
CUORO RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MAY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

CUORO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	May 31, 2012 \$	November 30, 2011 \$ <i>(Note 12)</i>	December 1, 2010 \$ <i>(Note 12)</i>
ASSETS				
Current assets				
Cash		12,532,104	18,191,552	801,923
Amounts receivable	4	148,753	172,423	29,769
Prepaid expenses		<u>30,051</u>	<u>57,419</u>	<u>3,019</u>
Total current assets		<u>12,710,908</u>	<u>18,421,394</u>	<u>834,711</u>
Non-current assets				
Deposits with suppliers		95,503	105,130	-
Property, plant and equipment	5	501,524	374,472	-
Exploration and evaluation assets	6	<u>8,098,556</u>	<u>3,505,935</u>	<u>-</u>
Total non-current assets		<u>8,695,583</u>	<u>3,985,537</u>	<u>-</u>
TOTAL ASSETS		<u>21,406,491</u>	<u>22,406,931</u>	<u>834,711</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		<u>453,269</u>	<u>447,398</u>	<u>270,483</u>
TOTAL LIABILITIES		<u>453,269</u>	<u>447,398</u>	<u>270,483</u>
SHAREHOLDERS' EQUITY				
Share capital	7	24,079,674	23,872,067	971,271
Share-based payments reserve		3,474,145	3,426,397	574,429
Deficit		<u>(6,600,597)</u>	<u>(5,338,931)</u>	<u>(981,472)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>20,953,222</u>	<u>21,959,533</u>	<u>564,228</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>21,406,491</u>	<u>22,406,931</u>	<u>834,711</u>

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on July 25, 2012 and are signed on its behalf by:

/s/ Robert Sedgemore
 Robert Sedgemore
 Director

/s/ Nick DeMare
 Nick DeMare
 Director

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

CUORO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		May 31, 2012 \$	May 31, 2011 \$ <i>(Note 12)</i>	May 31, 2012 \$	May 31, 2011 \$ <i>(Note 12)</i>
Expenses					
Accounting and administration		28,299	24,800	46,499	32,800
Audit fees		41,420	-	61,420	12,750
Corporate development		30,959	-	66,321	-
Depreciation	5	23,115	154	43,719	154
Due diligence		-	73,844	-	136,766
General and administrative expenses		68,535	38,042	129,490	43,323
Investment conferences		53,532	72,942	57,996	72,942
Investor relations		23,408	8,000	48,571	8,000
IVA tax		8,139	2,474	19,892	2,474
Legal fees		82,308	91,945	112,371	202,820
Professional and directors fees		111,661	35,855	168,466	35,855
Regulatory fees		14,978	31,186	16,120	35,653
Relocation costs		-	46,024	-	46,024
Rent		33,245	24,984	68,790	24,984
Salaries and compensation		139,235	156,119	215,081	156,119
Shareholder communications		4,195	73,594	20,517	74,015
Share-based compensation	7(d)	2,528	1,079,258	68,465	1,079,258
Telephone, website and internet costs		12,425	7,942	23,831	13,431
Transfer agent		7,658	7,144	9,846	7,144
Travel and related		76,573	103,991	150,743	169,717
		<u>762,213</u>	<u>1,878,298</u>	<u>1,328,138</u>	<u>2,154,229</u>
Loss before other items		<u>(762,213)</u>	<u>(1,878,298)</u>	<u>(1,328,138)</u>	<u>(2,154,229)</u>
Other items					
Interest income		48,186	9,500	76,246	9,500
Foreign exchange gain (loss)		40,295	(7,919)	(9,774)	(7,919)
		<u>88,481</u>	<u>1,581</u>	<u>66,471</u>	<u>1,581</u>
Net loss and comprehensive loss for the period		<u>(673,732)</u>	<u>(1,876,717)</u>	<u>(1,261,666)</u>	<u>(2,152,648)</u>
Loss per share - basic and diluted		<u>\$(0.02)</u>	<u>\$(0.11)</u>	<u>\$(0.04)</u>	<u>\$(0.15)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>30,449,045</u>	<u>16,790,216</u>	<u>30,391,238</u>	<u>14,324,089</u>

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

CUORO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Six Months Ended May 31, 2012					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance on December 1, 2011	30,304,501	23,872,067	3,426,397	(5,338,931)	21,959,533
Common shares issued for:					
Cash - exercise of warrants	116,119	110,390	-	-	110,390
Finder's fees on Santa Elena Option	75,000	76,500	-	-	76,500
Transfer on exercise of finder's warrants	-	20,717	(20,717)	-	-
Share-based compensation on share options	-	-	68,465	-	68,465
Net loss	-	-	-	(1,261,666)	(1,261,666)
Balance at May 31, 2012	30,495,620	24,079,674	3,474,145	(6,600,597)	20,953,222

Six Months Ended May 31, 2011					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance on December 1, 2010	11,803,159	971,271	574,429	(981,472)	564,228
Common shares issued for:					
Cash - short-form offering	2,000,000	2,000,000	-	-	2,000,000
Cash - private placements	8,810,000	9,620,000	-	-	9,620,000
Cash - exercise of share options	50,000	26,000	-	-	26,000
Cash - exercise of warrants	1,862	465	-	-	465
Cash - special warrants	6,690,000	13,380,000	-	-	13,380,000
Corporate finance fees	125,000	125,000	-	-	125,000
Finder's fees on private placements	676,680	537,267	-	-	537,267
Finder's fees on Santa Elena Option	83,750	83,750	-	-	83,750
Transfer on exercise of share options	-	20,548	(20,548)	-	-
Transfer on exercise of finder's warrants	-	229	(229)	-	-
Share-based compensation on share options	-	-	1,079,258	-	1,079,258
Share-based compensation on warrants	-	-	474,058	-	474,058
Less share issue costs	-	(2,551,907)	-	-	(2,551,907)
Net loss	-	-	-	(2,152,648)	(2,152,648)
Balance at May 31, 2011	30,240,451	24,212,623	2,106,968	(3,134,120)	23,185,471

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

CUORO RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	May 31	
	2012	2011
	\$	\$
Operating activities		
Net loss for the period	(1,261,666)	(2,152,648)
Adjustments for:		
Depreciation	43,719	154
Share-based compensation	68,465	1,079,258
	<u>(1,149,482)</u>	<u>(1,073,236)</u>
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	23,670	(98,990)
Decrease (increase) in prepaid expenses	27,368	(36,923)
Increase in accounts payable and accrued liabilities	227,531	179,178
	<u>278,569</u>	<u>43,265</u>
Net cash used in operating activities	<u>(870,913)</u>	<u>(1,029,971)</u>
Investing activities		
Expenditures on exploration and evaluation assets	(4,737,781)	(601,643)
Purchases of equipment	(170,771)	(9,667)
Deposits with suppliers	9,627	-
Net cash used in investing activities	<u>(4,898,925)</u>	<u>(611,310)</u>
Financing activities		
Issuance of common shares	110,390	25,026,465
Share issue costs	-	(1,415,582)
Net cash generated from financing activities	<u>110,390</u>	<u>23,610,883</u>
Net change in cash	(5,659,448)	21,969,602
Cash at beginning of period	<u>18,191,552</u>	<u>801,923</u>
Cash at end of period	<u>12,532,104</u>	<u>22,771,525</u>
Cash comprises:		
Cash	3,010,038	15,562,025
Short-term investments	9,522,066	7,209,500
	<u>12,532,104</u>	<u>22,771,525</u>

Supplemental cash flow information - See Note 11.

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

CUORO RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

CuOro Resources Corp. (the "Company") was incorporated as Blue Cove Capital Corp. under the provisions of the B.C. Business Company Act on October 23, 2007. The Company became a publicly listed company pursuant to an initial public offering of its shares on March 31, 2008 and was listed on the TSX Venture Exchange ("TSXV") on April 1, 2008 as a Capital Pool Company ("CPC"). In December 2010 the Company entered into agreements to acquire 100% interests in mineral projects located in Colombia, as described in Note 6. The transactions contemplated in the option agreement on the Santa Elena Project (Note 6(a)) and the \$10 million of equity financings (Note 7(c)) constituted the Company's Qualifying Transaction. On April 18, 2011 the Company effected its name change from "Blue Cove Capital Corp." to "CuOro Resources Corp.". On April 20, 2011 the Company closed on its Qualifying Transaction. Effective April 25, 2011 the Company's listing was transferred to Tier 2 of the TSXV under the symbol "CUA". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of precious metals on mineral properties located in Colombia. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing mineral resource interests for the next twelve months. The Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation and Adoption of IFRS

Statement of Compliance and Conversion to International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements represent the Company's initial presentation of its results and financial position under IFRS. These condensed consolidated interim financial statements for the six months ended May 31, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its November 30, 2012 consolidated financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

As these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's November 30, 2011 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed consolidated interim financial statements under IFRS as the reader will be able to refer to the annual consolidated financial statements which will be prepared in accordance with IFRS.

CUORO RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MAY 31, 2012
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation and Adoption of IFRS (continued)

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some respects from IFRS. In preparing these condensed consolidated interim financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for May 31, 2011, November 30, 2011 and December 1, 2010 were restated to reflect these adjustments. Note 12 presents reconciliations and descriptions of the effects of the transition from Canadian GAAP and IFRS on the statement of financial position and statement of comprehensive income (loss) as at December 1, 2010 and as at, and for the year ended November 30, 2011 and as at, and for the six months ended May 31, 2011.

These condensed consolidated interim financial statements are prepared on a going concern basis.

Basis of Presentation

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

The preparation of financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standards, amendments and interpretations have not been applied in these financial statements.

- (i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2013.
- (ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.
- (iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*.
- (iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.
- (v) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MAY 31, 2012
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation and Adoption of IFRS (continued)

- (vi) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

3. Summary of Significant Accounting Policies

Details of the Group

In addition to the Company, the condensed consolidated interim financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at May 31, 2012 the Company had one wholly-owned subsidiary, Minera CuOro S.A.S., which was incorporated in Colombia.

Use of Estimates

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, decommissioning provisions, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2012 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

CUORO RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MAY 31, 2012
(Unaudited - Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Exploration and Evaluation Assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

The Company also accounts for foreign value added taxes which relate to deferred mineral resource expenditures as part of deferred costs. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in the carrying costs of exploration and evaluation assets.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 10% for machinery and equipment; 10% for office equipment; 20% for computers and telephone equipment; and 20% for vehicles.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed interim consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. Summary of Significant Accounting Policies (continued)

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2012 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At May 31, 2012 the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MAY 31, 2012
(Unaudited - Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At May 31, 2012 the Company has not classified any financial liabilities as fair value through profit or loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

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3. Summary of Significant Accounting Policies (continued)

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The condensed consolidated interim financial statements are presented in Canadian dollars.

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3. Summary of Significant Accounting Policies (continued)

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Comparative Figures

Certain of the prior period comparative figures have been reclassified to conform to the current period's presentation.

4. Amounts Receivable

	May 31, 2012 \$	November 30, 2011 \$	December 1, 2010 \$
Harmonized sale tax receivable	127,015	138,332	22,098
Other	<u>21,738</u>	<u>34,091</u>	<u>7,671</u>
	<u>148,753</u>	<u>172,423</u>	<u>29,769</u>

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Cost:	Office Furniture and Equipment \$	Computer and Telephone Equipment \$	Machinery and Equipment \$	Vehicles \$	Total \$
Balance at December 1, 2010	-	-	-	-	-
Additions	<u>77,143</u>	<u>62,695</u>	<u>38,412</u>	<u>226,800</u>	<u>405,050</u>
Balance at November 30, 2011	77,143	62,695	38,412	226,800	405,050
Additions	<u>2,029</u>	<u>13,690</u>	<u>134,576</u>	<u>20,476</u>	<u>170,771</u>
Balance at May 31, 2012	<u>79,172</u>	<u>76,385</u>	<u>172,988</u>	<u>247,276</u>	<u>575,821</u>
Accumulated Depreciation::	Office Furniture and Equipment \$	Computer and Telephone Equipment \$	Machinery and Equipment \$	Vehicles \$	Total \$
Balance at December 1, 2010	-	-	-	-	-
Depreciation	<u>3,372</u>	<u>6,067</u>	<u>1,921</u>	<u>19,218</u>	<u>30,578</u>
Balance at November 30, 2011	3,372	6,067	1,921	19,218	30,578
Depreciation	<u>3,958</u>	<u>7,477</u>	<u>8,238</u>	<u>24,046</u>	<u>43,719</u>
Balance at May 31, 2012	<u>7,330</u>	<u>13,544</u>	<u>10,159</u>	<u>43,264</u>	<u>74,297</u>
Carrying Value:	Office Furniture and Equipment \$	Computer and Telephone Equipment \$	Machinery and Equipment \$	Vehicles \$	Total \$
Balance at December 1, 2010	-	-	-	-	-
Balance at November 30, 2011	<u>73,771</u>	<u>56,628</u>	<u>36,491</u>	<u>207,582</u>	<u>374,472</u>
Balance at May 31, 2012	<u>71,842</u>	<u>62,841</u>	<u>162,829</u>	<u>204,012</u>	<u>501,524</u>

CUORO RESOURCES CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Exploration and Evaluation Assets

	Santa Elena Project \$	Barranco de Loba Project \$	Total \$
Balance at December 1, 2010	-	-	-
Exploration Costs			
Assays	103,967	994	104,961
Camp costs	125,334	-	125,334
Casual labour	263,139	-	263,139
Consulting	121,048	-	121,048
Drilling	1,342,050	-	1,342,050
Geological	81,183	-	81,183
Geophysics	68,522	-	68,522
Insurance	17,029	-	17,029
IVA tax	63,800	-	63,800
Payroll	126,914	-	126,914
Rental and transportation	31,953	-	31,953
Repairs and maintenance	15,307	-	15,307
Supplies	39,278	-	39,278
Surface taxes	6,668	-	6,668
Travel	7,653	-	7,653
	<u>2,413,845</u>	<u>994</u>	<u>2,414,839</u>
Acquisition Costs			
Option payments	508,165	243,695	751,860
Finders' fees	83,750	73,380	157,130
Claims, lease and surface costs	128,378	53,728	182,106
	<u>720,293</u>	<u>370,803</u>	<u>1,091,096</u>
Balance at November 30, 2011	<u>3,134,138</u>	<u>371,797</u>	<u>3,505,935</u>
Exploration Costs			
Air survey	54,025	-	54,025
Assays	116,030	-	116,030
Camp costs	154,827	30,292	185,119
Casual labour	434,574	1,873	436,447
Consulting	164,360	50,960	215,320
Drilling	2,261,795	-	2,261,795
Geological	61,891	-	61,891
Geophysics	212,650	59,196	271,846
Insurance	1,385	-	1,385
IVA tax	100,953	998	101,951
Payroll	197,278	17,825	215,103
Rental and transportation	28,238	166	28,404
Repairs and maintenance	4,862	-	4,862
Supplies	42,475	-	42,475
Travel	17,071	880	17,951
	<u>3,852,414</u>	<u>162,190</u>	<u>4,014,604</u>
Acquisition Costs			
Option payments	493,714	-	493,714
Claims, lease and surface costs	7,803	-	7,803
Finder's fees	76,500	-	76,500
	<u>578,017</u>	<u>-</u>	<u>578,017</u>
Balance at May 31, 2012	<u>7,564,569</u>	<u>533,987</u>	<u>8,098,556</u>

CUORO RESOURCES CORP.

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6. Exploration and Evaluation Assets (continued)

- (a) By agreements dated December 22, 2010 and February 16, 2011, and amended March 31, 2011, the Company was granted an option (the "Santa Elena Option") to acquire a 100% undivided interest in two mining concessions (the "Santa Elena Project") located in the Antioquia District, Colombia. To earn the interest in the Santa Elena Project the Company has paid a total of US \$1,025,000 and is required to pay a further US \$1,000,000 by April 16, 2013 and US \$1,000,000 by April 16, 2014 and conduct a total of US \$3,000,000 exploration expenditures by April 16, 2014.

The Company will also pay US \$1,000,000 if the Santa Elena Project contains a measured resource of at least 300,000 tonnes of copper. The vendor will also retain a net smelter return royalty of between 2.0% - 3.0%.

The Company has agreed to issue up to 300,000 common shares to an arm's length party as a finder's fee in connection with the Santa Elena Option. The shares are to be issued in stages as follows: 83,750 common shares on closing of the Santa Elena Option (issued); 75,000 common shares on April 20, 2012 (issued); and 141,250 common shares on April 20, 2013 while the Santa Elena Option is in effect.

The Company has entered into annual surface rights agreements under which it has agreed to pay approximately \$120,000 per annum.

- (b) On December 9, 2010, as amended, the Company entered into a letter of intent (the "Barranco LOI") whereby the vendor agreed to grant an option to the Company to acquire a 100% interest in three mineral concessions located in the Department of Sur de Bolivar, Colombia. Under the terms of the Barranco LOI and subsequent amendments the Company paid a total of \$49,127 (US \$50,000). The Company and the vendor subsequently renegotiated the terms of the Barranco LOI and, effective August 16, 2011, entered into a formal option agreement (the "Barranco Option") to acquire a 100% interest in one mineral concession (the "Barranco Project"). To earn its interest the Company has paid \$44,277 (US \$44,500) for surface rights fees and is required to conduct US \$1,000,000 of expenditures over two years and make option payments totalling US \$800,000 (US \$200,000 paid) over three years.

The Company will also pay the vendor additional payments of US \$4 per ounce of gold in an indicated category as reported in a NI 43-101 report, with the first payment due when the Company has defined a resource of 500,000 indicated ounces, then a subsequent payment of US \$4 per ounce for the next 500,000 ounces and then a payment of US \$4 per ounce for each additional 1 million ounces.

The Company paid an initial finder's fee of US \$75,000 to arm's length parties in connection with the Barranco Option. In addition the Company has agreed to pay a further US \$37,500 on August 16, 2012 and US \$10,000 on August 16, 2013 while the Barranco Option is in effect.

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7. Share Capital

(a) *Authorized Share Capital*

As at May 31, 2012 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

Common shares issued:	Number of Shares	Amount \$
Balance at December 1, 2010	11,803,159	971,271
Shares issued for:		
Cash - Short-form offering	2,000,000	2,000,000
Cash - Private placements	8,810,000	9,620,000
Cash - Special warrants offering	6,690,000	13,380,000
Cash - Exercise of share options	92,000	30,200
Cash - Exercise of warrants	23,912	22,516
Corporate finance fees	125,000	125,000
Finder's fees (private placements)	676,680	676,680
Finder's fees (Santa Elena Option)	83,750	83,750
Transfer to common shares on exercise of share options	-	22,544
Transfer to common shares on exercise of finder's warrants	-	11,015
Share issue costs	-	<u>(3,070,908)</u>
Balance at November 30, 2011	30,304,501	23,872,067
Shares issued for cash:		
Exercise of warrants	116,119	110,390
Finder's fees (Note 6(a))	75,000	76,500
Transfer to common shares on exercise of warrants	-	<u>20,717</u>
Balance at May 31, 2012	<u>30,495,620</u>	<u>24,079,674</u>

(c) On April 20, 2011 the Company completed equity financings totalling \$10 million as follows:

- (i) a short form offering document (the "Short Form Offering") and a brokered private placement (the "Brokered Private Placement" and, together with the Short Form Offering, the "Brokered Financings"). Pursuant to the Short Form Offering, the Company issued 2,000,000 common shares (the "Shares") at a price of \$1.00 per Share, for proceeds of \$2,000,000. Pursuant to the Brokered Private Placement, the Company issued 3,500,000 units (the "Units") at a price of \$1.00 per Unit for proceeds of \$3,500,000. Each Unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant (a "Warrant") entitling the holder to acquire one common share at a price of \$1.30 per share on or before April 20, 2013.

The agent received a commission of 7% of the aggregate proceeds from the sale of Shares and Units sold pursuant to the Brokered Financings. The agent elected to receive a portion of the commission in units (the "Agent's Commission Units"), being 377,500 Agent's Commission Units, at an ascribed value of \$377,500, and a portion in cash, being \$7,500. Each Agent's Commission Unit comprised one common share and one-half of one common share purchase warrant with each whole warrant (the "Agent's Commission Warrant") entitling the agent to acquire one common share at a price of \$1.30 per share on or before April 20, 2013. The Company also issued to the agent 385,000 common share purchase warrants (the "Agent's Warrants"), with each Agent's Warrant entitling the agent to acquire one common share (the "Agent's Warrant Shares") at a price of \$1.00 per share on or before April 20, 2013. An additional 125,000 Units (the "Corporate Finance Fee Units") were issued to the agent at an ascribed value of \$125,000. Each Corporate Finance Fee Unit consisted of one common share and

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7. Share Capital (continued)

one-half of one common share purchase warrant (a "Corporate Finance Fee Warrant"), with each Corporate Finance Fee Warrant entitling the holder to acquire one common share at a price of \$1.30 per share on or before April 20, 2013. The fair value of the Agent's Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 90.88%; risk-free interest rate of 1.84%; and expected life of two years. The value assigned to Agent's Warrants was \$188,311.

- (ii) a non-brokered private placement (the "Non-Brokered Private Placement"). Pursuant to the Non-Brokered Private Placement, the Company issued 4,500,000 Units at a price of \$1.00 per Unit, for proceeds of \$4,500,000. In connection with the Non-Brokered Private Placement, the Company paid certain finders ("Finders") a commission of 299,180 units (the "Finders' Units"), at an ascribed value of \$299,180. Each Finders' Unit comprised one common share and one-half of one common share purchase warrant with each whole warrant (the "Finders' Commission Warrant") entitling the Finder to acquire one common share at a price of \$1.30 per share on or before April 20, 2013. The Company also issued to the Finders 299,180 common share purchase warrants (the "Finders' Warrants"), with each Finders' Warrant entitling the Finders to acquire one common share at a price of \$1.00 per share on or before April 20, 2013. The fair value of the Finders' Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 90.88%; risk-free interest rate of 1.84%; and expected life of two years. The value assigned to the Finders' Warrants was \$146,335.

The Company also incurred a total of \$226,081 for sponsorship fee, legal costs, filing fees and other costs.

- (d) On May 31, 2011 the Company completed a private placement of 810,000 unit for gross proceeds of \$1,620,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share at a price of \$2.50 per share on or before May 31, 2013 with the same acceleration provision noted in 7(e). The Company paid a finder's fee of \$113,400.
- (e) Effective May 31, 2011 the Company completed an offering of 6,690,000 special warrants (the "Special Warrants") at a price of \$2.00 per Special Warrant (the "Special Warrant Offering") for gross proceeds of \$13,380,000. Each Special Warrant entitled the holder to acquire, for no additional consideration, one unit in the Company on the exercise or deemed exercise of the Special Warrant.

The underwriters received a \$936,600 cash fee on the sale of the Special Warrants. In addition the Company issued to the underwriters 468,300 special warrants (the "Underwriters' Special Warrants") exercisable to acquire, for no additional consideration, 468,300 underwriters' warrants of the Company (the "Underwriters' Warrants") with each Underwriters' Warrant exercisable to acquire one unit of the Company at \$2.00 per unit on or before May 31, 2013. The fair value of the Underwriters' Special Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 90.88%; risk-free interest rate of 1.84%; and expected life of two years. The value assigned to the Underwriters' Special Warrants was \$458,109.

The Company subsequently filed its final short form prospectus (the "Prospectus") dated June 30, 2011 to qualify the distribution of the 6,690,000 units upon the deemed exercise of the 6,690,000 Special Warrants. On July 6, 2011 (the "Qualification Date") the Company received a receipt for its Prospectus and the Special Warrants were deemed to be exercised. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share, at a price of \$2.50 per share on or before May 31, 2013. The Prospectus also qualified the distribution of the Underwriters' Warrants upon the deemed exercise of the Underwriters' Special Warrants, which were also deemed to be exercised on the Qualification Date.

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7. **Share Capital** (continued)

In the event that, at any time after October 1, 2011 the volume weighted average trading price of the Company's common shares on the TSXV, for a period of 20 consecutive trading days, exceeds \$4.00, the Company may, within five days after such an event, provide notice of early expiry and thereafter, the warrants will expire on the date which is 30 days after the date of such notice.

The Company incurred a total of \$192,891 for legal, audit and filing costs associated with the Special Warrant Offering and the Prospectus.

(f) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2012 and 2011 and the changes for the six months ended on those dates is as follows:

	2012		2011	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	8,874,943	1.78	63,835	0.25
Granted	-		5,490,020	1.35
Exercised	<u>(116,119)</u>	0.95	<u>(1,862)</u>	0.25
Balance, end of period	<u>8,758,824</u>	1.79	<u>5,551,993</u>	1.33

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at May 31, 2012:

Number	Exercise Price \$	Expiry Date
32,235	0.25	November 17, 2012
4,345,590	1.30	April 20, 2013
630,999	1.00	April 20, 2013
<u>3,750,000</u>	2.50	May 31, 2013
<u>8,758,824</u>		

In addition, as at May 31, 2012, 468,300 Underwriters' Warrants remained outstanding.

(g) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During the six months ended May 31, 2012 the Company granted 36,000 (2011 - 1,010,000) share options to its directors, officers and consultants and recorded compensation expense of \$35,517 (2011 - \$1,079,258). In addition the Company recorded compensation expenses of \$32,948 (2011 - \$nil) on the vesting of share options previously granted.

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7. Share Capital (continued)

The fair value of share options granted during the six months ended May 31, 2012 and 2011 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate	0.98% - 1.54%	2.74%
Estimated volatility	120.61% - 125.93%	90.88%
Expected life	2 years - 4.5 years	5 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The weighted average fair value of all share options granted during the six months ended May 31, 2012 was \$0.55 (2011 - \$1.61) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at May 31, 2012 and 2011 and the changes for the six months ending on those dates, is as follows:

	<u>2012</u>		<u>2011</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	2,906,752	1.12	1,213,752	0.51
Granted	36,000	1.50	1,010,000	1.00
Exercised	-	-	(50,000)	0.52
Balance, end of period	<u>2,942,752</u>	1.13	<u>2,173,752</u>	0.73

The following table summarizes information about the share options outstanding and exercisable at May 31, 2012:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
1,121,752	1,121,752	0.52	November 16, 2013
60,000	60,000	2.00	July 7, 2014
50,000	50,000	2.10	July 8, 2014
100,000	100,000	2.00	July 21, 2014
885,000	885,000	1.00	April 20, 2016
665,000	665,000	2.00	August 24, 2016
25,000	12,500	1.50	November 23, 2016
<u>36,000</u>	<u>36,000</u>	1.50	February 9, 2014
<u>2,942,752</u>	<u>2,930,252</u>		

(h) *Escrow Shares*

As at May 31, 2012, 936,000 common shares remain held in escrow.

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7. **Share Capital** (continued)

(i) *Transaction Agreement with Pacific Road*

On May 28, 2012 the Company and Pacific Road Resources Fund II and Pacific Road Resources Fund II L.P. (collectively "Pacific Road") entered into a definitive agreement (the "Agreement") with respect to certain investments that may be made in the Company by Pacific Road (the "Transaction").

Under the terms of the Agreement, the Company has granted to Pacific Road two separate options to purchase units of the Company by way of non-brokered private placements, subject to certain terms and conditions as set out in the Agreement. The issuance of the units is subject to shareholder approval and in each case the final approval of the TSXV.

The Agreement also provides for Pacific Road to purchase between two million and three million common shares of the Company in the secondary market, subject to certain terms and conditions as set out in the Agreement.

The first option to purchase units of the Company (the "P1 Units") provides for an investment in the Company by Pacific Road between \$5.0 and \$7.5 million at a price of \$2.00 per P1 Unit, subject to the pricing rules of the TSXV. Each P1 Unit shall consist of one common share and one-half of a common share purchase warrant of the Company. Each whole warrant shall be exercisable for one common share at a price of \$2.50 for a period of two years from the date of issue, but will not be exercisable until 65 days after the issue of the P1 Units.

The second option to purchase units of the Company (the "P2 Units") provides for an investment in the Company by Pacific Road of up to \$40 million at a price per P2 Unit equal to the 20-day volume-weighted average price of the Company's common shares at the time the second option is exercised, subject to the pricing rules of the TSXV. The second option may be exercised at any time within 45 days of the earlier of the Company completing and delivering to Pacific Road a Resource Statement and Preliminary Economic Assessment or a Pre-Feasibility Study. Each P2 unit shall consist of one common share and one-half of a common share purchase warrant of the Company. Each whole warrant shall be exercisable for one common share at a price equal to 125% of the P2 Unit purchase price for a period of two years from the date of issue.

The final number of units to be issued under each option, if exercised, and the price and expiry dates of the securities to be issued under each option will be announced at the time such option is exercised by Pacific Road. Assuming that all contemplated purchases of securities in the market and exercise of options to purchase units of the Company are made by Pacific Road it is expected that Pacific Road will ultimately become a control person in the Company within the meaning of the TSXV rules and applicable securities laws.

The Agreement contains representations and warranties of the Company and Pacific Road as well as certain conditions precedent and covenants that must be satisfied in connection with the Transaction. The Company has also agreed to grant to Pacific Road certain shareholder rights including representation on the board of directors of the Company, registration rights and preemptive rights conditional upon the completion of the exercise of the first option. The Agreement contains a mutual termination right as well as certain termination rights in favour of the Company and Pacific Road, respectively.

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8. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

(i) During the six months ended May 31, 2012 and 2011 the following amounts were incurred with respect to the Company's President and his spouse:

	2012 \$	2011 \$
Salary and compensation	176,506	149,148
Secretarial fees	16,066	1,138
Rent for apartment	26,629	6,927
Relocation expenses	-	13,068
Share-based compensation	-	112,617
	<u>219,201</u>	<u>282,898</u>

(ii) During the six months ended May 31, 2012 and 2011 the following amounts were incurred with respect to the Company's Chief Financial Officer:

	2012 \$	2011 \$
Directors fees	15,000	2,500
Accounting and administration	28,150	32,800
Share-based compensation	-	160,882
	<u>43,150</u>	<u>196,182</u>

As at May 31, 2012, \$98,833 (2011 - \$8,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

During the six months ended May 31, 2012 and 2011 the following amounts were incurred with respect to other officers and directors of the Company:

	2012 \$	2011 \$
Professional fees	58,200	5,000
Share-based compensation	-	506,777
	<u>58,200</u>	<u>511,777</u>

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9. Segmented Information

Substantially all of the Company's operations are in one industry, the exploration for precious metals. Management reviews the financial results according to expenditures by property. The Company's mineral properties are located in Colombia and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results.

	As at May 31, 2012		
	Corporate Canada \$	Mineral Operations Colombia \$	Total \$
Current assets	12,046,757	664,151	12,710,908
Deposits with suppliers	-	95,503	95,503
Exploration and evaluation assets	-	8,098,556	8,098,556
Property, plant and equipment	-	501,524	501,524
	<u>12,046,757</u>	<u>9,359,734</u>	<u>21,406,491</u>
	As at November 30, 2011		
	Corporate Canada \$	Mineral Operations Colombia \$	Total \$
Current assets	17,451,486	969,908	18,421,394
Deposits with suppliers	-	105,130	105,130
Exploration and evaluation assets	-	3,505,935	3,505,935
Property, plant and equipment	-	374,472	374,472
	<u>17,451,486</u>	<u>4,955,445</u>	<u>22,406,931</u>

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	May 31, 2012 \$	November 30, 2011 \$
Cash	FVTPL	12,532,104	18,191,552
Amounts receivable	Loans and receivables	148,753	172,423
Accounts payable and accrued liabilities	Other liabilities	(453,269)	(447,398)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

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10. Financial Instruments and Risk Management (continued)

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

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 loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at May 31, 2012				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	12,532,104	-	-	-	12,532,104
Amounts receivable	148,753	-	-	-	148,753
Accounts payable and accrued liabilities	(453,269)	-	-	-	(453,269)

	Contractual Maturity Analysis at November 30, 2011				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	3,531,719	14,659,833	-	-	18,191,552
Amounts receivable	172,423	-	-	-	172,423
Accounts payable and accrued liabilities	(447,398)	-	-	-	(447,398)

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10. Financial Instruments and Risk Management (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents bear floating rates of interest. The interest rate risk on cash and short-term investments and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company has operations in Canada and Colombia subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Colombian Pesos and the fluctuation of the Canadian dollar in relation to other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At May 31, 2012, 1 Canadian Dollar was equal to 1,769.91 Colombian Pesos.

Balances are as follows:

	Colombian Pesos	CDN \$ Equivalent
Cash	1,124,547,891	635,370
Amounts receivable	31,975,661	18,066
Accounts payable and accrued liabilities	<u>(245,282,837)</u>	<u>(138,585)</u>
	<u>911,240,715</u>	<u>514,851</u>

Based on the net exposures as of May 31, 2012 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Colombian Peso would result in an increase or decrease of approximately \$51,485.

Capital Management

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 and exploration 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 Company defines capital that it manages as share capital, cash equivalents and short-term investments. 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.

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11. Supplemental Cash Flow Information

Non-cash activities conducted by the Company during the six months ended May 31, 2012 and 2011, are as follows:

	2012 \$	2011 \$
Operating activity		
Decrease in accounts payable and accrued liabilities	<u>(221,660)</u>	<u>-</u>
Financing activities		
Issuance of common shares for fees	76,500	746,018
Common share issue costs	-	(1,302,385)
Share-based payments reserve	(20,717)	619,340
Transfer on exercise of share options	-	20,548
Transfer on exercise of finder's warrants	<u>20,717</u>	<u>229</u>
	<u>76,500</u>	<u>83,750</u>
Investing activity		
Common shares issued for property finder's fee	<u>145,160</u>	<u>(83,750)</u>

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12. Transition to IFRS

The Company's financial statements for the year ending November 30, 2012 will be the first annual financial statements that comply with IFRS and these condensed consolidated interim financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its 2012 annual consolidated financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was December 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be November 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. The Company has applied the following exemptions to its opening statement of financial position dated December 1, 2010:

Business Combinations

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after December 1, 2010. There is no adjustment required to the December 1, 2010 statement of financial position on the transition date.

Share-based Payment

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to December 1, 2010.

IAS 27 - Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 'Business Combinations' retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated December 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of December 1, 2010 are consistent with its GAAP estimates for the same date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

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12. Transition to IFRS (continued)

Reconciliation of Assets, Liabilities and Equity

	As at December 1, 2010		
	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
ASSETS			
Current assets			
Cash	801,923	-	801,923
Amounts receivable	29,769	-	29,769
Prepaid expenses	3,019	-	3,019
Total current assets	834,711	-	834,711
Non-current assets			
Advances to suppliers	-	-	-
Property, plant and equipment	-	-	-
Exploration and evaluation assets	-	-	-
Total non-current assets	-	-	-
TOTAL ASSETS	834,711	-	834,711
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	270,483	-	270,483
TOTAL LIABILITIES	270,483	-	270,483
SHAREHOLDERS' EQUITY			
Share capital	971,271	-	971,271
Share-based payments reserve	574,429	-	574,429
Deficit	(981,472)	-	(981,472)
TOTAL SHAREHOLDERS' EQUITY	564,228	-	564,228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	834,711	-	834,711

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12. Transition to IFRS (continued)

Reconciliation of Assets, Liabilities and Equity (continued)

	As at May 31, 2011		
	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
ASSETS			
Current assets			
Cash	22,771,525	-	22,771,525
Amounts receivable	128,759	-	128,759
Prepaid expenses	39,942	-	39,942
Total current assets	22,940,226	-	22,940,226
Non-current assets			
Property, plant and equipment	9,513	-	9,513
Exploration and evaluation assets	685,393	-	685,393
Total non-current assets	694,906	-	694,906
TOTAL ASSETS	23,635,132	-	23,635,132
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	449,661	-	449,661
TOTAL LIABILITIES	449,661	-	449,661
SHAREHOLDERS' EQUITY			
Share capital	24,212,623	-	24,212,623
Share-based payments reserve	2,009,090	97,878	2,106,968
Deficit	(3,036,242)	(97,878)	(3,134,120)
TOTAL SHAREHOLDERS' EQUITY	23,185,471	-	23,185,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23,635,132	-	23,635,132

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12. Transition to IFRS (continued)

Reconciliation of Assets, Liabilities and Equity (continued)

	As at November 30, 2011		
	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
ASSETS			
Current assets			
Cash	18,191,552	-	18,191,552
Amounts receivable	172,423	-	172,423
Prepaid expenses	57,419	-	57,419
Total current assets	18,421,394	-	18,421,394
Non-current assets			
Deposits with suppliers	105,130	-	105,130
Property, plant and equipment	374,472	-	374,472
Exploration and evaluation assets	3,505,935	-	3,505,935
Total non-current assets	3,985,537	-	3,985,537
TOTAL ASSETS	22,406,931	-	22,406,931
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	447,398	-	447,398
TOTAL LIABILITIES	447,398	-	447,398
SHAREHOLDERS' EQUITY			
Share capital	23,872,067	-	23,872,067
Share-based payments reserve	3,378,375	48,022	3,426,397
Deficit	(5,290,909)	(48,022)	(5,338,931)
TOTAL SHAREHOLDERS' EQUITY	21,959,533	-	21,959,533
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,406,931	-	22,406,931

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12. Transition to IFRS (continued)

Reconciliation of Comprehensive Loss

	<u>Three Months Ended May 31, 2011</u>			<u>Six Months Ended May 31, 2011</u>		
	<u>Canadian GAAP \$</u>	<u>Effect of Transition to IFRS \$</u>	<u>IFRS \$</u>	<u>Canadian GAAP \$</u>	<u>Effect of Transition to IFRS \$</u>	<u>IFRS \$</u>
Expenses						
Accounting and administration	24,800	-	24,800	32,800	-	32,800
Audit fees	-	-	-	12,750	-	12,750
Depreciation	154	-	154	154	-	154
Due diligence	73,844	-	73,844	136,766	-	136,766
General and administrative expenses	38,042	-	38,042	43,323	-	43,323
Investment conferences	72,942	-	72,942	72,942	-	72,942
Investor relations	8,000	-	8,000	8,000	-	8,000
IVA tax	2,474	-	2,474	2,474	-	2,474
Legal fees	91,945	-	91,945	202,820	-	202,820
Professional and directors fees	35,855	-	35,855	35,855	-	35,855
Regulatory fees	31,186	-	31,186	35,653	-	35,653
Relocation costs	46,024	-	46,024	46,024	-	46,024
Rent	24,984	-	24,984	24,984	-	24,984
Salaries and compensation	156,119	-	156,119	156,119	-	156,119
Shareholder communications	73,594	-	73,594	74,015	-	74,015
Share-based compensation	981,380	97,878	1,079,258	981,380	97,878	1,079,258
Telephone, website and internet costs	7,942	-	7,942	13,431	-	13,431
Transfer agent	7,144	-	7,144	7,144	-	7,144
Travel and related	103,991	-	103,991	169,717	-	169,717
	<u>1,780,420</u>	<u>97,878</u>	<u>1,878,298</u>	<u>2,056,351</u>	<u>97,878</u>	<u>2,154,229</u>
Loss before other items	<u>(1,780,420)</u>	<u>(97,878)</u>	<u>(1,878,298)</u>	<u>(2,056,351)</u>	<u>(97,878)</u>	<u>(2,154,229)</u>
Other items						
Interest income	9,500	-	9,500	9,500	-	9,500
Foreign exchange gain (loss)	(7,919)	-	(7,919)	(7,919)	-	(7,919)
	<u>1,581</u>	<u>-</u>	<u>1,581</u>	<u>1,581</u>	<u>-</u>	<u>1,581</u>
Net loss and comprehensive loss	<u>(1,778,839)</u>	<u>(97,878)</u>	<u>(1,876,717)</u>	<u>(2,054,770)</u>	<u>(97,878)</u>	<u>(2,152,648)</u>

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12. Transition to IFRS (continued)

Reconciliation of Comprehensive Loss

	Year Ended November 30, 2011		
	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
Expenses			
Accounting and administration	74,436	-	74,436
Amortization	30,578	-	30,578
Audit fees	28,050	-	28,050
Corporate development	55,665	-	55,665
Due diligence	136,766	-	136,766
General and administrative expenses	256,908	-	256,908
Investment conferences	123,507	-	123,507
Investor relations	48,000	-	48,000
IVA tax	25,504	-	25,504
Legal fees	259,856	-	259,856
Professional fees and directors' fees	186,757	-	186,757
Recruitment	10,000	-	10,000
Regulatory fees	28,896	-	28,896
Relocation costs	60,556	-	60,556
Rent	126,932	-	126,932
Salary and compensation	304,728	-	304,728
Shareholder communications	102,821	-	102,821
Stock-based compensation	2,044,749	48,022	2,092,771
Transfer agent	9,867	-	9,867
Travel	478,049	-	478,049
	<u>4,392,625</u>	<u>48,022</u>	<u>4,440,647</u>
Loss before other items	<u>(4,392,625)</u>	<u>(48,022)</u>	<u>(4,440,647)</u>
Other items			
Interest income	108,943	-	108,943
Foreign exchange loss	(25,755)	-	(25,755)
	<u>83,188</u>	<u>-</u>	<u>83,188</u>
Net loss and comprehensive loss for the year	<u>(4,309,437)</u>	<u>(48,022)</u>	<u>(4,357,459)</u>

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12. Transition to IFRS (continued)

IFRS Adjustments

Share Based Options

Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising therefrom. Under this method, the fair value of share-based awards with graded vesting was calculated as one grant and the resulting fair value was recognised on a straight line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is recognised over the vesting period of the respective tranche using the graded vesting method.

During the six months ended May 31, 2011, the Company would have recorded \$1,079,258 as share-based payment versus \$981,380 share-based compensation under Canadian GAAP. As a result, \$97,878 would be adjusted in the share-based payment expense in the statement of operations and the same amount would be adjusted in the equity share-based payments reserve in the statement of equity.

During the year ended November 30, 2011, the Company would have recorded \$2,092,771 as share-based payment versus \$2,044,749 share-based compensation under Canadian GAAP. As a result, \$48,022 would be adjusted in the share-based payment expense in the statement of operations and the same amount would be adjusted in the equity share-based payments reserve in the statement of equity.