March 31, 2010 and 2009, and changes during the years is presented below:

	2010		2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of the year	-	$ -	2,090,000	$ 1.21
Exercised during the year	-	-	-	-
Expired or cancelled during the period	(105,000)	-	(3,000,000)	1.26
Granted during the year	3,525,000	0.60	910,000	1.35
Balance, end of the year	3,420,000	$ 0.60	-	$ -

e) Agents' options:

A summary of the status of the agents' options as of March 31, 2010 and 2009 and changes during the years is presented below:

	2010	2009
Balance, beginning of the year	575,725	365,725
Agents' options issued during the year	-	210,000
Agents' options expired during the year	(365,725)	-
Balance, end of the year	210,000	575,725

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

5 - SHARE CAPITAL (continued):

e) Agents' options (continued):

As at March 31, 2010 agents' options were outstanding enabling the holders to acquire the stated number of units as follows:

Exercise price	Number of agent's options		Expiry Date
$1.00	210,000	(1)	May 30, 2010

1) During the year ended March 31, 2009, 210,000 agents' options were issued as part of a finder's fee relating to the non-brokered private placement for $3,500,000 completed on May 30, 2008. Each agent option is exercisable at $1.00 and expires on May 30, 2010. Each agent option consists of one common share and one common share purchase warrant. Each warrant is exercisable at $1.50 on or before May 30, 2010.

Refer to note 11 for additional agents' option information.

6 - SEGMENTED INFORMATION:

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

The following table allocates total assets by segment:

	2010	2009
Canada	$ 481,227	$ 946,622
Peru	697,993	1,549,698
Total assets	$ 1,179,220	$ 2,496,320

The following table allocates net loss by segment:

	2010	2009
Canada	$ 1,666,400	$ 2,107,601
Peru	2,066,302	3,879,469
Net loss for the period	$ 3,732,702	$ 5,987,070

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FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

7- RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the consolidated financial statements during the years ended March 31, 2010 and 2009:

	2010	2009
Consulting fees expense:		
Corporate administrative fees were charged by an officer and director	$ 63,750	$ 75,000
Consulting fees were charged by an officer for financial management services	$ 57,336	$ 51,336
Corporate administrative fees were charged by a company controlled by an individual related to a director of the Company at the time of the transaction	$ -	$ 15,500
Consulting fees were charged by a company controlled by an individual related to a director of the Company for investor relations services	$ 39,000	$ 30,000
Exploration expense:		
Geologist services were charged by an officer and director	$ 63,750	$ 75,000
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	$ 71,223	$ 140,574
Travel and promotion costs were reimbursed by the Company at cost to companies controlled by individuals related to a director of the Company	$ 3,034	$ 9,866
Rent expense:		
Office lease and office management fees were charged by a company controlled by a director of the Company	$ 50,500	$ 52,500

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7 - RELATED PARTY TRANSACTIONS (continued):

Accounts payable and accrued liabilities includes $719 (March 31, 2009 - $2,467) owing to a company controlled by a director of the Company as at March 31, 2010 and a company controlled by an individual related to a director of the Company as at March 31, 2010.

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.

See note 4 for additional related party information.

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

8 – INCOME TAXES

(a) The Company's provision for income taxes differ from the amounts computed by applying the basic current tax rate aggregating 33% (2009- 33%) to loss before income taxes, as shown in the following table:

	2010	2009	
Statutory rate applied to loss for the year before income taxes	($1,231,792)	($ 1,975,733)	
Increase (decrease) in taxes resulting from:			
Stock-based compensation cost	319,864	278,461	
Non-deductible items and other	50,335	134,615	
Deductible share issue costs	(	63,966)	-
Loss not tax-benefited	925,559	1,562,657	
Future income tax (recovery)	$ -	$ -	

(b) The tax effects of temporary differences that give rise to future income tax assets at March 31, 2010 and 2009 are as follows:

	2010	2009
Future tax asset:		
Share issue costs	$ 128,180	$ 184,644
Mining interests	307,734	263,466
Fixed assets	-	1,262
Non-capital losses	918,471	675,182
	1,354,385	1,124,554
Less valuation allowance	(1,354,385)	(1,124,554)
Net asset	$ -	$ -

(c) The Company has non-capital losses of approximately $2,783,000 in Canada which expire through 2030. The benefit of these losses has not been recognized for financial statements purposes.

(d) During the year, the Company paid $ nil (2009- $nil) in respect of income taxes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

9 - CAPITAL MANAGEMENT:

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

The Company considers its capital to include components of shareholders' equity which is comprised of capital stock, contributed surplus, and deficit, which as at March 31, 2010 aggregated $1,120,163 (2009- $2,398,180).

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

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

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

There were no changes in the Company's approach to capital management during the year ended March 31, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

10- FINANCIAL INTRUMENTS AND FINANCIAL RISK FACTORS:

Fair value of financial instruments

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

The Company designated its cash and equivalents as held-for trading, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

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

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

In respect to accounts receivable, the Company is not exposed to significant credit risk as its receivables are due from governmental agencies. However, the Company is exposed to credit risk with regards to the government agencies denying the Company claims filed.

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FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

10- FINANCIAL INTRUMENTS AND FINANCIAL RISK FACTORS:

Credit risk (continued)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all the amounts are held with a Canadian Chartered bank in Peru and Canada. Management believes that the credit risk and the risk of loss with respect to cash and cash equivalents are remote because cash and cash equivalents are placed with a major bank with strong investment-grade ratings by a primary ratings agency.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had cash and cash equivalents of $444,732 (2009- $962,670) to settle accounts payable and accrued liabilities of $59,057 (2009- $98,140). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The ability of the Company to continue to pursue its exploration activities and maintain its working capital is dependant on its ability to secure additional equity or other financing.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars, Peruvian New Soles, and US dollars. The Company funds major operations and exploration in Peru. The Company maintains US dollar and Peruvian New Soles bank accounts in Peru. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. During the year ended March 31, 2010, the Company recorded a non-cash loss of $162,878 (2009- gain of $147,225) which reflects the volatility in the current exchange market of the Peruvian New Soles and the US dollar against the Canadian dollar and due to the variances in the balance sheet from year to year. The effect of a 10% increase or decrease in foreign exchange rates on translation of investments in foreign monetary assets will cause the foreign exchange loss to increase or decrease by approximately $883,000. The analysis assumes all other variables remain constant.

Equity price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

As at March 31, 2010, the carrying value amounts of the Company's financial instruments approximates their fair value unless otherwise stated.

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11 - SUBSEQUENT EVENTS:

i) On May 30, 2010, a total of 3,500,000 common share purchase warrants exercisable at $1.50 per common share and 210,000 agents' options exercisable at $1.00 expired without exercise.

ii) On May 26, 2010, the Company closed a non-brokered private placement equity financing. The Company issued 1,750,000 units at a price of $0.35 per unit for gross proceeds of $612,500 (the "Financing"). Each unit consists of one common share and one warrant entitling the holder to purchase one common share at a price of $0.55 for a period of 18 months. If the closing price of the Cuervo common shares is equal to or greater than $1.10 for a period of 10 consecutive trading days any time after six months after the closing of the Financing, the Company may, upon notice, accelerate the expiry date of the warrants to the 31st day following such notice. The Company paid a finder's fee of 91,000 units in regard to the Financing.

12 - COMPARATIVE FIGURES:

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

13 - SUPPLEMENTAL CASH FLOW INFORMATION:

Non-cash activities were conducted by the Company as follows:

	2010	2009
Issued common shares for finder's fee	$ 24,500	$ -
Fair value attributed to warrants on private placement	$ 125,405	$ 287,700
Fair value of stock-based compensation	$ 969,285	$ 843,822
Fair value attributed to warrants issued as part of a finder's fee	$ 8,778	$ -