



CARDERO RESOURCE CORP.
(An Exploration Stage Company)

Unaudited Consolidated Financial Statements
Prepared by Management

JANUARY 31, 2010

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

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Financial Statements
(Unaudited – Prepared by management)

January 31, 2010

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Balance Sheets
(Unaudited – Prepared by management)

	January 31, 2010	October 31, 2009 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 94,410,073	\$ 5,823,196
Accounts receivable	213,536	286,291
Due from related parties (note 8)	449,405	587,956
Prepaid expenses	222,299	240,028
Total Current Assets	95,295,313	6,937,471
Fixed Assets (note 3)	214,429	228,553
Resource Related Investments (note 4)	32,391,287	23,406,055
Resource Properties (note 6)	18,981,077	17,499,592
Total Assets	\$ 146,882,106	\$ 48,071,671
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 3,244,683	\$ 568,951
Income taxes payable	29,356,503	-
Future income taxes payable (note 10)	-	2,564,900
Total Current Liabilities	32,601,186	3,133,851
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	70,146,395	70,034,895
Obligation to Issue Shares (notes 5 and 6(e))	-	111,500
Contributed Surplus	13,320,150	13,058,271
Accumulated Other Comprehensive Income	19,823,142	13,003,496
Retained Earnings (Deficit)	10,991,233	(51,270,342)
Total Shareholders' Equity	114,280,920	44,937,820
Total Liabilities and Shareholders' Equity	\$ 146,882,106	\$ 48,071,671

Nature of operations and going concern (note 1)
Commitments (note 11)
Subsequent events (note 13)

Approved on behalf of the Board:

"Hendrik Van Alphen"
..... Director
Hendrik Van Alphen

"Lawrence W. Talbot"
..... Director
Lawrence W. Talbot

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Operations
(Unaudited – Prepared by management)
For the three months ended January 31

	2010	2009
Administrative Expenses		
Amortization	\$ 16,723	\$ 12,274
Bad debt (note 8)	104,835	-
Consulting fees (note 8)	238,365	184,415
Insurance	45,135	42,756
Investor relations	170,738	200,626
Office costs	278,132	72,705
Professional fees (note 8)	132,369	163,380
Property evaluations	51,054	215,944
Regulatory and transfer agent fees	23,203	36,616
Salaries	556,779	915,267
Loss Before Other Items and Income Taxes	(1,617,333)	(1,843,983)
Other Gain (Loss) Items		
Foreign exchange gain (loss)	(241,012)	44,804
Interest income	411	7,131
Realized gain on sale of available-for-sale investment (note 4)	136,092	660,103
Unrealized gain (loss) on derivative investments (note 4)	119,537	-
Unrealized gain on held-for-trading investment (note 4)	46,000	-
Gain on sale of resource property (note 6(c)(ii))	89,406,016	-
Write-off of resource properties	-	(2,642,051)
	89,467,044	(1,930,013)
Income (Loss) Before Income Taxes	87,849,711	(3,773,996)
Income Taxes		
Current	(26,791,603)	-
Future recovery (note 10)	1,203,467	776,175
	(25,588,136)	776,175
Net Income (Loss) for Period	62,261,575	(2,997,821)
Basic and Diluted Income (Loss) Per Share	\$ 1.06	\$ (0.05)
Weighted Average Number of Common Shares Outstanding	58,611,140	58,187,291

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Shareholders' Equity
(Unaudited – Prepared by Management)

	Capital Stock		Obligation to issue shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2007	47,321,439	\$ 55,473,921	\$ -	\$ (35,186,052)	\$ 8,490,791	\$ 4,692,000	\$ 33,470,660
Net loss for the year	-	-	-	(15,829,662)	-	-	(15,829,662)
Other comprehensive income (loss)							
Unrealized loss on available-for-sale investments	-	-	-	-	-	(1,887,697)	(1,887,697)
Transfer to income of realized gain on sale of resource related investments	-	-	-	-	-	(186,563)	(186,563)
Comprehensive loss for the year							(17,903,922)
Shares issued for cash							
Exercise of options	998,500	1,838,750	-	-	-	-	1,838,750
Exercise of warrants	1,411,908	2,758,816	-	-	-	-	2,758,816
Private placement	7,501,000	8,251,100	-	-	-	-	8,251,100
Share issue costs	-	(866,167)	-	-	-	-	(866,167)
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	689,036	-	-	(689,036)	-	-
Property acquisition	500,000	1,000,000	-	-	-	-	1,000,000
Obligation to issue shares			795,000				795,000
Agent's compensation	50,000	55,000	-	-	-	-	55,000
Share issue costs	-	(375,634)	-	-	320,634	-	(55,000)
Stock-based compensation	-	-	-	-	3,789,920	-	3,789,920
Balance, October 31, 2008	57,782,847	68,824,822	795,000	(51,015,714)	11,912,309	2,617,740	33,134,157

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Shareholders' Equity (Continued)
(Unaudited – Prepared by Management)

	Capital Stock		Obligation to issue shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2008 (carried forward)	57,782,847	\$ 68,824,822	\$ 795,000	\$ (51,015,714)	\$ 11,912,309	\$ 2,617,740	\$ 33,134,157
Net loss for the year	-	-	-	(254,628)	-	-	(254,628)
Other comprehensive income (loss)							
Unrealized gain on available-for-sale investments	-	-	-	-	-	12,043,882	12,043,882
Transfer to income of realized gain on sale of resource related investments	-	-	-	-	-	(1,658,126)	(1,658,126)
Comprehensive income for the year							10,131,128
Shares issued for cash							
Exercise of options	25,000	36,750	-	-	-	-	36,750
Exercise warrants	92,500	127,500	-	-	-	-	127,500
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	14,088	-	-	(14,088)	-	-
Reclassification of contributed surplus on exercise of warrants	-	32,059	-	-	(32,059)	-	-
Investment acquisition	500,000	795,000	(795,000)	-	-	-	-
Obligation to issue shares	-	-	111,500	-	-	-	111,500
Debt settlement	143,130	204,676	-	-	-	-	204,676
Stock-based compensation	-	-	-	-	1,192,109	-	1,192,109
Balance, October 31, 2009	58,543,477	\$ 70,034,895	\$ 111,500	\$ (51,270,342)	\$ 13,058,271	\$ 13,003,496	\$ 44,937,820
Net income for the period	-	-	-	62,261,575	-	-	62,261,575
Other comprehensive income (loss)							
Unrealized gain on available-for-sale investments	-	-	-	-	-	6,899,818	6,899,818
Transfer to income of realized gain on sale of resource related investments	-	-	-	-	-	(80,172)	(80,172)
Comprehensive income for the period							69,081,221
Shares issued for cash							
Exercise of options	-	-	-	-	-	-	-
Exercise warrants	-	-	-	-	-	-	-
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	-	-	-	-	-	-
Reclassification of contributed surplus on exercise of warrants	-	-	-	-	-	-	-
Property acquisition	75,000	111,500	(111,500)	-	-	-	-
Stock-based compensation	-	-	-	-	261,879	-	261,879
Balance, January 31, 2010	58,618,477	\$ 70,146,395	\$ -	\$ 10,991,233	\$ 13,320,150	\$ 19,823,142	\$ 114,280,920

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Cash Flows
(Unaudited – Prepared by management)
For the three months ended January 31

	2010	2009
Operating Activities		
Net income (loss) for period	\$ 62,261,575	\$ (2,997,821)
Items not involving cash		
Amortization	16,723	12,274
Bad debt	104,835	-
Stock-based compensation	261,879	391,794
Write-off resource properties	-	2,642,051
Realized gain on sale of available-for-sale investments	(136,092)	(660,103)
Unrealized (gain) loss on derivative investments	(119,537)	-
Unrealized gain on held-for-trading investment	(46,000)	-
Gain on sale of resource property	(89,406,016)	-
Future income taxes (recovery) expense	(1,203,467)	(776,175)
Unrealized foreign exchange gain (loss)	14,450	(1,789)
Changes in Non-Cash Working Capital Items		
Accounts receivable	(32,080)	(120,670)
Due from related parties	138,551	172,573
Prepaid expenses	17,729	85,111
Income taxes payable	26,791,603	-
Accounts payable and accrued liabilities	2,857,917	(86,249)
Cash Provided by (Used in) Operating Activities	1,522,070	(1,339,004)
Investing Activities		
Investment in and expenditures on resource properties	(2,304,339)	(815,448)
Proceeds from sale of resource property, net of transactions costs	90,046,685	-
Proceeds from sale of investments	156,492	1,134,703
Purchase of resource related investments	(816,982)	-
Purchase of equipment	(2,599)	4,295
Cash Provided by Investing Activities	87,079,257	323,550
Financing Activities		
Proceeds from shares issued	-	36,750
Share issue costs	-	-
Cash Provided by Financing Activities	-	36,750
Effect of foreign exchange on cash	(14,450)	1,789
Increase (Decrease) in Cash and Cash Equivalents	88,586,877	(976,915)
Cash and Cash Equivalents, Beginning of Period	5,823,196	1,288,840
Cash and Cash Equivalents, End of Period	\$ 94,410,073	\$ 311,925
Supplemental Cash Flow Information		
Accounts payable related to property expenditure	\$ 21,365	\$ 423,631
Shares issued for property option payments	\$ 111,500	\$ 795,000
Shares issued for debt settlement	\$ -	\$ -
Shares issued for equity investment	\$ -	\$ -
Option payment received in shares	\$ -	\$ -
Shares issued for brokers' commission	\$ -	\$ -
Obligation to issue shares	\$ -	\$ -

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Consolidated Financial Statements
For the Three Months ended January 31, 2010 and 2009
(Unaudited – Prepared by management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Cardero Resource Corp. and its subsidiaries are engaged in the exploration of mineral properties, primarily in Mexico, Peru, Argentina and the United States. The Company considers itself to be an exploration stage company.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business (note 11).

The Company had a net income of \$62,261,575 for the three months ended January 31, 2010 (2009 – (\$2,997,821)). The Company has working capital of \$62,694,127 (October 31, 2009 - \$3,803,620), has retained earnings (deficit) of \$10,991,233 (October 31, 2009 – \$(51,270,342)).

During the period, the Company successfully concluded the sale of its Pampa de Pongo Iron Deposit in Peru and received the final payment of US \$88 million, which ensures sufficient funding for operations in the near future. Management believes that this transaction, together with the fair value of its investments, results in the going concern assumption being an appropriate underlying concept for the preparation of these consolidated financial statements.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements include the accounts of Cardero Resource Corp. and its wholly-owned integrated subsidiaries, Cardero Argentina, S.A. (“Cardero Argentina”), Minerales Y Metales California, S.A. de C.V. (“MMC”), Cardero Iron Ore Company Ltd., Cardero Peru S.A.C. (“Cardero Peru”), Cardero Hierro Del Peru S.A.C. (“Cardero Iron Peru”), Cerro Colorado Development Ltd., Compania Minera Cardero Chile Limitada (“Cardero Chile”), Cardero Iron Ore (USA) Inc. (“Cardero Iron US”), Cardero Iron Ore Management (USA) Inc., Cardero Iron Ore Company (BVI) Ltd. and Cardero Hierro Peru (BVI) Ltd. (collectively, the “Company”). All significant inter-company transactions and balances have been eliminated.

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are stated in Canadian dollars.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 expenses during the reporting year. Areas requiring the use of estimates include the rates of amortization for fixed assets, the recoverability of resource property interests, the recoverability of accounts receivable and amounts due from related parties, the assumptions used in the determination of the fair value of financial instruments and stock-based compensation, and the determination of the valuation allowance for future income tax assets and accruals. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

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Notes to Consolidated Financial Statements
For the Three Months ended January 31, 2010 and 2009
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Amortization

Amortization of equipment is recorded at the following annual rates:

Computer equipment	-	30% declining balance basis
Office equipment	-	20% declining balance basis
Leasehold improvements	-	over the term of the lease on a straight-line basis

Additions during the year are amortized at one-half the annual rates.

(e) Investments

Investments over which the Company exercises significant influence are accounted for using the equity method. Resource related investments, not including derivatives, are principally classified as available-for-sale, and are carried at quoted market value, where applicable, or at an estimate of fair value. Resulting unrealized gains or losses, net of applicable income taxes, are reflected in other comprehensive income, while realized gains or losses are reflected in operations. Share purchase warrants included in investments are derivative financial instruments and are classified as held-for-trading and, accordingly, unrealized gains or losses, net of applicable income taxes, are included in operations.

(f) Resource properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee and the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

Capitalized costs are depleted over the useful lives of the properties upon commencement of commercial production, or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

(g) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation (Continued)

- ii. Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net income (loss) for the period.

(h) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the option is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to capital stock.

(i) Basic and diluted loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(j) Revenue recognition

Interest income is recorded as earned at the effective rate of interest of the term deposit over the term to maturity.

(k) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the consolidated financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(m) Financial instruments and comprehensive income

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. It is made up of net income and other comprehensive income. Other comprehensive income or loss includes items that are required to be recognized in accordance with Canadian GAAP, but are excluded from net income or loss calculated

Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

(n) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is determining accounting policy choices available under IFRS.

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Notes to Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future accounting changes (Continued)

ii Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-Controlling Interests”. These sections replace the former 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.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

iii Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting this standard on the Company’s consolidated financial statements.

iv Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to IFRS on consolidated and separate financial statements. This standard is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

These new sections 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 is currently evaluating the impact of the adoption of these sections in the Company’s consolidated financial statements.

3. FIXED ASSETS

	January 31, 2010			October 31, 2009 (audited)		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$ 171,625	\$ 106,218	\$ 65,407	\$ 171,625	\$ 100,915	\$ 70,710
Office equipment	93,465	39,658	53,807	90,866	36,894	53,972
Leasehold improvements	180,869	85,654	95,215	180,869	76,998	103,871
	\$ 445,959	\$ 231,530	\$ 214,429	\$ 443,360	\$ 214,807	\$ 228,553

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Notes to Consolidated Financial Statements
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4. RESOURCE RELATED INVESTMENTS

	January 31, 2010		
	Shares	Warrants	Total
International Tower Hill Mines Ltd.	\$ 23,575,960	\$ -	\$ 23,575,960
Trevali Resources Corp.	5,003,460	921,653	5,925,113
Wealth Minerals Ltd.	1,188,834	452,380	1,641,214
Dorato Resources Inc.	1,150,000	-	1,150,000
Indico Resources Ltd.	25,000	-	25,000
Ethos Capital Corp.	74,000	-	74,000
	\$ 31,017,254	\$ 1,374,033	\$ 32,391,287

	October 31, 2009 (audited)		
	Shares	Warrants	Total
International Tower Hill Mines Ltd.	\$ 17,657,796	\$ -	\$ 17,657,796
Trevali Resources Corp.	2,908,212	587,829	3,496,041
Wealth Minerals Ltd.	1,241,671	666,667	1,908,338
Dorato Resources Inc.	315,880	-	315,880
Ethos Capital Corp.	28,000	-	28,000
	\$ 22,151,559	\$ 1,254,496	\$ 23,406,055

All resource related investments in shares are classified as available-for-sale, unless otherwise indicated. All resource related investments in warrants are classified as held-for-trading.

(a) International Tower Hill Mines Ltd. (“ITH”)

ITH is considered to be a related party as a result of common officer and director relationships (note 8).

During the year ended October 31, 2008, the Company sold 249,700 common shares of ITH for net proceeds of \$418,610 resulting in a gain on sale of \$258,920, and purchased 2,094,300 common shares at a cost of \$2,124,666 (2,000,000 shares were acquired through the exercise of share purchase warrants held by the Company).

During the year ended October 31, 2009, the Company sold 1,481,800 common shares for net proceeds of \$3,752,030, realizing a gain of \$2,637,280 and purchased 120,000 common shares at a cost of \$423,849.

During the period ended January 31, 2010, the Company sold 24,000 shares of ITH for net proceeds of \$156,492 resulting in a gain on sale of \$136,092. Meanwhile, the Company purchased 60,000 shares of ITH at a cost of \$407,044. At January 31, 2010, the Company held 3,518,800 common shares, or approximately 5.84% of the issued and outstanding ITH common shares.

At January 31, 2010, the quoted market value of ITH common shares was \$6.70 (October 31, 2009 - \$5.07) per share, or a total market value for the Company’s ITH shares of \$23,575,960 (2009 - \$17,657,796). Fair value adjustments for the period ended January 31, 2010 amounted to unrealized gains of \$4,781,964 (October 31, 2009 – unrealized gain of \$11,217,746) on the shares, net of tax, as other comprehensive income.

(b) Trevali Resources Corp. (“Trevali”)

On April 24, 2007, the Company acquired 1,000,000 common shares of Trevali, a related party (note 8), at a cost of \$100,000.

On May 11, 2009, the Company purchased 1,250,000 units of Trevali at \$0.80 per unit and allocated \$0.60 and \$0.20 to each common share and warrant, respectively. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable to acquire a common share of Trevali at a price of \$1.30 per share until May 11, 2011.

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4. RESOURCE RELATED INVESTMENTS (Continued)

(b) Trevali Resources Corp. (“Trevali”) (Continued)

On May 29, 2009, the Company purchased 134,000 units of Trevali from a company related by virtue of common officers and directors at a price of \$0.75 per unit and allocated \$0.57 and \$0.18 to each common share and warrant, respectively. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable to acquire a common share of Trevali at a price of \$1.20 per share until December 29, 2010.

On August 31, 2009, the Company purchased 300,000 Trevali common shares at a cost of \$185,732.

On October 9, 2009, the Company settled an outstanding \$1,000,000 loan to Trevali (advanced on July 30, 2009) on the basis of 1,470,588 units at a price of \$0.68 per unit and allocated \$0.51 and \$0.17 to each common share and warrant, respectively. Each unit consisted of one common share and one-half of a common share purchase warrant. Each warrant is exercisable to acquire an additional common share of Trevali at a price of \$1.00 per share until October 9, 2011.

During the period, the Company purchased 50,000 common shares of Trevali at a cost of \$45,000. At January 31, 2010, the quoted market value of the Trevali common shares was \$1.19 per share, or a total market value for the Company’s shares of \$5,003,460 (October 31, 2009 - 2,908,212). Fair value adjustments for the period ended January 31, 2010 amounted to unrealized gain of \$1,742,711 (October 31, 2009 – an unrealized gain of \$294,185), net of tax, recorded as other comprehensive income. The Company held 4,204,588 common shares, or 7.96% of the issued and outstanding common shares of Trevali as of January 31, 2010.

At January 31, 2010, the fair value of 625,000 Trevali warrants (purchased on May 11, 2009) was \$262,500 (October 31, 2009 - \$237,500). Fair value adjustments for the period ended January 31, 2010 amounted to an unrealized loss of \$25,000 (October 31, 2009 - \$12,500).

At January 31, 2010, the fair value of 67,000 Trevali warrants (purchased on May 29, 2009) was \$26,800 (October 31, 2009 - \$26,800). No fair value adjustments made for the period ended January 31, 2010 (October 31, 2009 - \$2,680).

At January 31, 2010, the fair value of 735,294 Trevali warrants (purchased on October 9, 2009) was \$632,353 (October 31, 2009 - \$323,529). Fair value adjustments for the period ended January 31, 2010 amounted to an unrealized gain of \$308,823 (October 31, 2009 - \$73,529).

(c) Wealth Minerals Ltd. (“Wealth”)

On June 2, 2009, the Company purchased 2,841,400 common shares of Wealth Minerals Ltd. (“Wealth”), a related party (note 8), at \$0.30 per share.

On October 23, 2009, the Company purchased 2,380,953 units at \$1,000,000 and allocated \$0.26 and \$0.16 to each common share and warrant, respectively. Each unit consisted of one common share and one non-transferable common share purchase warrant, with each warrant being exercisable to acquire one additional common share until October 23, 2011 at an exercise price of \$0.60.

During the last quarter of 2009, the Company sold 2,580,500 common shares of Wealth for net proceeds of \$855,124 resulting in a gain on sale of \$80,974.

At January 31, 2010, the quoted market value of Wealth common shares was \$0.45 per share, or a total market value for the Company’s shares of \$1,188,834. Fair value adjustments for the period ended January 31, 2010 amounted to unrealized loss of \$44,912, net of tax, recorded as other comprehensive loss. The Company held 2,641,853 shares, or 7% of the issued and outstanding common shares of Wealth as of January 31, 2010.

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4. RESOURCE RELATED INVESTMENTS (Continued)

c) Wealth Minerals Ltd. (“Wealth”) (Continued)

At January 31, 2010, the total market value of 2,380,953 Wealth warrants (purchased on October 23, 2009) was \$452,380. Fair value adjustments for the period ended January 31, 2010 amounted to an unrealized loss of \$214,287 (October 31, 2009 - \$285,715).

d) Dorato Resources Inc. (“Dorato”)

In October 2009, the Company purchased 596,000 common shares of Dorato, a related party (note 8) at a cost of \$311,825.

During the period, the Company purchased 404,000 common shares of Doratot at a cost of \$334,984.

At January 31, 2010, the quoted market value of Dorato common shares was \$1.15, or a total market value for the Company’s shares of \$1,150,000. Fair value adjustment at the period ended January 31, 2010 amounted to an unrealized gain, net of tax, of \$424,266 (October 31, 2009 - \$3,447). The Company held 1,000,000 common shares, or 1.57% of issued and outstanding common shares of Dorato as of January 31, 2010.

e) Indico Resources Ltd. (“Indico”)

During the period, the Company purchased 50,000 common shares of Indico at a cost of \$29,954.

At January 31, 2010, the quoted market value of Indico common shares was \$0.50. Fair value adjustment at the period ended January 31, 2010 amounted to an unrealized loss, net of tax, of \$4,211.

The Company held 50,000 common shares, or 0.39% of issued and outstanding common shares of Indico as of January 31, 2010.

f) Ethos Capital Corp. (Ethos”)

During the year ended October 31, 2009, the Company received 100,000 common shares of Ethos valued at \$17,000 pursuant to a property option agreement (note 6(a) (vi)). This investment is classified as held-for-trading. Fair value adjustments for the period ended January 31, 2010 amounted to an unrealized gain, of \$46,000.

5. EQUITY INVESTMENT

	January 31, 2010	October 31, 2009
		(audited)
IMM Gold Limited (ownership interest – 15%)	\$ -	\$ -

Pursuant to a Memorandum of Understanding dated August 8, 2008 (but effective as and from April 25, 2008) between the Company and International Minerals and Mines Ltd., a private Gibraltar company (“IMM”), the Company has the right to acquire up to a 30% interest in IMM Gold Limited (“IMMG”), a subsidiary of IMM, which is presently engaged in reconnaissance exploration programs in the Caucasian Region. The Company is the manager of the exploration programs, but no properties have yet been acquired by IMMG. A director of Cardero is a director and significant shareholder of a private company, which is the major shareholder (67%) of IMM (note 8).

The Company acquired a 15% interest in IMMG by issuing to IMM 500,000 common shares upon acceptance for filing of the transaction by the Toronto Stock Exchange (“TSX”) and the NYSE Alternext (“NYSE-A”) The shares were issued on November 24, 2008 valued at \$795,000, and the Company received 123,530 ordinary shares of IMMG, representing a 15% interest. The Company may also be required to issue up to an additional 250,000 common shares as consideration for the initial 15% interest in IMMG if, on November 24, 2009, the volume weighted average trading price for the Company’s common shares on the TSX for the five trading days immediately prior to such date (“Final

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5. EQUITY INVESTMENT (Continued)

VWAP”) is less than \$1.83. In such case, the Company is then required to issue to IMM such number of additional common shares of the Company (up to a maximum of 250,000 additional shares) as is equal to the difference between the \$1.83 and the Final VWAP, multiplied by 500,000 and divided by the Final VWAP.

The Company has the option to acquire an additional 15% of IMM by issuing an additional 1,000,000 shares to IMM on or before December 31, 2009.

For the year ended October 31, 2009, the Company’s share of IMM’s results of operations amounted to a loss of \$199,677 (2008 - \$Nil) based upon IMM’s audited financial statements for the year then ended. After consideration of current market conditions and IMM’s operating loss, the Company recorded an impairment charge of \$595,323 to reduce the carrying value of the investment to \$Nil.

The Company has determined that it has an obligation to issue an additional 214,843 common shares to IMM pursuant to the acquisition of its 15% investment in IMM, the final issuance of which is currently the subject of on-going negotiations with IMM. The Company determined not to acquire an additional 15% interest in IMM and did not therefore issue the additional 1,000,000 common shares on or before December 31, 2009.

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6. RESOURCE PROPERTIES

The Company's capitalized acquisition and exploration expenditures on its resource properties are as follows:

	Mexico			Argentina	Peru				Other Areas	Total
	Baja	Other	Total		Pampa de Pongo	Iron Sands/ Marcona	Other	Total		
Balance, October 31, 2008	\$ 7,064,909	\$ 370,115	\$ 7,435,024	\$ 3,315,933	\$ 3,692,705	\$ 7,071,620	\$ 343,110	\$ 11,107,435	\$ 20,854	\$ 21,879,246
Acquisition costs	102,417	108,871	211,288	7,744	301,254	258,463	95,220	654,937	172,322	1,046,291
Deferred exploration costs:										
Camp	48,644	7,931	56,575	79,194	229,958	594,631	6,456	831,045	25,118	991,932
Drilling and analysis	23,560	-	23,560	22,807	-	55,582	89	55,671	-	102,038
Personnel and geology	96,997	204	97,201	64,928	665,741	747,330	28,920	1,441,991	91,053	1,695,173
Total exploration costs	169,201	8,135	177,336	166,929	895,699	1,397,543	35,465	2,328,707	116,171	2,789,143
Total expenditures for the year	271,618	117,006	388,624	174,673	1,196,953	1,656,006	130,685	2,983,644	288,493	3,835,434
Costs recovered–Acquisition	-	(192,627)	(192,627)	-	(1,552,292)	-	-	(1,552,292)	-	(1,744,919)
Costs recovered–Exploration	-	(62,516)	(62,516)	-	(3,337,366)	-	-	(3,337,366)	-	(3,399,882)
Total before write-offs	7,336,527	231,978	7,568,505	3,490,606	-	8,727,626	473,795	9,201,421	309,347	20,569,879
Write-offs – Acquisition costs	-	-	-	(1,162,834)	-	-	(238,597)	(238,597)	-	(1,401,431)
Write-offs – Exploration costs	-	-	-	(1,433,658)	-	-	(235,198)	(235,198)	-	(1,668,856)
Total write-offs	-	-	-	(2,596,492)	-	-	(473,795)	(473,795)	-	(3,070,287)
Balance, October 31, 2009	\$ 7,336,527	\$ 231,978	\$ 7,568,505	\$ 894,114	\$ -	\$ 8,727,626	\$ -	\$ 8,727,626	\$ 309,347	\$ 17,499,592
Acquisition costs	134,908	9,973	144,881	3,325	-	529,487	-	529,487	16,258	693,951
Deferred exploration costs:										
Camp	43,651	6,350	50,001	25,616	8,869	171,546	-	180,415	53,342	309,374
Drilling and analysis	228,373	-	228,373	63,386	-	1,773	-	1,773	27,040	320,572
Personnel and geology	45,279	-	45,279	7,087	-	108,889	-	108,889	5,202	166,457
Total exploration costs	317,303	6,350	323,653	96,089	8,869	282,208	-	291,077	85,584	796,403
Total expenditures for the period	452,211	16,323	468,534	99,414	-	811,695	-	820,564	101,842	1,490,354
Costs recovered–Acquisition	-	-	-	-	-	-	-	-	-	-
Costs recovered–Exploration	-	-	-	-	(8,869)	-	-	(8,869)	-	(8,869)
Total before write-offs	7,788,738	248,301	8,037,039	993,528	-	9,539,321	-	811,695	411,189	18,981,077
Write-offs – Acquisition costs	-	-	-	-	-	-	-	-	-	-
Write-offs – Exploration costs	-	-	-	-	-	-	-	-	-	-
Total write-offs	-	-	-	-	-	-	-	-	-	-
Balance, January 31, 2010	\$ 7,788,738	\$ 248,301	\$ 8,037,039	\$ 993,528	\$ -	\$ 9,539,321	\$ -	\$ 9,539,321	\$ 411,189	\$ 18,981,077
Represented by:										
Acquisition costs	\$ 3,399,575	\$ 62,466	\$ 3,462,041	\$ 184,850	\$ -	\$ 2,566,495	\$ -	\$ 2,566,495	\$ 188,580	\$ 6,401,966
Exploration costs	4,389,163	185,835	4,574,998	808,678	-	6,972,827	-	6,972,827	222,609	12,579,112
Balance, January 31, 2010	\$ 7,788,738	\$ 248,301	\$ 8,037,039	\$ 993,528	\$ -	\$ 9,539,321	\$ -	\$ 9,539,321	\$ 411,189	\$ 18,981,077

6. RESOURCE PROPERTIES (Continued)

(a) Mexico

The properties in Mexico consist of the following:

i. Baja IOCG Project, Baja California State, Mexico

Pursuant to an agreement dated December 1, 2002 (as amended by agreements dated November 26, 2003 and June 30, 2005) between the Company and Anglo (the “Anglo Agreement”), Anglo agreed to manage and fund exploration expenditures for the identification and acquisition of not less than one mineral concession within an area of interest measuring approximately 50,050 square kilometres in size. Anglo could earn a 70% interest in the mineral concession(s) so acquired, as well as in certain previously acquired mineral concessions held by the Company, and a 70% interest in a new Mexican company to be formed to hold such concessions, by incurring aggregate exploration expenditures of not less than USD 3,700,000, as follows:

- USD 200,000 on or before December 1, 2003 (incurred);
- USD 800,000 on or before December 1, 2004 (incurred);
- USD 1,200,000 on or before December 1, 2005 (incurred); and
- USD 3,700,000 on or before December 1, 2006 (see below).

Upon Anglo incurring an aggregate USD 3,700,000 of exploration expenditures, a joint venture would be formed, with each party required to contribute its *pro rata* share of all future exploration expenditures. A non-participating party can be diluted to a minimum 10% working interest, below which percentage its interest would be automatically converted to a 5% net profit interest.

Pursuant to an amending agreement dated June 30, 2005 between the Company and Anglo, the Company assumed operation of the project. Under the terms of the amending agreement, the Company was required to incur exploration expenditures of not less than USD 500,000 within a 12-month period and, upon doing so, earned an additional 10% interest, thereby increasing its retained interest in the project to 40% upon the exercise by Anglo of its option. Upon having incurred the required USD 500,000 in exploration expenditures, the Company could either elect to terminate its expenditure period by delivering a resumption notice to Anglo, or to elect to remain as operator and continue to incur exploration expenditures. If the Company elected to continue incurring exploration expenditures following the USD 500,000 having been incurred, it would earn an additional one-tenth of one percent (0.1%) interest for each additional USD 10,000 of exploration expenditures incurred. If the Company elected to continue incurring exploration expenditures, at such time as it has incurred an aggregate of USD 1,400,000 (and has thereby increased its retained interest to 49% upon the exercise by Anglo of its option), it was required to deliver an election request notice to Anglo. Upon receipt by Anglo of a resumption notice or an election request notice, Anglo was required to (unless it otherwise so elected) immediately resume incurring aggregate exploration expenditures of USD 3,700,000 in order to earn its interest in the project (which will range from 60% to 51%, depending upon the amount of exploration expenditures incurred by the Company prior to the delivery of a resumption notice) with the original exploration expenditure dates extended to take into account the time the Company acted as operator. If the Company delivered a resumption notice, or if the Company delivered an election request notice and Anglo elected to continue incurring exploration expenditures, and thereafter Anglo fails to maintain its option in good standing, the Company could terminate the agreement. If the Company delivered an election request notice and Anglo did not elect to resume incurring exploration expenditures, the agreement would be automatically terminated. In either case, in the event of termination, the Company would retain its 100% interest in the project, with Anglo having no residual interest therein.

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

i. Baja IOCG Project, Baja California State, Mexico (continued)

Effective May 30, 2006, Anglo elected to terminate the Anglo Agreement and thereby forfeited any interest in, or rights to earn any interest in, the mineral concessions that were the subject of that agreement. Accordingly, the Company is now the owner of a 100% interest in the concessions comprising the Baja IOCG Project. The Company is presently seeking a joint venture partner for the property, but may elect to carry out a further work program on its own if it is unsuccessful in doing so.

On May 20, 2004, Western Telluric Resources Inc. (“WTR”) and Minera Olympic, S. de R.L. de C.V. (“Minera”) (collectively, the “Plaintiffs”) commenced an action (the “Action”) in the British Columbia Supreme Court (Vancouver Registry, No. S042795) against the Company and James Dawson, Murray McClaren and their respective companies, Dawson Geological Consultants Ltd. and 529197 B.C. Ltd. (carrying on business as Crockite Resources). The relief claimed against the Company is the setting aside of an agreement dated December 12, 2001 between the Company and Minera regarding the acquisition of mineral concessions. The Company filed a Statement of Defence, in which it denied any liability, as well as a counterclaim (the “Counterclaim”) against the Plaintiffs. Pursuant to an agreement dated October 17, 2007 (“Settlement Agreement”) among the Plaintiffs, the Company and all other parties to the various actions, all actions (including the Action and the Counterclaim) have been settled. As its part of the settlement, the Company has agreed to issue an aggregate of 500,000 shares to WTR and to grant to WTR a 1.5% net smelter return (“NSR”) royalty over its existing and future acquired Baja California properties, of which the Company can acquire one-half (0.75%) for the price of \$2,000,000. Fulfillment by the Company of its obligations under the Settlement Agreement was subject to the acceptance for filing thereof by the TSX (received on November 20, 2007) and the NYSE-A (formerly, the American Stock Exchange) (received on November 13, 2007). Effective May 23, 2008, the transaction closed and the 500,000 shares were released to WTR.

The Company considers this an active property, and plans a work program during the fiscal year ending October 31, 2010.

ii. Franco Project, San Luis Potosi State, Mexico

Pursuant to an agreement dated August 29, 2003, as accepted on September 3, 2003, and amended by agreements dated October 1, 2004 and September 13, 2005, between the Company and a private Mexican company, the Company can acquire a 100% interest (subject to a 2% NSR retained by the vendor) in the Franco Project, San Luis Potosi State, Mexico, upon completion of the following:

Payments aggregating USD 1,145,000, as follows:

- USD 65,000 on or before January 13, 2005 (paid);
- USD 30,000 on or before October 3, 2005 (postponed due to *force majeure*);
- USD 100,000 on or before October 3, 2006 (postponed due to *force majeure*);
- USD 150,000 on or before October 3, 2007 (see below); and
- USD 800,000 on or before October 3, 2008 (see below).

Exploration expenditures on the property aggregating USD 1,050,000, as follows:

- USD 50,000 on or before October 3, 2005 (postponed due to *force majeure*);
- USD 200,000 on or before October 3, 2006 (postponed due to *force majeure*);
- USD 300,000 on or before October 3, 2007 (see below); and
- USD 500,000 on or before October 3, 2008 (see below).

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6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

ii. Franco Project, San Luis Potosi State, Mexico (Continued)

If the Company terminates the agreement before incurring USD 250,000 of exploration expenditures, then the Company is required to pay to the vendor the difference between USD 250,000 and the amount of exploration expenditures actually incurred. The Company can buy one-half (being 1%) of the NSR retained by the vendor at any time for USD 2,000,000.

On November 18, 2005, as a result of the inability of the Company to obtain safe and unrestricted access to the Franco property in order to carry out exploration work, the Company declared an event of *force majeure*, effective as and from September 19, 2005, thereby suspending all ongoing obligations to make payments to the vendor or to incur any exploration expenditures. The Company is attempting to resolve the issues giving rise to the *force majeure* but has, as of January 31, 2010, been unable to do so.

During the year ended October 31, 2007, the Company wrote off its remaining investment in the property in the amount of \$361,698.

iii. Corrales Property, Chihuahua State, Mexico

The Corrales property consists of one exploitation concession (100 hectares) located in the Municipality of Lopez, Chihuahua State, plus an additional 8,400-hectare exploration concession held 100% by the Company.

Pursuant to an agreement dated October 23, 2007 between the Company and three Mexican individuals, the Company has been granted a five-year lease of the exploitation concession, with the right to purchase a 100% interest by making aggregate payments of USD 657,000 over five years to October 23, 2012, as follows:

- USD 24,000 on execution (paid);
- USD 18,000 on or before January 23, 2008 (paid);
- USD 15,000 on or before October 23, 2008 (paid);
- USD 60,000 on or before October 23, 2009 (note 6 (a) (vi));
- USD 90,000 on or before October 23, 2010;
- USD 100,000 on or before October 23, 2011; and
- USD 350,000 on or before October 23, 2012.

The Company has granted to a public company the option to acquire up to a 70% interest in the Corrales property (see note 6(a)(vi)).

iv. Santa Teresa Property, Coahuila State

The Santa Teresa property consists of 8,715 hectares of exploration concessions held 100% by the Company.

The Company has granted to a public company the option to acquire up to a 70% interest in the Santa Teresa property (note 6(a)(vi)).

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6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

v. Calera Property, Chihuahua State

The Calera property consists of 425 hectares of exploration concessions held by the Company under option from third parties plus an additional 9,700 hectares of exploration concessions held 100% by the Company. The option agreements with third parties require the following payments in order for the Company to acquire a 100% interest:

- 270 hectares – aggregate payments of USD 785,000 over 5 years to June 3, 2013 (USD 50,000 paid to date);
- 130 hectares – aggregate payments of USD 1,350,000 over 3 years to May 9, 2011 (USD 75,000 paid to date); and
- 25 hectares – aggregate payments of USD 1,310,000 over 5 years to June 3, 2013 (USD 7,000 paid to date).

Based on the difficulty of accessing the property in order to carry on exploration activities, the Company has terminated the option agreements. Accordingly, the Company wrote down its investment in this property by \$208,224 at October 31, 2008.

vi. Ethos Capital Corp. Option/Joint Venture, Mexico

The Company signed a letter of intent dated June 12, 2008, as amended October 9, 2008, (“LOI”) with Ethos Capital Corp. (“Ethos”), a capital pool company listed on the TSX Venture Exchange (“TSXV”), pursuant to which Ethos has been granted an option to earn an interest in the Company’s Corrales and Santa Teresa Silver-Lead-Zinc projects in Mexico (notes 6(a)(iii) and (iv)).

Pursuant to the LOI, Ethos has an exclusive option to earn an undivided 70% interest in the Corrales and Santa Teresa properties by:

- (a) paying to the Company the sum of \$500,000, as follows:
 - (i) \$100,000 by July 17, 2009 (the “Acceptance Date”) , which is five days after the LOI is accepted for filing by the TSXV (received August 18, 2009);
 - (ii) an additional \$150,000 by the day, which is one year after the Acceptance Date;
 - (iii) an additional \$250,000 by the day, which is two years after the Acceptance Date;
- (b) delivering to the Company 1,434,000 Ethos common shares, as follows:
 - (i) 100,000 shares with a fair value of \$17,000 on the Acceptance Date (received);
 - (ii) 266,800 shares by the day, which is one year after the Acceptance Date;
 - (iii) an additional 466,900 shares by the day, which is two years after the Acceptance Date; and
 - (iv) an additional 600,300 shares by the day, which is three years after the Acceptance Date; and
- (c) maintaining the properties (including making all required payments pursuant to the underlying option agreements) in good standing during the option period.

Following the exercise of the option by Ethos, the Mexican subsidiaries of Ethos and the Company will enter into a joint venture, with each party being responsible for its ongoing share of further expenditures. If the interest of a participant is diluted to 10% or less, the interest of that participant will be converted to a 10% net profits interest royalty.

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6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

- vi. Ethos Capital Corp. Option/Joint Venture, Mexico (continued)

During the year ended October 31, 2009, the Company received \$255,143 from Ethos, comprised of \$138,143 of expenditure reimbursement and \$117,000 of option payments.

(b) Argentina

- i. Olaroz Silver Project, Jujuy Province, Argentina, consisting of the following concessions:

Olaroz Chico and Tola Concessions, Jujuy Province, Argentina

Pursuant to an agreement dated May 8, 2002 (as amended on August 8, 2002) between the Company and two Argentinean individuals, the Company had the right to earn a 100% interest (subject to a 2% NSR payable to the vendors) in two concessions upon making an aggregate of USD 475,000 in payments. During the fiscal year ended October 31, 2004, the Olaroz Chico and Tola Concessions were abandoned and \$97,370 in associated acquisition and exploration costs were written off. During the year ended October 31, 2006, the balance of the property costs of \$155,015 were written off.

- ii. Chingolo Silver Project, Jujuy Province, Argentina, consisting of the following concessions:

- Cavok Property, Jujuy Province, Argentina

Pursuant to an agreement dated May 22, 2002 between the Company and a private Argentinean company, the Company has the right to acquire a 100% interest in three mineral concessions in Jujuy Province, Argentina, by making a payment of USD 10,000 on or before October 18, 2002 (paid) and issuing an aggregate of 250,000 common shares, as follows:

- 50,000 common shares on or before October 18, 2002 (issued);
- 100,000 common shares on or before October 18, 2003 (issued); and
- 100,000 common shares on or before October 18, 2006 (issued).

Two of these concessions form part of the Olaroz Silver Project (note 6(b)(i)) and, during the fiscal year ended October 31, 2004, these two concessions were written down by \$4,381,701 to a nominal value of \$1. The third concession forms part of the Chingolo Silver Project. During the year ended October 31, 2009, the Company relinquished or abandoned, or commenced the process of relinquishing or abandoning, all properties relating to its investment in the Chingolo Project, resulting in a charge to operations of \$679,055 during the year ended October 31, 2009.

- Cozzi Property, Jujuy Province, Argentina

Pursuant to an agreement dated December 9, 2002 between the Company and an Argentinean individual, the Company purchased a 100% interest in three mineral concessions located in Jujuy Province, Argentina, in consideration of 100,000 common shares (issued) to such individual.

The Company considers the Chingolo Silver Project to be an active property although the Company is presently seeking a joint venture partner and no work by the Company is planned for the fiscal year ending October 31, 2010.

During the year ended October 31, 2007, the Company wrote off its remaining investment in the property in the amount of \$5,600.

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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iii. Huachi Property, Argentina

Pursuant to an agreement dated June 13, 2005 between the Company and a private Argentinean company, the Company can acquire a 100% interest in 30 mining concessions referred to as the Huachi Property in the Province of San Juan, Argentina. In order to maintain the option in good standing and to be permitted to carry out exploration activities prior to such exercise, the Company is required to make payments and incur exploration expenditures as follows:

Payments of USD 5,500,000, as follows:

- USD 70,000 on June 13, 2005 (paid);
- USD 70,000 on or before April 13, 2006 (paid);
- USD 200,000 on or before June 13, 2007 (paid);
- USD 600,000 on or before April 13, 2008 (renegotiated to USD 110,000, which was paid);
- USD 1,000,000 on or before June 13, 2009 (see below); and
- USD 3,560,000 on or before June 13, 2010.

Exploration expenditures of USD 2,000,000, as follows:

- USD 750,000 on or before December 13, 2007 (incurred); and
- USD 1,250,000 on or before June 13, 2010.

Pursuant to an agreement dated November 30, 2006 between the Company and an Argentinean individual, the Company can acquire a 50% interest in one mining concession (mina) adjacent to the 30 Huachi concessions noted above. In order to maintain the option in good standing, to be permitted to carry out exploration activities prior to such exercise, and to exercise the option, the Company is required to make aggregate payments of USD 965,000 to the vendor, as follows:

- USD 5,000 on signing (paid);
- USD 10,000 on November 30, 2007 (paid);
- USD 50,000 on November 30, 2008 (see below);
- USD 150,000 on November 30, 2009;
- USD 250,000 on November 30, 2010; and
- USD 500,000 on November 30, 2011.

The Company has relinquished or abandoned, or is in the process of relinquishing or abandoning, all properties relating to its investment in the Huachi Project, resulting in a charge to operations of \$1,917,437 during the year ended October 31, 2009.

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina

During the year ended October 31, 2006, the Company acquired interests in, or the right to acquire an interest in, 11 separate properties that, together, make up the Company's SHV Project.

Pursuant to an agreement made and entered into effective September 1, 2007, the Company and Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation, entered into an exploration alliance. The Cardero/Newmont exploration alliance operates within the northern portion of the Company's SHV project area ("Alliance Area"). The Alliance Area covers approximately 36,000 square kilometres. Pursuant to the alliance agreement, in Phase I Newmont and the Company will jointly fund USD 1,500,000 in exploration expenditures within the Alliance Area on or before September 1, 2010. If the parties elect to continue after Phase I, then the Company will be responsible for incurring an additional USD 1,500,000 in Phase II expenditures in the Alliance Area. The funding for such expenditures will come from a private placement by Newmont

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (continued)

in the Company in that amount (at a price per unit equal to the 30 trading day closing average price of the Company's common shares at that time). If the parties elect to continue after Phase II, then the Company will be responsible for funding an additional USD 1,500,000 in Phase III expenditures in the Alliance Area. The funding for such expenditures will come from the exercise by Newmont of the warrants received in the Phase II private placement (which will have an exercise price of 150% of the unit subscription price in Phase II).

The Company is the manager of the Alliance, and is entitled to charge a 10% management fee. Any properties acquired by the Alliance will be held, initially, 50:50 by the Company and Newmont, subject to dilution for failure to contribute to ongoing exploration. As of October 31, 2008, arrangements had been made to terminate the Alliance, accordingly, the Company wrote off its investment therein resulting in a charge to operations of \$267,157. No properties were acquired on behalf of the Alliance. On January 3, 2009, the Company received the formal notification from Newmont confirming the mutual termination of the Argentina SHV Alliance agreement and related joint venture.

Details of the existing SHV Project properties held by the Company (none of which are included within the Newmont-Cardero Alliance) are as follows:

- a. Incahuasi Property, Catamarca Province, Argentina. The Incahuasi Property presently consists of two separate project areas – Incahuasi and San Antonio. The Incahuasi project consists of five minas (exploitation concession), four cateos (exploration concession) and one tailings concession (approximately 2,832 hectares) located in Catamarca Province, Argentina, and acquired by the Company as follows:

Pursuant to an agreement with an Argentinean individual dated April 29, 2006, the Company has the option to acquire a 100% interest in four minas (two of which form part of the Incahuasi project area and two of which form part of the San Antonio project area) and one tailings concession by making aggregate payments of USD 1,410,000 over five years, as follows:

- USD 50,000 on or before November 29, 2006 (paid);
- USD 60,000 on or before May 29, 2007 (paid);
- USD 100,000 on or before May 29, 2008 (see below);
- USD 200,000 on or before May 29, 2009;
- USD 400,000 on or before May 29, 2010; and
- USD 600,000 on or before May 29, 2011.

The property is subject to a 2% NSR to the vendor, which the Company can purchase at any time for USD 500,000. Pursuant to an agreement dated April 29, 2006 between the Company and the vendor of the foregoing properties, the Company and the vendor have also applied for three abandoned minas originally held by a third party in which each of the Company and the vendor will have an initial 50% interest (subject to the grant thereof by the applicable mining tribunal). The Company will acquire the 50% interest of the vendor in such minas upon the exercise of the option with respect to the vendor's properties as set out above. The Company has the right to acquire the vendor's 50% interest by making aggregate payments of USD 1,410,000 over five years, as follows:

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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (continued)

- USD 20,000 on or before September 19, 2006 (paid);
- USD 30,000 on or before March 29, 2007 (paid);
- USD 60,000 on or before September 19, 2007 (paid);
- USD 100,000 on or before September 19, 2008 (see below);
- USD 200,000 on or before September 19, 2009;
- USD 400,000 on or before September 19, 2010; and
- USD 600,000 on or before September 19, 2011.

The property is subject to a 2% NSR to the vendor, which the Company can purchase at any time for USD 500,000.

The San Antonio project area consists of two minas (being acquired subject to the first agreement noted above) plus two additional cateos surrounding such minas owned 100% by the Company.

Based on results received to date, the Company has terminated the foregoing option agreements and is in the process of relinquishing the two surrounding cateos (368 hectares) that are 100% owned by the Company. Accordingly, the Company wrote off its investment in this property during the year ended October 31, 2008, resulting in a charge to operations of \$1,666,725.

- b. Salar de Oro Property, Jujuy Province, Argentina. The Salar de Oro Property consists of three project areas – Salar de Oro, Salar de Oro North and Salar de Oro East. The Salar de Oro Project area consists of three contiguous cateos and eleven minas (approximately 38,501 hectares) located in Jujuy Province, Argentina, and acquired by the Company as follows:

Pursuant to an agreement dated July 11, 2006 (as amended April 16, 2007 and September 5, 2007) between the Company and a private Argentinean company, the Company has the option to acquire a 100% interest (excluding surficial placer rights) in the 11 minas by making aggregate payments of USD 2,470,000 over four years to May 3, 2010, as follows:

- USD 35,000 on April 4, 2006 (paid);
- USD 67,500 on September 3, 2007 (paid);
- USD 67,500 on November 4, 2007 (paid);
- USD 300,000 on or before May 3, 2008 (see below);
- USD 300,000 on or before May 3, 2009; and
- USD 1,700,000 on or before May 3, 2010.

In addition to the foregoing, the Company has staked and applied for three cateos surrounding the foregoing property.

The Salar de Oro North project area consists of six minas and one cateo applied for by the Company (approximately 21,521 hectares). The Salar de Oro East project area consists of one cateo applied for by the Company (approximately 496 hectares).

During the year ended October 31, 2008, the property was abandoned and \$692,179 in associated acquisition and exploration costs was written off.

- c. Il Torno Property, Jujuy Province, Argentina. The Il Torno Property consists of four minas (approximately 5,046 hectares) located in Jujuy Province, Argentina, and acquired by the Company as follows:

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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (Continued)

c. Il Torno Property, Jujuy Province, Argentina (continued)

Pursuant to an agreement dated October 3, 2006 between the Company and an Argentinean individual, the Company has the option to acquire a 100% interest (excluding surficial placer rights to a portion of the property for four years) in the four minas for USD 3,000,000. In order to maintain the option in good standing and to be able to explore the property prior to the exercise of the option (which must be exercised, if at all, on or before December 3, 2010), the Company is required to make the following payments to maintain the option in good standing:

- USD 30,000 on signing (paid);
- USD 30,000 on or before April 3, 2007 (see below);
- USD 50,000 on or before October 3, 2007;
- USD 50,000 on or before April 3, 2008;
- USD 100,000 on or before October 3, 2008;
- USD 100,000 on or before April 3, 2009;
- USD 100,000 on or before October 3, 2009;
- USD 100,000 on or before April 3, 2010;
- USD 150,000 on or before October 3, 2010; and
- USD 200,000 on or before December 3, 2010.

The balance of the purchase price (USD 3,000,000 less any payments made as provided above) is due upon the exercise of the option. The property is subject to a 2% NSR to the vendor, which the Company can purchase at any time for USD 2,000,000. The Company is required (subject to receipt of approval of the required environmental impact statement) to commence prospecting work on or before January 3, 2007, and to formulate and implement a work program on the property on or before October 3, 2007. As of October 31, 2007, the Company abandoned the property and wrote off its remaining investment in the property in the amount of \$161,008.

d. Rinconada North Property, Jujuy Province, Argentina. The Rinconada North Property presently consists of three cateos (approximately 7,071 hectares) located in Jujuy Province, Argentina, and acquired by the Company as follows:

Pursuant to an agreement with a private Argentinean company dated May 2, 2006, the Company has the option to acquire a 100% interest in one cateo (excluding surficial placer rights for a period of five years) by making aggregate payments of USD 350,000 over five years, as follows:

- USD 7,000 on or before June 2, 2006 (paid);
- USD 14,000 on or before November 2, 2006 (paid);
- USD 14,000 on or before June 2, 2007 (paid);
- USD 28,000 on or before June 2, 2008 (see below);
- USD 56,000 on or before June 2, 2009;
- USD 91,000 on or before June 2, 2010; and
- USD 140,000 on or before June 2, 2011.

Pursuant to an agreement dated May 2, 2006 between the Company and four Argentinean individuals (as amended by an agreement dated May 17, 2006), the Company has the option to acquire a 100% interest in two minas and one cateo (excluding surficial placer rights for a period of five years) by making aggregate payments of USD 500,000 over five years, as follows:

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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (Continued)

a. Rinconda North Property, Jujuy Province, Argentina (continued)

- USD 10,000 on or before June 2, 2006 (paid);
- USD 20,000 on or before November 2, 2006 (paid);
- USD 20,000 on or before May 2, 2007(see below);
- USD 40,000 on or before May 2, 2008;
- USD 80,000 on or before May 2, 2009;
- USD 130,000 on or before May 2, 2010; and
- USD 200,000 on or before May 2, 2011.

Effective April 20, 2007, the Company terminated the second agreement noted above and returned the property to the vendors. In addition to the one mina subject to the first option agreement noted above, the Company has staked and applied for two additional cateos. As of October 31, 2007, the Company abandoned the property and wrote off its remaining investment in the property in the amount of \$165,257.

e. Rinconada Property, Jujuy Province, Argentina. The Rinconada Property presently consists of three minas and five cateos (approximately 23,759 hectares) located in Jujuy Province, Argentina, and acquired by the Company as follows:

Pursuant to an agreement with a private Argentinean company dated September 19, 2006, the Company has the option to acquire a 100% interest in one mina by making aggregate payments of USD 380,000 over five years, as follows:

- USD 18,000 on or before September 19, 2006 (paid);
- USD 12,000 on or before February 19, 2007 (paid);
- USD 20,000 on or before September 19, 2007 (paid);
- USD 40,000 on or before September 19, 2008 (see below);
- USD 70,000 on or before September 19, 2009;
- USD 90,000 on or before September 19, 2010; and
- USD 130,000 on or before September 19, 2011.

Pursuant to an agreement dated May 2, 2006 between the Company and an Argentinean individual, the Company has the option to acquire a 100% interest in two minas for USD 940,000. In order to maintain the option in good standing and to be able to explore the property prior to the exercise of the option (which must be exercised, if at all, on or before September 2, 2010), the Company is required to make the following payments:

- USD 15,000 on or before June 2, 2006 (paid);
- USD 15,000 on or before July 2, 2006 (paid);
- USD 15,000 on or before August 2, 2006 (paid);
- USD 15,000 on or before November 2, 2006 (paid);
- USD 60,000 on or before August 2, 2007 (paid);
- USD 60,000 on or before April 2, 2008 (paid);
- USD 60,000 on or before November 2, 2008 (see below);
- USD 80,000 on or before November 2, 2009;
- USD 80,000 on or before February 2, 2010; and
- USD 600,000 on or before September 2, 2010.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (Continued)

In addition to the foregoing, the Company has staked and applied for five cateos adjoining the foregoing property (four of which were previously referred to as the “El Carmen” project). This property has been abandoned and written off as of October 31, 2008 (see SHV write-down note below).

- f. Oros Mayo Property, Jujuy Province, Argentina. The Oros Mayo Property presently consists of one cateo (approximately 4,010 hectares) located in Jujuy Province, Argentina, and acquired by the Company through the staking and application therefor. This property has been written off as of October 31, 2008 (see SHV write-down note below).
- g. 5C1 South Property, Jujuy Province, Argentina. The 5C1 South Property presently consists of one cateo (approximately 8,778 hectares) located in Jujuy Province, Argentina, and acquired by the Company through the staking and application therefor. This property has been written off as of October 31, 2008 (see SHV write-down note below).
- h. Rosario Sur, Jujuy Province, Argentina. The Rosario Sur Property presently consists of two cateos (approximately 2,603 hectares) located in Jujuy Province, Argentina, and acquired by the Company through the staking and application therefor. This property has been written off as of October 31, 2008 (see SHV write-down note below).
- i. Rosario Norte Property, Jujuy Province, Argentina. The Rosario Norte Property presently consists of two cateos (approximately 8,757 hectares) located in Jujuy Province, Argentina, and acquired by the Company through the staking and application therefor. This property has been written off as of October 31, 2008 (see SHV write-down note below).
- j. Zenteno Property, Salta Province, Argentina. The Zenteno Property presently consists of one mina located in Salta Province (approximately 986 hectares) acquired by the Company from an Argentinean individual for aggregate payments of USD 22,750. This property has been abandoned and written off as of October 31, 2008 (see SHV write-down note below).
- k. Mina Azules Property, Jujuy Province, Argentina. The Mina Azules property presently consists of two minas (360 hectares) located in Jujuy Province. Pursuant to an agreement dated August 10, 2007 between the Company and an Argentinean individual, the Company may acquire a 100% interest in the minas for aggregate payments of USD 1,410,000 over 38 months, as follows:
 - USD 20,000 on execution (paid);
 - USD 50,000 on or before August 10, 2008 (see below);
 - USD 110,000 on or before August 10, 2009;
 - USD 230,000 on or before February 10, 2010; and
 - USD 1,000,000 on or before October 10, 2010.

The Company terminated the agreement and wrote off its investment during the year ended October 31, 2008 (see SHV write-down note below).

- l. La Poma Property, Salta Province, Argentina. The La Poma property presently consists of six minas (approximately 3,803 hectares) located in Salta Province. Pursuant to an agreement dated October 1, 2007 between the Company and two Argentinean individuals, the Company may acquire a 100% interest in the minas for aggregate payments of USD 1,170,000 over five years, as follows:

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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Sediment Hosted Vein (SHV) Project, Northwestern Argentina (Continued)

- USD 20,000 on or before October 11, 2007; (paid)
- USD 100,000 on or before October 1, 2008 (see below);
- USD 150,000 on or before October 1, 2009;
- USD 200,000 on or before October 1, 2010;
- USD 350,000 on or before October 1, 2011; and
- USD 350,000 on or before October 1, 2012.

The Company terminated the agreement and wrote off its investment of \$293,672 during the year ended October 31, 2008.

- m. Faja Eruptiva Norte, Jujuy Province, Argentina. The Faja Eruptiva Norte Property presently consists of two cateos (approximately 10,400 hectares) located in Jujuy Province, Argentina, and acquired by the Company through staking and application therefor. This property has been abandoned and written off as of October 31, 2008 (see SHV write-down note below).
- n. Faja Eruptiva Sur, Jujuy Province, Argentina. The Faja Eruptiva Sur Property presently consists of two cateos (approximately 9,696 hectares) located in Jujuy Province, Argentina, and acquired by the Company through staking and application therefor. This property has been written off as of October 31, 2008 (see SHV write-down note below).

As of October 31, 2008, the Company has relinquished or abandoned, or is in the process of relinquishing or abandoning, all properties relating to its investment in the SHV Argentina Project, resulting in a charge to operations of \$1,783,208 in addition to amounts shown separately above.

v. Other Argentinean Properties

a. Organullo Property, Salta Province, Argentina

Pursuant to an agreement dated October 1, 2004 between the Company and an Argentinean individual, the Company purchased a 100% interest in eight minas in Salta Province, Argentina, in consideration of the issuance of 70,000 common shares. These common shares were issued during the fiscal year ended October 31, 2005.

The Company considers this an active project, with a work program currently planned for the fiscal year ending October 31, 2010.

b. Los Manantiales Property (formerly “Mina Angela”), Chubut Province, Argentina

Pursuant to an agreement dated April 25, 2004 between the Company and a private Argentinean company, the Company can acquire a 100% interest in 44 mineral concessions in Chubut Province, Argentina, subject to a 1% NSR to the vendor, in consideration of aggregate cash payments to the vendor of USD 400,000, as follows:

- USD 50,000 on or before April 25, 2005 (paid);
- USD 50,000 on or before April 25, 2006 (renegotiated, with \$10,000 paid on April 25, 2006 and the balance of USD40,000 paid in October 2006);
- USD 150,000 on or before April 25, 2007 (paid); and
- USD 150,000 on or before April 25, 2008 (paid).

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

v. Other Argentinean Properties (continued)

b. Los Manantiales Property (formerly “Mina Angela”), Chubut Province, Argentina (continued)

The Company has the option to purchase the 1% NSR royalty from the vendor for the sum of USD 500,000 at any time.

Pursuant to a binding LOI dated March 12, 2007, the Company has granted to a public company the option to acquire up to a 70% interest in the property. Pursuant to the LOI, the optionee had a period of 60 days to carry out due diligence. The Company received a payment of USD 40,000 on the signing of the LOI, which was refundable to the optionee if it declined to proceed. The optionee elected to proceed. The optionee may earn an initial 60% interest in the property by incurring an aggregate of USD 3,500,000 in expenditures over four years (including making all payments required pursuant to the underlying agreement). Upon the optionee having earned an initial 60% interest, the Company may elect to either participate at its 40% interest level, or request the optionee to fund the preparation of a bankable feasibility study within four years of such request and thereby earn an additional 10% interest in the joint venture. Upon such request being made by the Company, the optionee may elect to fund the bankable feasibility study. If it does so, it will earn the additional 10% interest upon completion of the bankable feasibility study. Following the formation of the joint venture and the completion of its earn-in requirements by the optionee, each participant is responsible for funding its share of joint venture expenditures. If it does not do so, its interest will be diluted. Upon the interest of a participant being diluted to less than 10%, such interest will be converted to a 2% NSR.

In June 2007, the optionee elected to make all remaining payments required under the underlying agreement, and thereby permit the Company to exercise the option and acquire the property (subject to the 1% NSR royalty). The property has been transferred to the Company. On December 3, 2008, the optionee terminated the option and returned all interest in the property to the Company.

c. Pirquitas Property, Jujuy Province, Argentina

The Pirquitas Property consists of one cateo (approximately 4,382 hectares) near the town of Minas Pirquitas. The property was acquired by the Company through staking and application therefor.

The Company has entered into an agreement dated July 9, 2009 with a private Australian company, whereby the optionee may earn a 55% interest in the Pirquitas Property by incurring exploration expenditures of USD 1,000,000 over four years, of which USD 50,000 must be incurred in the first year. The effective date of the agreement is July 14, 2009. Following the optionee having earned its interest, the parties will enter into a joint venture, and thereafter each party is required to contribute its proportional share of further expenditures or be diluted on a straight-line basis.

(c) Peru

i. Marcona Project, Lucanas, Nazca and Caraveli Provinces, Peru (Carbonera and Daniella Properties)

Pursuant to option agreements dated October 1, 2003 and October 23, 2003 between the Company and a private Peruvian company, the Company acquired mineral concessions covering approximately 30,000 hectares in Lucanas, Nazca and Caraveli Provinces, Peru. Approximately 10,500 hectares of these concessions are subject to an underlying agreement with Rio Tinto Mining and Exploration

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6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

- i. Marcona Project, Lucanas, Nazca and Caraveli Provinces, Peru (Carbonera and Daniella Properties) (continued)

Limited (“Rio Tinto”). The private company holds the exclusive right and option to acquire a 100% interest from Rio Tinto, subject to a 0.5% NSR to Rio Tinto, by incurring USD 450,000 in exploration expenditures over three years ending August 22, 2006 and by paying Rio Tinto USD 500,000 (of which USD 50,000 has been paid) on or before January 27, 2008. The Company can earn a 100% interest in all 30,000 hectares by assuming and performing all commitments to Rio Tinto pursuant to the underlying agreement, paying the vendor an aggregate of USD 120,000 (paid) and issuing an aggregate of 650,000 common shares to the vendor, as follows:

- 150,000 common shares on TSXV acceptance (issued);
- 100,000 common shares on or before May 28, 2004 (issued);
- 200,000 common shares on or before November 28, 2004 (issued); and
- 200,000 common shares on or before November 28, 2005 (issued).

The Company determined not to exercise the option from Rio Tinto, and terminated the underlying agreement with Rio Tinto. In addition, the Company abandoned all but five of the concessions (3,200 hectares) held by Koripampa (which retained concessions form part of the Company’s Iron Sands project (see note 6(c)(iv)). Accordingly, as of October 31, 2007, the Company wrote down its investment in the property by \$1,890,172.

- ii. Pampa de Pongo Property, Caraveli Province, Peru

Pursuant to an option agreement dated February 2, 2004 between the Company and a private Peruvian company, the Company can acquire a 100% interest in mineral concessions covering approximately 7,970 hectares in Caraveli Province, Peru. The private Peruvian company holds the exclusive right and option to acquire a 100% interest in these concessions from Rio Tinto in consideration of the payment to Rio Tinto of aggregate payments of USD 500,000 over four years as follows:

- USD 50,000 on or before January 27, 2005 (paid);
- USD 50,000 on or before January 27, 2006 (paid);
- USD 100,000 on or before January 27, 2007 (paid); and
- USD 300,000 on or before January 27, 2008 (paid).

The Company can earn a 100% interest in the property by assuming all of the obligations of the private company pursuant to the underlying agreement with Rio Tinto, and making the following payments and share issuances:

Payments aggregating USD 130,900 as follows:

- USD 65,900 on or before March 12, 2004 (for back taxes on the property) (paid); and
- USD 65,000 on or before March 12, 2004 (paid).

Issuance of an aggregate of 70,000 common shares, as follows:

- 35,000 shares on or before March 12, 2004 (issued); and
- 35,000 shares on or before September 12, 2004 (issued).

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

ii. Pampa de Pongo Property, Caraveli Province, Peru (continued)

In January 2008, the Company gave notice to Rio Tinto that it was exercising the option, and made the final USD 300,000 payment as required to do so. Rio Tinto transferred title to the concessions to a Peruvian subsidiary of the Company in November 2008, subject to their continuing right of first refusal concerning any disposition of these concessions by the Company.

In the summer of 2008, the Company made applications for ten additional concessions surrounding the Rio Tinto concessions (19,900 hectares), all of which form part of the Pampa de Pongo property.

On October 24, 2008, the Company entered into an agreement with Nanjinzhao Group Co., Ltd., (“Nanjinzhao”), a private Chinese enterprise located in Zibo City, Shandong Province, PRC, whereby the Company agreed to sell the Pampa de Pongo property to Nanjinzhao for USD 200 million (subject to Rio Tinto declining to exercise its right of first refusal in respect thereof). The agreement requires an initial deposit of USD 10 million, payable on or before March 17, 2009, with a final payment of USD 190 million due on or before September 17, 2009. During the initial three-month period, Nanjinzhao will obtain the appropriate Chinese governmental consents to the transaction. The Pampa de Pongo property will be transferred to a Peruvian subsidiary of Nanjinzhao once the USD 10 million deposit has been received. The agreement permits Cardero to decline to proceed with the transaction at any time prior to the receipt of the final USD 190 million final payment, provided that, if such decision is made at any time after the initial USD 10 million deposit has been paid, Cardero is required to return the deposit and pay Nanjinzhao an additional USD 20 million as a break-up fee. Upon repayment of the deposit (and break fee, if required), the Pampa de Pongo property will be retransferred to the Company. The Company will pay a finder’s fee to an arm’s length private company in consideration of the finder introducing Cardero to Nanjinzhao and providing ongoing advice in the negotiations. On December 17, 2008, the Company received notification from Rio Tinto that it was declining to exercise its right of first refusal with respect to the October 24, 2008 transaction between the Company and Nanjinzhao.

The Company, Cardero Iron Peru and Zibo Hongda Mining Co., Ltd. (“Hongda”), a subsidiary of Nanjinzhao, agreed to amend the provisions of the October 24, 2008 sale agreement among the Company, Cardero Iron Peru and Nanjinzhao (the interest of Nanjinzhao in which was assigned to Hongda on April 3, 2009) for the purchase by Hongda of the Pampa de Pongo Iron Deposit in Peru.

Hongda had requested a purchase price reduction due to difficult global economic conditions that have significantly adversely impacted iron ore prices. Following negotiations, Cardero and Cardero Iron Peru agreed to revise the final sale price to USD 100 million (of which USD 2 million had already been paid).

Accordingly, on May 21, 2009 Hongda paid the required USD 10 million deposit to Cardero Iron Peru, which deposit is non-refundable unless either (i) Cardero terminates the agreement or (ii) Rio Tinto exercises its right of first offer. Due to the new lower purchase price, pursuant to its right of first offer Rio Tinto had another 45-day period (expired on July 9, 2009) to match the revised terms. The Rio Tinto right of first offer expired, unexercised, and therefore the USD 10 million deposit from Hongda is non-refundable unless Cardero chooses to terminate the purchase agreement.

The balance of the purchase price of USD 88 million was split into three payments and paid as follows:

- a) USD 18 million, received on December 17, 2009;
- b) USD 40 million, received on December 17, 2009; and
- c) USD 30 million, to be received on December 31, 2009 (received January 11, 2010)

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6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

ii. Pampa de Pongo Property, Caraveli Province, Peru (continued)

As of October 31, 2009, the payments received to date of \$13,898,800 (USD 12,000,000) was recognized in other income, net of related property costs of \$4,889,658 and transaction costs of \$411,487, for a gain of \$8,597,655 before applicable income taxes.

During the period ended January 31, 2010, payments received of \$93,607,400 (USD 88,000,000) have been recognized in other income, net of related property costs of \$640,669 and transaction costs of \$3,560,715 before applicable income taxes.

iii. Katanga Property, Chumbirilcas Province, Peru

Pursuant to an option agreement dated October 1, 2004 between the Company and a private Peruvian company, the Company can acquire a 100% interest in approximately 9,560 hectares of mineral concessions in Chumbirilcas Province, Peru.

The private Peruvian company holds the exclusive right and option to acquire a 100% interest in these concessions from a group of vendors comprised of three private Peruvian companies and two Peruvian individuals (the "Underlying Vendors"). The private Peruvian company has the right to acquire a 100% interest in the subject concessions in consideration of aggregate payments of USD 1,900,000 over five years. The Company can acquire a 100% interest in the concessions by assuming the obligations of the private Peruvian company to the Underlying Vendors and making aggregate payments to the private Peruvian company of USD 501,000, as follows:

- USD 261,000 on or before the execution of the agreement (paid); and
- USD 240,000, as to USD 10,000 on or before November 1, 2004 and as to the balance on or before the first day of each succeeding month (paid).

The Company has returned a significant portion of the underlying concessions to the Underlying Vendors and, accordingly, recognized a write-down of \$248,294 during the year ended October 31, 2006. As a consequence, the Underlying Vendors have agreed to renegotiate the USD 1,900,000 purchase price, and the Company has not been required to make further payments (including the USD 100,000 payment originally due June 30, 2006) while such renegotiations are ongoing. The balance of the property continues to be evaluated for further exploration potential. As of October 31, 2007, the Company wrote down its remaining investment in the property in the amount of \$385,013.

iv. Iron Sands Project, Nazca and Caraveli Provinces, Peru

The Company's Iron Sands Project consists of approximately 32,000 hectares of unconsolidated and semi-consolidated mineral bearing sands, the rights to which are encompassed by certain of the mineral claims comprising the Carbonera and Daniella properties (note 6(c)(i)), and an additional 39 mineral claims acquired by staking at a cost of USD 77,000, in the Departments of Arequipa, (Caraveli Province) and Ica (Nazca Province), Peru. As a result of work to date, some of the foregoing concessions have been dropped, and the property now consists of 16 concessions (12,100 hectares in four areas) owned 100% by the Company and five concessions (3,600 hectares in two areas) held under option as described below.

The Company has assumed, from a private Peruvian company, all rights and obligations under an agreement dated December 16, 2005 between a private Peruvian company and Minera Ataspacas S.A., an arm's length private Peruvian company, whereby the private Peruvian company has the option to acquire, from Minera Ataspacas, an initial 70% interest in five mineral sand concessions

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6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

iv. Iron Sands Project, Nazca and Caraveli Provinces, Peru (continued)

(3,600 hectares total) surrounded by certain of the Company's mineral tenures noted above. In order to exercise the option, the Company is required to pay a total of USD 2,500,000 over five years to December 15, 2010 (with an initial payment of USD 20,000 on or before December 16, 2005 (paid)) and incur exploration expenditures of not less than USD 250,000 over the same period, as follows and as amended (see below):

- USD 80,000 on or before December 16, 2006 (paid);
- USD 100,000 on or before December 16, 2007 (paid);
- USD 150,000 on or before December 16, 2008 (paid);
- USD 500,000 on or before December 16, 2009 (note 13(f)); and
- USD 6,150,000 on or before December 16, 2010 (note 13(f)).

- USD 50,000 on or before December 16, 2007 (incurred);
- USD 50,000 on or before December 16, 2008 (incurred);
- USD 50,000 on or before December 16, 2009 (incurred);
- USD 50,000 on or before December 16, 2010 (incurred); and
- USD 50,000 on or before December 16, 2011 (incurred).

Upon the Company having acquired the 70% interest, a joint venture company will be formed with Minera Ataspacas, and each party will thereafter be required to contribute its share of ongoing expenditures or be diluted. If either party is diluted to less than 10%, such interest will be converted to a 2% NSR royalty. If Minera Ataspacas is reduced to the 2% NSR, the Company may purchase half the NSR (1%) for USD 2,000,000 within 24 months of the exercise of the option, and the remaining half (1%) for USD 8,000,000 within 36 months of the exercise of the option.

The Company entered into an agreement dated October 20, 2005 with the Peruvian subsidiary of a public B.C. company (the "Optionee"), whereby the Company has granted the Optionee the right to earn a 70% interest in the "hard rock" mineral rights (thereby excluding the unconsolidated and semi-consolidated mineral sands on such claims) accruing to certain of the mineral claims comprising the Iron Sands Project (plus additional claims acquired from Koripampa (note 6(c)(i)). In order to exercise the option, the Optionee is required to incur an aggregate of USD 3,000,000 in expenditures over four years to November 18, 2009 and perform all of the obligations of the Company under the underlying agreements with respect to the Carbonera and Daniella properties (note 6(c)(i)), including making all payments and incurring all exploration expenditures required thereunder. Upon the Optionee having earned its 70% interest, the Optionee and the Company will incorporate a new Peruvian company to hold such rights, in which the Optionee and the Company will hold a 70% and a 30% interest therein, respectively. Each party will thereafter be required to contribute its *pro rata* share of future expenditures, and a party failing to contribute will have its interest in the joint venture company diluted. At such point as a party's interest in the joint venture company is reduced to 10%, such interest will be acquired by the joint venture company in exchange for the grant to the diluted party of a 1% NSR. The Optionee terminated the agreement and returned its interest in the applicable concessions on April 16, 2007.

In November 2009, the Company entered into agreements with Minera Ataspacas and others regarding its option on certain of the concession comprised in its Iron Sands Project, Peru. Pursuant to two agreements dated November 13, 2009, the original option agreement of December 16, 2005 with Minera Ataspacas was amended to provide that the Company may now acquire a 100% interest in the shares of a new Peruvian company (into which Minera Ataspacas will transfer a 100% interest in the five concessions subject to the option in favour of the Company) by paying to the shareholders of such new company the sum of USD 500,000 upon execution (paid) and USD 6,150,000 on or before December 16, 2010.

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6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

iv. Iron Sands Project, Nazca and Caraveli Provinces, Peru (continued)

The Company is currently actively exploring this property with work programs planned for the fiscal year ending October 31, 2010.

v. Corongo Project, Huanuco Province, Peru

Pursuant to an option agreement between the Company and a private Peruvian company made as of May 15, 2005, the Company has the option to acquire a 100% interest in ten mineral claims located in the Department of Ancash, Peru, covering approximately 6,400 hectares by making a payment of USD 40,000 upon signing (paid) and issuing an aggregate of 300,000 common shares, as follows:

- 100,000 shares on or before ten days after the date of regulatory acceptance (issued);
- 100,000 shares on or before November 15, 2006 (issued); and
- 100,000 shares on or before May 15, 2008 (delayed by agreement to May 15, 2009).

As of October 31, 2007, the Company wrote down its investment in the property by \$569,718.

vi. Bocana Property, Peru

Pursuant to an option agreement dated August 1, 2006, between the Company, a Peruvian individual and a private Panamanian corporation, the Company has the right to acquire a 75% interest in two mining concessions (approximately 1,795 hectares). In order to maintain the option in good standing and to be permitted to carry out exploration activities prior to such exercise, the Company is required to make payments and incur exploration expenditures as follows:

Payments of USD 500,000, as follows:

- USD 50,000 on signing (paid);
- USD 100,000 on or before August 1, 2007 (paid);
- USD 150,000 on or before August 1, 2008 (see below); and
- USD 200,000 on or before August 1, 2009.

In addition to the foregoing, the agreement requires aggregate payments of USD 120,000 (USD 5,000 per month) to a third party (a private Florida corporation) for a period of 24 months following the execution of the agreement (all of which have been paid for the fiscal year ended October 31, 2007 and for the subsequent period up to January 2008).

Cumulative exploration expenditures of USD 1,850,000, as follows:

- USD 350,000 on or before August 1, 2007 (postponed);
- USD 850,000 on or before August 1, 2008 (postponed); and
- USD 1,850,000 on or before August 1, 2009 (see below).

Upon the Company having exercised the option, the property will be transferred to a new private Peruvian company, in which the Company will have a 75% interest and the vendor will have a 25% interest. The Company is responsible for funding 100% of the expenditures incurred by the new company (the interest of the vendor therein being “carried”). The Company will have the option to acquire the 25% interest of the vendor in the new company for the sum of USD 2,500,000 at any time after the Company exercises the option to acquire the initial 75% interest.

The Company terminated the option agreement in the fiscal year ended October 31, 2008 and therefore, wrote off costs of \$357,544.

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

vii. Amable Maria Property, Peru

The Amable Maria Property consists of 37 mining concessions (approximately 29,620 hectares) located in the Provinces of Chanchamayo and Jauja, Department of Junin, Peru, and acquired by the Company through staking and application therefor. After an unsuccessful search for a joint venture partner, the property was abandoned in July 2009, and the Company has written off the associated costs of \$473,795 at October 31, 2009.

(d) Chile

Pedernales Property, Chile

The Pedernales Property consists of two exploitation concessions. Pursuant to an agreement dated December 27, 2007, the Company has the right to acquire a 100% interest, subject to a 3% NSR royalty, for aggregate payments of USD 7,300,000 over five years, as follows:

- USD 20,000 on execution (paid);
- USD 20,000 on or before January 4, 2008 (paid);
- USD 60,000 on or before January 27, 2008 (see below);
- USD 200,000 on or before July 31, 2008;
- USD 400,000 on or before July 31, 2009;
- USD 600,000 on or before July 31, 2010;
- USD 1,000,000 on or before July 31, 2011; and
- USD 5,000,000 on or before July 31, 2012.

The Company can exercise the option at any time upon payment of USD 5,000,000, following which no additional payments are required. The Company has the right to buy one-half (1.5%) of the 3% NSR royalty for a payment of USD 5,000,000. After the exercise of the option, the Company is required to pay advance minimum royalties of USD 1,000,000 per year for the first three years, which amounts are recoupable from the production royalties. The owner has the right to mine “non-metallic” ores.

As at October 31, 2008, the Company terminated the option agreement and returned the property to its owner. All costs with respect to this property have been expensed as property investigation.

(e) United States of America

i. TiTac Property, Minnesota

Pursuant to an option agreement dated July 1, 2008 (as amended on July 24, 2008) between the Company and an arm’s length private mineral owner, the Company has a two-year option to enter into a mining lease for an aggregate of 1,402 acres (567 hectares) of mineral rights located in Louis County, Minnesota. The mining lease will grant a lease over any mineral substance of a metalliferous nature, including those intermingled or associated materials or substances, recovered from each ton of crude ore for the purpose of extracting iron (essentially, iron, titanium and vanadium).

Option Agreement: Requires an initial payment of USD 5,000 on execution (paid) plus an extension payment of USD 25,000 due on the first anniversary of the agreement in order to extend the option for an additional year. There are no work commitments under the option, but the Company is required to comply with all laws and to maintain specified insurance in place during the option term. The Company can exercise the option to enter into a mineral lease at any time prior to June 29, 2010 upon notice to that effect to the owner.

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6. RESOURCE PROPERTIES (Continued)

(e) United States of America (Continued)

i. TiTac Property, Minnesota (continued)

Mining Lease: The initial term of the mining lease is for a period of 20 years, provided that the lease may be extended for an additional five-year period if the Company gives notice at least 180 days prior to the end of such term, and has either paid to the owner at least USD 10,000,000 in royalties over the initial term or pays to the owner the difference between the royalties actually paid and USD 10,000,000. In like manner, the lease can be extended for up to three additional five-year terms, provided that the appropriate notice is given and that the Company has paid to the owner at least USD 5,000,000 in royalties during the previous five-year term (or pays any deficiency in cash).

On May 29, 2009, the Company, through Cardero Iron US, exercised its option to enter into a mining lease with respect to the TiTac property in Minnesota, and made the initial USD 2,500 payment required upon execution of the lease (which is dated July 1, 2009).

The Company considers this an active property, and plans a work program during the fiscal year ending October 31, 2010.

ii. Longnose Property, Minnesota

Pursuant to an agreement dated November 26, 2008 between the Company and an arm's length individual on behalf of an arm's length B.C. company, the Company was granted the option to acquire up to an 85% interest in the interest of the optionor in certain existing mineral leases, and in a lease to be entered into, covering 100% of the fee mineral rights (approximately 200 acres) located in St. Louis County, Minnesota, just north of the town of Hoyt Lakes. The Company can earn an initial 70% interest by incurring cumulative expenditures of USD 1,850,000 as follows:

- USD 100,000 on or before December 8, 2009 (incurred);
- USD 250,000 on or before December 8, 2010;
- USD 500,000 on or before December 8, 2011; and
- USD 1,000,000 on or before December 8, 2012.

A payment of USD 50,000 (paid) to the optionor is required on or before August 15, 2009 (and each and every August 28 thereafter) to be used by the optionor to make the annual USD 50,000 advance royalty payment due to the underlying landowners. The Company can earn an additional 15% interest (85% overall) by delivering a feasibility study (no time limit for delivery). Upon the Company having earned a 70% or 85% interest, the optionor can elect to convert its interest to a 10% net profits interest (if the Company elects not to earn the additional 15% interest) or a 5% net profits interest (if the Company elects to earn the full 85% interest). If the optionor does not so elect, upon the Company having earned its 70% or 85% interest, as applicable, the Company and the optionor will enter into a joint venture, with each party being responsible for its pro rata share of all joint venture expenditures. If a party to the joint venture is diluted to a 10% or lesser interest, such interest will be converted to a 2.5% net profits interest.

During the period, the Company issued 75,000 common shares valued at \$111,500 as a finder's fee in connection with the acquisition of its interests in the TiTac and Longnose properties in Minnesota.

(f) Other regions

Caucasian Region (note 5, Equity Investment).

6. RESOURCE PROPERTIES (Continued)

(g) Title and environmental

Although the Company has taken steps to verify the title to mineral properties in which it has or had a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(h) Asset retirement obligations ("ARO")

The Company is not aware of any ARO's as of January 31, 2010 and October 31, 2009.

7. CAPITAL STOCK

(a) Authorized

An unlimited number of common shares without par value.

(b) Private placements

On January 12, 2007, the Company closed a non-brokered private placement of 1,500,000 units and on January 23, 2007 the Company closed a brokered private placement of 2,200,000 units. In each placement the units were sold at \$1.50 per unit, and a unit consisted of one common share and one-half of one warrant, with one whole warrant being exercisable to purchase an additional common share at a price of \$2.00 for a period of 18 months. The net proceeds from the private placements totalled \$5,268,170. The Company issued 89,000 units valued at \$1.50 per unit to the agent in the brokered placement. The Company also granted 176,000 compensation options to the agent in the brokered private placement entitling the agent to purchase 176,000 common shares at a price of \$1.75 for a period of 18 months. The Company paid finders' or agents' fees of \$116,333 and \$134,620 for the non-brokered and brokered financings, respectively, together with legal costs of \$30,877. Non-cash costs totalled \$254,580 comprised of \$133,500 in agent compensation shares and \$121,080 in stock-based compensation related to the warrants and compensation options.

On February 29, 2008, the Company closed a brokered private placement of 5,150,000 units and a non-brokered private placement of 2,351,000 units. In each placement, the units were sold at \$1.10 per unit, and each unit consisted of one common share and one-half of one warrant, with one whole warrant being exercisable to purchase an additional common share at a price of \$1.50 until March 1, 2010. The net proceeds from the private placements totalled \$7,384,933. The Company paid a cash commission of \$735,088 (8%), and issued 50,000 units (valued at \$1.10 per unit) as a corporate finance fee, to the agent in the brokered placement, together with a reimbursement of the agent's legal costs of \$127,601. The Company also issued 515,000 agent's warrants to the agent in the brokered financing and issued 235,100 finder's warrants to various finders in the non-brokered financing. Each agent's or finders' warrant is exercisable to acquire one common share until March 1, 2010 at a price of \$1.35, while the remaining 25,000 warrants issued to the agent as part of the corporate finance fee are exercisable at a price of \$1.50. Stock-based compensation relating to agent's and finder's warrants totalled \$320,634.

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7. CAPITAL STOCK

(c) Share purchase warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each warrant. Warrants transactions are as follows:

	January 31, 2010		October 31, 2009 (audited)	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	4,303,100	\$1.47	4,395,600	\$1.47
Exercised	-	\$1.38	(92,500)	(\$1.38)
Expired	-	-	-	-
Issued	-	-	-	-
Warrants outstanding, end of period	4,303,100	\$1.47	4,303,100	\$1.47

Details of warrants outstanding are as follows:

	January 31, 2010		October 31, 2009 (audited)	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
Expiry date				
March 1, 2010	3,628,000	\$1.50	3,628,000	\$1.50
March 1, 2010	675,100	\$1.35	675,100	\$1.35
Warrants outstanding, end of period	4,303,100		4,303,100	

(d) Stock options

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants to purchase common shares, provided that the aggregate number of shares subject to such options may not exceed 10% of the common shares outstanding at the time of any grant (not including agent or broker options). The exercise price of each option is required to be set at the higher of the closing price of the Company's common shares on the trading day prior to the date of grant and the five day volume-weighted average trading price for the five trading days prior to the date of grant (without any discounts). The option term and vesting period is determined by the Board of Directors within regulatory guidelines (the maximum term is ten years). All options are recorded at fair value when granted.

A summary of the status of the stock option plan as of January 31, 2010 and October 31, 2009 and changes during the periods ended on those dates is presented below:

	January 31, 2010		October 31, 2009 (audited)	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,500,000	\$ 1.77	5,687,500	\$ 1.93
Expired and cancelled	(500,000)	\$ (1.50)	(1,962,500)	\$ (1.78)
Exercised	-	\$ -	(25,000)	\$ (1.47)
Granted	360,000	\$ 1.31	1,800,000	\$ 1.27
Options outstanding, end of period	5,360,000	\$ 1.76	5,500,000	\$ 1.77

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7. CAPITAL STOCK

(d) Stock options (Continued)

Stock options outstanding are as follows:

Expiry Date	January 31, 2010			October 31, 2009 (audited)		
	Exercise Price	Number of Options	Exercisable at Period End	Exercise Price	Number of Options	Exercisable at Year End
January 16, 2010	\$ 1.50	-	-	\$ 1.50	500,000	500,000
July 21, 2010	\$ 2.04	2,000,000	2,000,000	\$ 2.04	2,000,000	2,000,000
August 8, 2010	\$ 2.18	1,200,000	1,200,000	\$ 2.18	1,200,000	1,200,000
December 9, 2010	\$ 1.16	575,000	575,000	\$ 1.16	575,000	575,000
April 9, 2011	\$ 1.39	225,000	225,000	\$ 1.39	225,000	225,000
September 11, 2011	\$ 1.30	1,000,000	1,000,000	\$ 1.30	1,000,000	1,000,000
December 11, 2011	\$ 1.31	360,000	360,000		-	-
		5,360,000	5,360,000		5,500,000	5,500,000

The Company uses the fair value method for determining stock-based compensation for all options granted during the fiscal years. The fair value was determined using the Black-Scholes option pricing model based on the following assumptions:

	Period ended January 31, 2010	Year ended October 31, 2009	Year ended October 31, 2008
Expected life (years)	2.0	2.0	2.0
Interest rate	1.13%	1.32%	3.01%
Volatility (average)	91.01%	102.04%	88.37%
Dividend yield	0.00%	0.00%	0.00%

Stock-based compensation charges for the three month ended January 31, 2010 totalled \$261,879 (January 31, 2009 - \$391,794), of which \$207,321 (January 31, 2009 - \$289,587) was allocated to salary expenses and \$54,558 (January 31, 2009 - \$102,207) was allocated to consulting expense.

8. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2010 and 2009, the Company incurred the following expenses paid to officers or directors of the Company or companies with common directors:

	January 31, 2010	January 31, 2009
Professional fees	\$ 22,294	\$ 22,069
Consulting fees	\$ 22,500	\$ 22,500

At January 31, 2010, there was \$7,700 (October 31, 2009 - \$18,900) included in accounts payable and accrued liabilities, and \$449,405 (October 31, 2009 - \$587,956) included in due from related parties. Professional fees include amounts paid to a law firm of which a director is a shareholder.

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8. RELATED PARTY TRANSACTIONS (Continued)

Amounts due from related parties are comprised as follows:

		January 31, 2010	October 31, 2009 (audited)
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date	Due date, if applicable		
Trevali Resource Corp.	December 31, 2009	\$ 24,875	\$ 290,003
Wealth Minerals Ltd.	November 30, 2009	134,169	121,393
Dorato Resources Inc.	December 31, 2009	42,308	25,490
Directors, employees and other		248,053	151,070
		\$ 449,405	\$ 587,956

The Company recovered \$221,764 during the three months ended January 31, 2010 (January 31, 2009 - \$126,456) in rent and administration costs from Wealth Minerals Ltd., International Tower Hill Mines Ltd., Dorato Resources Inc., Indico Resources Ltd., Trevali Resources Corp. and Lawrence W. Talbot Law Corporation (“LWTLC”), companies with common officers or directors.

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Mr. Stephan Fitch, a director of the Company, is a director and significant shareholder of a private company that is the major shareholder (67%) of IMM. The Company has a 15% interest in IMMG, a subsidiary of IMM, and has the option to acquire an additional 15% interest by issuing 1,000,000 common shares prior to December 31, 2009 (note 5). This transaction was approved by the Company’s audit committee and Board of Directors (other than Mr. Fitch, who abstained from voting in each case). The Company considers the collectability of advances totalling \$468,099 to IMMG to be doubtful and accordingly wrote them off during the year ended October 31, 2009.

Effective October 1, 2005, the Company retained Mr. Carlos Ballon of Lima, Peru, to provide management services on behalf of the Company in Peru through his private Peruvian company, Minera Koripampa del Peru S.A. (“Koripampa”), for a fee of USD 10,000 per month (reduced to USD 7,500 per month starting from March 2007), which has been expensed to consulting fees. Mr. Ballon became President of Cardero Peru in April 2006. Accordingly, Mr. Ballon is a related party with respect to the Company. Prior to Mr. Ballon becoming a related party, the Company entered into a number of mineral property acquisition/option agreements with either Koripampa or Sudamericana de Metales Peru S.A., another private Peruvian company controlled by Mr. Ballon. Such property transactions include those with respect to the Carbonera and Daniella Properties (note 6(c)(i)), the Pampa de Pongo Property (note 6(c)(ii)), the Katanga Property (note 6(c)(iii)) and the Corongo Property (note 6(c)(v)).

The presidents of MMC and Cardero Argentina provide management services for USD 3,750 each per month, which is expensed to consulting fees or capitalized to property costs, depending upon the nature of the services.

The Company has entered into a retainer agreement dated May 1, 2007 with LWTLC, pursuant to which LWTLC agrees to provide legal services to the Company. Pursuant to the retainer agreement, the Company has agreed to pay LWTLC a minimum annual retainer of \$82,500 (plus applicable taxes and disbursements). The retainer agreement may be terminated by LWTLC on reasonable notice, and by the Company on one year’s notice (or payment of one year’s retainer in lieu of notice).

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9. GEOGRAPHIC SEGMENTED DATA

The Company operates in one industry segment, the mineral resources industry, and in five geographical segments, Canada, Peru, Mexico, Argentina and the United States. All current exploration activities are conducted in the affected jurisdictions outside of Canada. The significant asset categories identifiable with these geographical areas are as follows:

	January 31, 2010				
	Canada/US	Peru	Argentina	Mexico	Total
Resource properties	\$ 411,190	\$ 9,539,321	\$ 993,528	\$ 8,037,039	\$ 18,891,078
Cash	3,767,168	90,284,158	335,533	23,214	94,410,073
Investments	32,391,287	-	-	-	32,391,287
Other	870,206	85,391	51,378	92,693	1,099,668
	\$ 37,439,851	\$ 99,908,870	\$ 1,380,439	\$ 8,152,946	\$ 146,882,106

	October 31, 2009 (audited)				
	Canada/US	Peru	Argentina	Mexico	Total
Resource properties	\$ 309,347	\$ 8,727,626	\$ 894,114	\$ 7,568,505	\$ 17,499,592
Cash	5,672,162	59,040	69,706	22,288	5,823,196
Investments	23,406,055	-	-	-	23,406,055
Other	973,482	93,077	148,183	128,086	1,342,828
	\$ 30,361,046	\$ 8,879,743	\$ 1,112,003	\$ 7,718,879	\$ 48,071,671

10. INCOME TAXES

	Three months ended January 31, 2010	Three months ended January 31 2009
Income tax expense (benefits)	\$ 26,370,706	\$ (1,189,562)
Permanent differences	(103,187)	20,539
Stock-based compensation	75,290	-
Non-taxable portion of capital gains	(19,563)	-
Write-down of properties	-	832,774
Other temporary differences	(10,281)	(22,995)
Effect of tax rates in other jurisdictions	(13,682)	-
Effect of rate reduction	(169,137)	1,987
Unrecognized (utilized) tax losses	(542,010)	(418,918)
	\$ 25,588,136	\$ (776,175)

The components of future income tax assets (liabilities) are as follows:

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10. INCOME TAXES (Continued)

	January 31, 2010	October 31, 2009 (audited)
Future income tax assets		
Non-capital loss carry-forwards	\$ 7,627,351	\$ 7,257,958
Difference between undepreciated capital cost over net book value of property and equipment	43,442	39,262
Cumulative eligible capital deduction	13,678	13,678
Share issue costs	220,109	242,007
Tax value of resource properties in excess of book values	303,775	453,032
Other	236,652	236,652
Total future income tax assets	8,445,007	8,242,589
Valuation allowance	(5,471,219)	(6,286,632)
Net future income tax assets	\$ 2,973,788	\$ 1,955,957
Future income tax liabilities		
Book value of investments in excess of tax values	\$ (2,973,788)	\$ (1,955,957)
Timing of revenue recognition on sale of property	-	(2,564,900)
Total future income tax liabilities	(2,973,788)	(4,520,857)
Net income tax assets (liabilities)	\$ -	\$ (2,564,900)

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for income tax purposes in all jurisdictions. The losses expire as follows:

Available to	Canada	Foreign	Total
2010	\$ 812,500	\$ -	\$ 812,500
2011	-	599,748	599,748
2012	-	1,465,295	1,465,295
2013	-	894,185	894,185
2014	1,446,622	693,716	2,140,338
2015	2,950,454	99,401	3,049,855
2016	-	1,580,780	1,580,780
2017	-	356,852	356,852
2018	-	918,397	918,397
2019	-	477,096	477,096
2020	-	530,020	530,020
2026	2,850,458	-	2,850,458
2027	3,086,818	69,804	3,156,622
2028	3,824,078	354,362	4,178,440
2029	2,184,169	230,673	2,414,842
2030	854,378	116,405	970,783
Deferred expiry	-	1,560,794	1,560,794
	\$ 18,009,477	\$ 9,947,528	\$ 27,957,005

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11. COMMITMENTS

The Company is committed to monthly lease payments of \$11,907 for its premises at 1901 – 1177 West Hastings Street, Vancouver, under its current lease expiring August 31, 2010. On September 8, 2008, the Company sub-leased the premises to another company for the remaining term of the lease with the landlord’s consent. The Company has entered into a sub-lease dated May 14, 2008 for new office space located at 1920 – 1188 West Georgia Street, Vancouver. The new sub-lease commences August 1, 2008 and is for a term of 51 months. The initial lease payments are \$14,654 per month for basic rent and \$9,623 per month for estimated operating costs, commencing in September 2008.

Other commitments are disclosed elsewhere in these consolidated financial statements as appropriate.

12. RISK AND CAPITAL MANAGEMENT; FINANCIAL INSTRUMENTS

The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders’ equity. 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 currently has no source of revenues; as such, the Company is dependent upon external financings or the sale of assets (or an interest therein) to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 three months ended January 31, 2010. The Company is not subject to externally imposed capital requirements.

The Company classified its cash and cash equivalents as held-for-trading; amounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The classification of resource related investments is set out in note 4. The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due to and from related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm’s length.

CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company’s financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 94,410,073	\$ -	\$ -	\$ 94,410,073
Resource related investments	31,017,254	-	-	31,017,254
Resource related investments	-	1,374,033	-	1,374,033
	\$ 125,427,327	\$ 1,374,033	\$ -	\$ 126,801,360

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12. RISK AND CAPITAL MANAGEMENT; FINANCIAL INSTRUMENTS (Continued)

The Company's exposure to risk on its financial instruments is summarized below:

(a) Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. In regards to amounts receivable, the Company is not exposed to significant credit risk as they are primarily due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts in Canada and Peru are held at major financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows relating to funds held in Canada and Peru:

	January 31, 2010	October 31, 2009 (audited)
Bank accounts - Canada	\$ 3,767,168	\$ 5,672,162
Bank accounts - Peru	90,284,158	59,040
	<u>\$ 94,051,326</u>	<u>\$ 5,731,202</u>

The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with major financial institutions with strong investment grade ratings given by a primary ratings agency. The Company does not hold any asset backed securities.

With respect to the \$449,404 (October 31, 2009 - \$587,956) due from related parties, the credit risk has been assessed as low by management as the Company has strong working relationships with the related parties involved.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at January 31, 2010 of \$94,410,073 (October 31, 2009 - \$5,823,196) in order to meet short-term business requirements. At January 31, 2010 the Company had accounts payable and accrued liabilities of \$3,244,683 (October 31, 2009 -\$568,951), which are due within 30 days.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

i. Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of January 31, 2010. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

12. RISK AND CAPITAL MANAGEMENT; FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

ii. Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in Mexican, Argentinean and Peruvian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk as it believes this risk is minimized by the amount of cash held in these foreign jurisdictions. The Company's sensitivity analysis suggests that a consistent 5% change in the rate of exchange in all foreign jurisdictions where it has assets employed would change mineral properties and foreign exchange gain or loss by \$168,542 (October 31, 2009 - \$519,590).

iii. Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's investments are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 1% change in market prices would change the value of the resource related investments by \$309,713, and the change on resource related investments in warrants cannot be predicted. During the three months ended January 31, 2010, the Company's investments increased an average of 40%.

13. SUBSEQUENT EVENTS

Subsequent to January 31, 2010:

- (a) On February 2, 2010, the Company granted 500,000 options at \$1.41 per share, for a period of two years.
- (b) On March 1, 2010, 67,125 warrants were exercised at \$1.35 per share for gross proceeds of \$90,619 and 4,235,975 warrants expired unexercised.
- (c) On February 4, 2010, the Company subscribed for 3,333,334 common shares of Abzu Resources Ltd., a private British Columbia company with mineral interests in Ghana, Africa, by way of private placement at a price of \$0.15 per share.

14. COMPARATIVE FIGURES

Certain of the figures for 2009 have been reclassified to conform to the presentation adopted for the current period.

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP

(a) Differences in accounting principles

i. Exploration expenditures

Under Canadian GAAP, acquisition costs and exploration expenditures are capitalized. Under US GAAP, exploration costs incurred in locating areas of potential mineralization are expensed as incurred.

Commercial feasibility is established in compliance with the Securities and Exchange Commission (“SEC”) Industry Guide 7, which consists of identifying that part of mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. After an area of interest has been assessed as commercially feasible, expenditures specific to the area of interest for further development are capitalized. In deciding when an area of interest is likely to be commercially feasible, management may consider, among other factors, the results of pre-feasibility studies, detailed analysis of drilling results, the supply and cost of required labour and equipment, and whether necessary mining and environmental permits can be obtained.

Under US GAAP, mining projects are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property, and their eventual disposition are less than the carrying amount of the mining project or property, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project, property, calculated using estimated mineable reserves, mineral resources, based on engineering reports, projected rates of production over the estimated mine, recovery rates, capital requirements, remediation costs and future prices considering the Company’s hedging and marketing plans. At January 31, 2010, all mineral properties considered active under US GAAP had a book value of \$6,401,966 (\$5,708,015 at October 31, 2009) (note 6), after all applicable impairment charges.

ii. Reconciliation of total assets, liabilities and shareholders’ equity:

	January 31, 2010	October 31, 2009
		(audited)
Total assets per Canadian GAAP	\$ 146,882,106	\$ 48,071,671
Exploration expenditures on resource properties expensed under US GAAP	(12,579,112)	(11,791,577)
Total assets per US GAAP	\$ 134,302,994	\$ 36,280,094
Total liabilities per Canadian and US GAAP	\$ 32,601,186	\$ 3,133,851
Total shareholders’ equity per Canadian GAAP	114,280,920	44,937,820
Exploration expenditures on resource properties expensed under US GAAP	(12,579,112)	(11,791,577)
Total shareholders’ equity per US GAAP	101,701,808	33,146,243
Total liabilities and shareholders’ equity per US GAAP	\$ 134,302,994	\$ 36,280,094

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)

(a) Differences in accounting principles (Continued)

- (iii) Reconciliation of net income (loss) and comprehensive income (loss) reported in Canadian GAAP and U.S. GAAP:

Statements of operations for the three months ended January 31:

	January 31, 2010	January 31, 2009
Reconciliation of net income (loss) from Canadian to US GAAP		
Net income (loss) per Canadian GAAP	\$ 62,261,575	\$ (2,997,821)
Acquisition of mineral interests	-	-
Exploration and development costs	(796,403)	(474,020)
Reverse exploration and developments costs written-off	-	1,959,189
Exploration and development costs recovered	8,869	-
Total difference	(787,534)	1,485,169
Total net income (loss) per US GAAP	\$ 61,474,041	(1,512,652)
Weighted average number of common shares outstanding	58,611,140	58,187,291
Basic and diluted income (loss) per share in accordance with Canadian GAAP	\$ 1.06	\$ (0.05)
Total differences	(0.01)	0.02
Basic and diluted income (loss) per share in accordance with US GAAP	\$ 1.05	\$ (0.03)

Statements of comprehensive income (loss) for three months ended January 31:

	January 31, 2010	January 31, 2009
Comprehensive income (loss) in accordance with Canadian GAAP	\$ 69,081,221	\$ 1,400,502
Unrealized gain on investment	-	-
Total difference in net income (loss) between Canadian and US GAAP	(787,534)	1,485,169
Total comprehensive income (loss) in accordance with US GAAP	\$ 68,293,687	\$ 2,885,671

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15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)

(a) Differences in accounting principles (Continued)

iv Reconciliation of cash flows in accordance with Canadian GAAP and US GAAP:

Statements of cash flow for three months ended January 31:

	January 31, 2010	January 31, 2009
Net cash used in operating activities of continuing operations in accordance with Canadian GAAP	\$ 1,522,070	\$ (1,339,004)
Adjustments to net loss involving use of cash		
Write-off of capitalized resource property exploration costs	(978,589)	(446,463)
Net cash provided by (used in) operating activities of continuing operations in accordance with US GAAP	543,481	(1,785,467)
Net cash provided by investing activities of continuing operations in accordance with Canadian GAAP	87,079,257	323,550
Reclassification of capitalized resource property exploration costs	978,589	446,463
Net cash provided by (used in) investing activities of continuing operations in accordance with US GAAP	88,057,846	770,013
Net cash flows provided by financing activities of continuing operations in accordance with Canadian and US GAAP	-	36,750
Effect of foreign exchange on cash in accordance with Canadian and US GAAP	(14,450)	1,789
Net increase (decrease) in cash and cash equivalents in accordance with Canadian and US GAAP	88,586,877	(976,915)
Cash and cash equivalents, beginning of year in accordance with Canadian and US GAAP	5,823,196	1,288,840
Cash and cash equivalents, end of year in accordance with Canadian and US GAAP	\$ 94,410,073	\$ 311,925

(b) Recent US accounting pronouncements

- i. In May 2009, the FASB issued Accounting Standards Codification (“ASC”) 855-10, *Subsequent Events* (“ASC 855-10”) (formerly SFAS Statement No 165), which establishes principles and requirements for subsequent events. In particular, ASC 855-10 sets forth: (a) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. ASC 855-10 also requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. As a result of the adoption of this new standard, the Company evaluated subsequent events to March 15, 2010, the date these consolidated financial statements were available for issue.

15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)

(b) Recent US accounting pronouncements (Continued)

- ii. In June 2009, the FASB issued new guidance which is now a part of ASC 860-10 (formerly SFAS Statement No 166), to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The FASB undertook this project to address (1) practices that have developed since the issuance of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (which is now a part of ASC 860-10), that are not consistent with the original intent and key requirements of that Statement and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This new guidance is effective for fiscal years beginning after November 15, 2009 and is not expected to have a material impact on the Company's consolidated financial statements.
- iii. In June 2009, the FASB issued new guidance which is now part of ASC 810-10 (formerly SFAS Statement No. 167), to improve financial reporting by enterprises involved with variable interest entities. The FASB undertook this project to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (which is now part of ASC 810-10), as a result of the elimination of the qualifying special-purpose entity, and (2) constituent concerns about the application of certain key provisions of ASC 810-10, including those in which the accounting and disclosures under ASC 810-10 do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This new guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. This new guidance is not expected to have a material impact on the Company's consolidated financial statements.
- iv. In June 2009, the FASB issued new guidance which is now part of ASC 105-10 (the "Codification") (formerly Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification*TM and the *Hierarchy of Generally Accepted Accounting Principles*), which will become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of the Codification, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification only had the effect of amending references to authoritative accounting guidance in the Company's consolidated financial statements.
- v. In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-05, "Measuring Liabilities at Fair Value" ("ASU 2009-05"). This update provides amendments to ASC 820, "Fair Value Measurements and Disclosure", for the fair value measurement of liabilities when a quoted price in an active market is not available. ASU 2009-05 is effective for reporting periods beginning after August 28, 2009. This new guidance is not expected to have a material impact on the Company's consolidated financial statements.

15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GAAP (Continued)

(b) Recent US accounting pronouncements (Continued)

- vi. In September 2009, the FASB issued Accounting Standards Update No. 2009-12, “Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (“ASU 2009-12”). This update provides amendments to ASC Topic 820, “Fair Value Measurements and Disclosure”, permitting companies to estimate the fair value of investments within ASC 820’s scope using the net asset value per share. ASU 2009-05 is effective for reporting periods ending after December 15, 2009.

- vii. In September 2009, the FASB reached a consensus on Accounting Standards Update (“ASU”) -2009-13 “Revenue Recognition” (“ASC 605”) – “Multiple-Deliverable Revenue Arrangements” (“ASU 2009-13”), and ASU 2009-14 “Software” (“ASC 985”) – “Certain Revenue Arrangements That Include Software Elements (“ASU 2009-14”). ASU 2009-13 modifies the requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. ASU 2009-13 eliminates the requirement that all undelivered elements must have either: (i) VSOE or (ii) third-party evidence, or TPE, before an entity can recognize the portion of an overall arrangement consideration that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. Overall arrangement consideration will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity’s estimated selling price. The residual method of allocating arrangement consideration has been eliminated. ASU 2009-14 modifies the software revenue recognition guidance to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product’s essential functionality. These new updates are effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. However, these provisions are not expected to have a material impact on the Company’s consolidated financial statements.

CARDERO RESOURCE CORP.
Form 51-102F1
Management's Discussion and Analysis
For the three months ended January 31, 2010

INTRODUCTION

This Management Discussion and Analysis ("MD&A") for Cardero Resource Corp. ("Cardero" or the "Company") for the period ended January 31, 2010 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of March 10, 2010, and compares its financial results for the quarter ended January 31, 2010 to the previous year. This MD&A provides a detailed analysis of the business of Cardero and should be read in conjunction with the Company's audited consolidated financial statements for the years ended October 31, 2009 and 2008 and unaudited consolidated interim financial statements for the three months period ended January 31, 2010. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash-flows in accordance with Canadian generally accepted accounting principles.

This MD&A contains certain statements that may constitute "forward-looking statements". All statements, other than statements of historical fact, included herein, including but not limited to, statements regarding future anticipated property acquisitions, the anticipated content, commencement, timing, cost and nature of future anticipated exploration programs and metallurgical testing programs and pilot plant tests and the results thereof, discovery and delineation of mineral resources/reserves, the potential for the expansion of resources at Pampa el Toro, business and financing plans and business trends, are forward-looking statements. Information concerning mineral resource estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market for, and pricing of, any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, the Company's inability to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks and uncertainties identified herein under "Risk Factors". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. The Company does not expect to update forward-looking statements continually as conditions change and the reader is referred to the full discussion of the Company's business contained in the Company's disclosure filed with the Canadian securities regulatory authorities. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant fluctuations in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to develop any of its present or future mineral properties.

This MD&A contains information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises US investors that the mining guidelines of the US Securities and Exchange Commission (the "SEC") set forth in the SEC's Industry Guide 7 strictly prohibit information of this type in documents filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties, and any production therefore or economics with respect thereto, are not indicative of mineral deposits on the Company's properties or the potential production from, or cost or economics of, any future mining of any of the Company's mineral properties.

Cautionary Note to US Investors Concerning Reserve and Resource Estimates

National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101") is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in this MD&A or released by the Company in the future, have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resource and Mineral Reserves, adopted by the CIM Council on November 14, 2004 (the "CIM Standards") as they may be amended from time to time by the CIM.

The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101. These definitions differ from the definitions in the SEC's Industry Guide 7 ("Guide 7") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Under Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. Under Guide 7 standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves or that they can be mined economically or legally. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or that it can be economically or legally mined. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this MD&A contain descriptions of the Company's mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

DATE

This Management Discussion and Analysis reflects information available as at March 10, 2010.

RESULTS OF OPERATIONS

Background

Cardero Resource Corp. is a junior resource mineral exploration company. Its assets consist of interests in mineral properties, the securities of other junior natural resource exploration companies and cash. The Company funds its operations primarily through the sale of its equity securities and of its investments in other companies and the sale of interests in its mineral properties. The mineral exploration business is very high risk (See "Risk Factors").

Exploration Activities

Cardero is actively assessing, acquiring interests in and exploring a number of mineral exploration properties, primarily those it considers to be prospective for gold, copper and iron. At the present time, it is focusing its activities in Mexico, Argentina, Peru and the state of Minnesota in the United States, where it has established subsidiaries and the infrastructure to enable it to actively work in such countries. The Company, through its subsidiaries, holds, or has the right to acquire interests in, mineral properties in these countries. However, at the present time it does not consider all of these to be material as, in many cases, the properties are in the early stages of evaluation, or have not had sufficient work done on them by the Company to determine if they are material. Cardero presently considers its only material property to be the Pampa el Toro Iron Sands Project in Peru.

Property	Total Costs as of October 31, 2009	Total Costs to January 31, 2010	Estimated Fiscal 2010 Expenditures⁽¹⁾
Pampa el Toro Iron Sands - Marcona, Peru	\$ 8,727,626	\$ 9,539,321	\$ 3,100,000

Note: 1. This amount represents the estimated exploration expenditures for fiscal year ending October 31, 2010. Estimated expenditures are contingent upon ongoing successful results justifying further expenditures.

During the quarter January 31, 2010 and to March 10, 2010, the Company was primarily focussed on promoting the Pampa el Toro Iron Sands program as a viable project for the production of iron ore concentrate to serve the needs of the PRC, and formulating and commencing the drilling programs for the Baja IOCG, Longnose and TiTac properties and planning Phase II exploration program on the Organullo property.

Material Mineral Property

Pampa El Toro Iron Sands Project, Peru

General

The Company's Iron Sands project now comprises an aggregate of 21 concessions in two dune fields – Pampa el Toro and Carbonera. Of these concessions, 16 (12,100 hectares in four areas) are owned 100% by the Company and 5 concessions (3,600 hectares in 2 areas) are held under option from an arm's length private Peruvian company. The Iron Sands project is located near the city of Nazca in the desert coastal region of southern Peru approximately 45 kilometres northeast of the port of San Juan and close to the large Marcona iron mine and the Company's Pampa de Pongo iron deposit. The primary focus of the Company's work during the quarter and to date continues to be the Pampa el Toro dune field.

During the quarter and to date the Company successfully promoted and show-cased the Pampa el Toro program as a viable project for the production of iron ore concentrate to serve the needs of steelmakers located in the PRC, including a demonstration of pilot plant operation.

The Company has now completed its three phase melting test program at the U. S. Department of Energy (DOE)'s National Energy Technology Lab (NETL) located in Albany, Oregon (a U.S. government testing facility). The pilot-scale melting test program underwent a permitting process that was completed in July 2009, with the actual pilot plant operation conducted thereafter. The final report in connection with the melting test is in process. The certified chemical analysis of the sulphur and carbon content of the pig iron produced was determined by Howmet Research Center (Whitehall, Michigan, USA). The chemical analysis of the remaining elements of interest was determined at NETL by XRF. NETL's chemistry lab is not certified, so an alternate certified lab is presently being located to verify these analytical results.

In July, 2009, the Company received from SRK Consulting (South Africa) Inc. ("SRK") an initial resource estimate for the Pampa el Toro Iron Sands Project. Indicated and inferred resources have been defined over an approximate area of 1,595 hectares (approximately 13% of the total 12,200 hectare Pampa El Toro concession area), and only to a nominal depth of 30 metres from surface, as follows:

<u>Category</u>	<u>Volume m³</u>	<u>Tonnes</u>	<u>Fe₂O₃ %</u>	<u>TiO₂ %</u>	<u>V (ppm)</u>
Indicated	133,608,000	241,831,000	6.66%	0.72%	172 ppm
Inferred	348,000,000	629,881,000	6.48%	0.70%	166 ppm

Although a 30-metre cut-off depth was selected by SRK – as a conceptual mining depth to provide a 30-year life-of-mine (LOM) – drill testing of dune sand has been undertaken up to 60 metres depth in certain drillholes and has returned similar grades. The resource estimate was described in detail in a 43-101 technical report dated September 10, 2009 by SRK entitled "Pampa el Toro Mineral Resource Technical Report", which is available on SEDAR. Readers are urged to review the SRK report in full.

Future Work

The Company intends to complete the metallurgical test program presently underway for the recovery of vanadium and titanium from the smelter slag produced in the melting test, and believes that the results of this testing will add significant value in terms of potential high-quality pig-iron and titanium-vanadium co-products. The Company is also considering undertaking pre-feasibility studies to address the mining of the Pampa el Toro resource as well as a pre-feasibility study for the value-added smelting operation. However, the ability of the Company to proceed with further work beyond the current metallurgical testing program at the Iron Sands Project is dependent upon the Company being able to either raise the

additional financing required to do so or to secure a partner to move the project forward. At the present time, the Company is looking to secure a partner who can help move the project to a commercial stage, although there can be no assurance that it will be able to do so.

Other Mineral Projects

Mexico

Baja IOCG

The Baja IOCG project was reviewed in August 2008 by a structural consultant, who spent 3 weeks in the field mapping and reviewing core. A structural approach to the interpretation of the extensive IOCG mineralization system at San Fernando outlined several areas which have the potential for the generation of copper-rich ore bodies. A series of prospective targets and drill recommendations were defined on the basis of the new structural map, surface indications of mineralization from outcrop, geochemistry and a review of other geological data (such as host rock favourability), previous drilling and geophysics. The capacity to generate a bulk tonnage copper deposit in several of the areas is based on conceptual modelling of structural duplexes, which has good support both locally and regionally. These particular areas represent the best potential for an economic deposit in the San Fernando IOCG system.

The two highest priority targets are new structural interpretations associated with the 'San Fernando Old Workings' area, which has had one mineralized drillhole (SF-01), and the 'El Gato Duplex' system, which has not been drill tested. A third high priority area is 'San Fernando Central', which is untested and may potentially link in with the San Fernando Old Workings structure. A total of 12 holes (2,800 metres) were originally planned for the program of which 8 holes have been completed for 1,900 metres. For logistical reasons, the drill rig has been moved to San Jose and will return to San Fernando later in the program to complete an additional 6-10 drillholes. Sampling of drillholes was delayed but has now been partially completed. Assay results are expected in due course.

Drill testing at San Jose and Santa Maria, two prospects that have already been mapped and targeted by in-house geologists, will be initiated for the first time. At San Jose, a large induced polarization (IP) geophysical target, supported by soil and rock geochemistry, remains untested. Four drillholes (1,150 metres) are planned for San Jose and two drillholes (500 metres) are planned for Santa Maria. The first drillhole at San Jose is in progress.

The Company has the funds to complete the planned program.

Corrales and Santa Teresa Projects Option

Ethos Capital Corp. ("Ethos"), the TSXV listed capital pool company to which the Company has optioned its Corrales and Santa Teresa zinc-lead-silver projects in Mexico as a qualifying transaction, received TSXV acceptance to the transaction on July 17, 2009. The Company understands that Ethos will be proceeding with the work program at Santa Teresa outlined in the Technical Report filed in support of its qualifying transaction (available on SEDAR) but, to the date of this MD&A, has not received any progress report or exploration data.

Argentina

Organullo

The Organullo Project is located in the Salta Province of north-western Argentina in the central South American Andes mountain ranges approximately 18 kilometres by road south of San Antonio de Los Cobres. The Company holds a 100% interest in the property, which covers approximately 6,100 hectares.

The Company initiated the first of a two-phase exploration program in August, 2009. Phase I, a multi-faceted ground campaign, was designed to establish targeting parameters for future exploration and refine drill targets at known zones of mineralization which, if results warrant, would be the focus of a Phase II diamond drill program.

The field component of Phase 1 finished in mid-December 2009 and included:

- geological mapping, a total of 228 samples collected for description and analysis by infrared-spectroscopy using a PIMA-II instrument
- a total of 331 rock samples (419 including QA-QC) and 13 soil samples (16 including QA-QC) were collected and have been submitted for geochemical analysis
- a ground geophysical survey carried out by Quantec Geoscience and consisting of 137.9 line-km of ground magnetic and 16.2 line-km of Controlled Source Audio-frequency Magneto Tellurics (CSAMT) surveying

To date, results from Phase I geophysical survey have been received but not yet reviewed in detail. Phase II exploration is expected to get underway in early April 2010. Work will include additional mapping and prospecting to assess portions of the claim block highlighted by Aster satellite imagery. A drill contract has been signed and an application for a drill permit has been submitted. Drilling should begin, subject to receipt of the drill permit, in Q2 2010. The Company has the funds to complete the proposed program.

Los Manantiales (Mina Angela) Project

On December 3, 2008, Hochschilds Mining Holdings Limited terminated its option to acquire an interest in the project, and returned all interest in the property to the Company. The Company is presently awaiting receipt of all the data generated by Hochschilds in connection with its activities on the property as required by the option agreement. However, several attempts to secure such data have been unsuccessful. Upon receipt of the data, the Company will formulate a plan for the property, which will likely involve seeking a new optionee/joint venture partner.

Minas Pirquitas

On July 17, 2009, the Company and Davcha Resources Pty. Ltd. finalized the formal agreement in connection with the option to Davcha to earn a 55% interest in the property. Davcha is the operator. The Company has been advised that Davcha has agreed to option its interest in the Minas Pirquitas property, and four other properties in the same region, to Artha Resources Corporation ("Artha"). Neither Davcha nor Artha have advised as to the content or date of commencement of a work program at the Minas Pirquitas property. Pursuant to the Cardero/Davcha agreement, Davcha is required to incur expenditures of USD 50,000 on or before July 14, 2010 and additional expenditures of USD 950,000 on or before July 14, 2013. The Company understands that Artha is presently in the process of applying for permits for a work program at the property.

United States

TiTac and Longnose Projects, Minnesota

The Company has commenced an initial work program at the Longnose and TiTac projects. Work to date has included re-sampling to verify historical laboratory analysis, surveying and cleaning of previously existing local grids, negotiating to secure surface access rights and initiating the necessary permitting process. In October 2009, the Company decided to initiate drilling before completing a new, 43-101 compliant resource estimates aimed at defining inferred resources. SRK Consulting have been retained to complete this work, which will utilize historical and new drill data, once drilling has been completed. A composite sample of TiTac mineralization was produced from riffle-split quarters of 103 samples of assay rejects. The Company has retained a consultant to conduct preliminary metallurgical test work to concentrate the sample with density (table) and magnetic separation.

Drill, road and access permits are in place and drilling is underway at the Longnose and Titac properties. To date, six holes have been completed (a total of 1901 metres) and one hole is currently drilling at the Titac property. At the Longnose property, two holes have been completed (a total of 335.4 metres), a hole is currently underway, and one hole was temporarily abandoned.

Drillhole sampling is underway and assay results will be reported when available. Drilling is being adversely impacted by unseasonably warm weather and some planned holes that require frozen surface conditions may not be completed this winter. This, in turn, may negatively affect the Company's ability to complete a 43-101 compliant resource estimate in 2010. The Company has sufficient funds to complete the proposed program.

Qualified Person(s) and Quality Control/Quality Assurance

EurGeol Keith Henderson, Cardero's Vice President-Exploration and a qualified person as defined by National Instrument 43-101, has supervised the preparation of the scientific and technical information that forms the basis for the mineral property disclosure in this MD&A other than with respect to the test work on the Pampa el Toro concentrate and the mineral resource estimate for Pampa el Toro. Mr. Glen Hoffman MMSA QP, the President and CEO of Cardero Iron Ore Company Ltd. and a qualified person as defined by National Instrument 43-101, has reviewed the scientific and technical information with respect to the test work on the Pampa el Toro concentrate. Neither Mr. Henderson nor Mr. Hoffman is independent of the Company, as both are employees and hold common shares and incentive stock options. Mr. Mark Wanless, Pr. Sci. Nat., of SRK Consulting (South Africa) (Pty.) Ltd., and a qualified person as defined by National Instrument 43-101, is responsible for all aspects of the mineral resource estimate for Pampa el Toro as outlined in this MD&A.

The work programs at Pampa el Toro are designed by, and are supervised by, Dr. S. Jayson Ripke MMSA QP, Cardero Iron Ore Management (USA) Inc.'s Vice President - Technical, who together are responsible for all aspects of the work, including the quality control/quality assurance program. The metallurgical test work is designed and directly observed on site by Dr. Ripke, who is responsible for all on-site aspects of metallurgical testing and the quality control/quality assurance.

The work programs on the Company's properties other than Pampa el Toro are designed and are supervised by Mr. Henderson, either alone or in conjunction with independent consultants. Mr. Henderson and such consultants, as applicable, are responsible for all aspects of the work, including the quality control/quality assurance program. On-site personnel at the various project rigorously collect and track samples which are then sealed and shipped to ALS Chemex for assay. ALS Chemex's quality system complies with the requirements for the International Standards ISO 9001:2000 and ISO 17025:

1999. Analytical accuracy and precision are monitored by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. Blind certified reference material is inserted at regular intervals into the sample sequence by Cardero personnel in order to independently assess analytical accuracy. Finally, representative blind duplicate samples are forwarded to ALS Chemex and an ISO compliant third party laboratory for additional quality control.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties, primarily in Mexico, Argentina, Peru and the United States. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily early to advanced stage exploration properties and, with the exception of the Pampa el Toro Iron Sands project in Peru, with no known resources and or known reserves), the following risk factors, among others, will apply:

There are no known reserves and, other than at the Pampa el Toro Iron Sands project in Peru, there are no known resources, on any of the Company's properties. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the ore, and construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit, even it is established to contain an estimated resource, will ever qualify as a commercial mineable ore body which can be legally and economically exploited. **Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.**

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. The Company's long-term viability and profitability depend, in large part, upon the market price of metals which have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The current dramatic downturn in the price of all commodities (other than gold) for which the Company is presently exploring is an example of a situation over which the Company has no control and materially adversely affects the Company in a manner that it may not be able to compensate for. The supply of and demand for metals are affected by various factors, including political events,

economic conditions and production costs in major producing regions, and any slackening of the demand in high demand countries, such as China and India, will materially adversely affect the prices of such commodities. There can be no assurance that the price of any minerals produced from the Company's properties will be such that any such deposits can be mined at a profit.

Difficulties in Raising Development Capital: Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its capital requirements to pursue the acquisition of any significant mineral projects or to secure its share of development financing following a decision to place any of its current or future mineral properties into production (whether on its own or on a joint venture basis). In 2007 and into 2008, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions continued and worsened in 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. Despite the apparent beginning of a general economic recovery in 2009, the strength of such recovery is uncertain, and any reversal of or disruption in such a recovery could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

General Economic Conditions: The recent unprecedented events in global financial markets have had a profound impact on the global economy. Many industries, including the gold and base metal mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability. Specifically:

- The global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity
- the volatility of gold and other base metal prices may impact the Company's future revenues, profits and cash flow

- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential production costs
- the devaluation and volatility of global stock markets impacts the valuation of the Common Shares, which may impact the Company's ability to raise funds through the issuance of Common Shares

These factors could have a material adverse effect on the Company's financial condition and results of operations.

Share Price Volatility: In 2008 and 2009, worldwide securities markets, particularly those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. **As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

Acquisition of Mineral Concessions under Agreements: The agreements pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Title Matters: The acquisition of title to mineral concessions in Mexico, Peru and Argentina is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. While the Company has diligently investigated title to all mineral concessions in which it has an interest and, to the best of its knowledge, title to all such concessions is in good standing or, where not yet granted, the application process appears to be proceeding normally in all the circumstances, this should not be construed as a guarantee of title or that any such applications for concessions will be granted. Title to the concessions may be affected by undetected defects such as aboriginal or indigenous peoples' land

claims, or unregistered agreements or transfers. The Company has not obtained title opinions for the majority of its mineral properties. Not all the mineral properties in which the Company has an interest have been surveyed, and their actual extent and location may be in doubt.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in the applicable jurisdiction, the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate. This is a particular problem in many areas of Mexico, Argentina and Peru, where blockades of access to the Company's properties, hostile actions by local communities and the potential unwillingness of local police or governmental officials to assist a foreign company against its own citizens can result in the Company being unable to carry out any exploration activities despite being legally authorized to do so and having complied with all applicable local laws and requirements.

No Assurance of Profitability: The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration stage and the Company has not defined or delineated any proven or probable reserves on any of its properties. None of the Company's properties are currently under development. Continued exploration of its existing properties and the future development of any properties found to be economically feasible, will require significant funds. The only present source of funds available to the Company is through the sale of its equity shares, short-term, high-cost borrowing or the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance

premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. The Company cannot predict whether or not such legislation, policies or controls, as presently in effect, will remain so, and any changes therein (for example, significant new royalties or taxes), which are completely outside the control of the Company, may materially adversely affect to ability of the Company to continue its planned business within any such jurisdictions.

Foreign Countries and Political Risk: The Company's material mineral property is located in Peru, and it has additional mineral properties located in Peru, Argentina, Mexico and the United States where mineral exploration and mining activities may be affected in varying degrees by political or economic instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may materially adversely affect it business, or if significant enough, may make it impossible to continue to operate in certain countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Exploration and Mining Risks: Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be

duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

Currency Fluctuations: The Company presently maintains its accounts in Canadian dollars. Due to the nature of its operations in such countries, the Company also maintains accounts in U.S. dollars, Mexican and Argentine pesos and Peruvian nuevo soles. The Company's operations in the United States, Mexico, Argentina and Peru and its proposed payment commitments and exploration expenditures under many of the agreements pursuant to which it holds, or has a right to acquire, an interest in its mineral properties are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the Company's financial position and results. The Company does not engage in any hedging programs with respect to currencies.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Regulatory Requirements: The activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

Limited Experience with Development-Stage Mining Operations: The Company has limited experience in placing mineral resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

Estimates of Mineral Reserves and Resources and Production Risks: The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists, and no assurance can be given that any particular level of recovery of

minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. Accordingly, there can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at any of its properties, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have a material adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time should not be interpreted as assurances of mine life or of the profitability of future operations. Estimated mineral resources and mineral reserves may have to be re-estimated based on changes in applicable commodity prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource or mineral reserve estimates. Market price fluctuations for gold, silver or base metals, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges.

Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The failure to establish proven and probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Enforcement of Civil Liabilities: As substantially all of the assets of the Company and its subsidiaries are located outside of Canada and the United States, and certain of the directors and officers of the Company are resident outside of Canada and/or the United States, it may be difficult or impossible to enforce judgements granted by a court in Canada or the United States against the assets of the Company and its subsidiaries or the directors and officers of the Company residing outside of such country.

Mining Industry is Intensely Competitive: The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs and helicopters. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

The Company believes that it has been a "passive foreign investment company" under the U.S. Internal Revenue Code, which may result in material adverse U.S. federal income tax consequences to investors in Common Shares that are U.S. taxpayers: Investors in Common Shares that are U.S. taxpayers should be aware that the Company believes that it has been, in one or more prior tax years, and may, in the current and future tax years, be, a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). However, no determination has been made regarding the Company's PFIC status for any particular tax year. If the Company is or becomes a PFIC, generally any gain recognized on the sale of the Common Shares and any "excess distributions" (as specifically defined) paid on the Common Shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the Common Shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the Common Shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a "qualified electing fund" (a "QEF") election with respect to the Company generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (as specifically defined and calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. U.S. taxpayers should be aware, however, that there can be no assurance that the Company will satisfy record keeping requirements under the QEF rules or that the Company will supply U.S. taxpayers with required information under the QEF rules, in event that the Company is a PFIC and a U.S. taxpayer wishes to make a QEF election. As a second alternative, a U.S. taxpayer may make a "mark-to-market election" if the Company is a PFIC and the Common Shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in the Common Shares.

The above paragraphs contain only a brief summary of certain U.S. federal income tax considerations. Investors should consult their own tax advisor regarding the PFIC rules and other U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

Investments

International Tower Hill Mines Ltd.

During the period ended January 31, 2010, the Company sold 24,000 shares of ITH for net proceeds of \$156,492 resulting in a gain on sale of \$136,092. Meanwhile, the Company purchased 60,000 shares of ITH at a cost of \$407,044. At January 31, 2010, the Company held 3,518,800 common shares, or approximately 5.84% of the issued and outstanding ITH common shares.

Trevali Resources Corp.

During the period, the Company purchased 50,000 common shares of Trevali at a cost of \$45,000. At January 31, 2010, the quoted market value of the Trevali common shares was \$1.19 per share, or a total market value for the Company's shares of \$5,003,460 (October 31, 2009 - 2,908,212). Fair value adjustments for the period ended January 31, 2010 amounted to unrealized gain of \$1,742,711 (October 31, 2009 – an unrealized gain of \$294,185), net of tax, recorded as other comprehensive income. The Company held 4,204,588 common shares, or 7.96% of the issued and outstanding common shares of Trevali as of January 31, 2010.

Wealth Minerals Ltd.

At January 31, 2010, the quoted market value of Wealth common shares was \$0.45 per share, or a total market value for the Company's shares of \$1,188,834. Fair value adjustments for the period ended January 31, 2010 amounted to unrealized loss of \$44,912, net of tax, recorded as other comprehensive loss. The Company held 2,641,853 shares, or 7% of the issued and outstanding common shares of Wealth as of January 31, 2010.

Dorato Resources Inc.

During the period, the Company purchased 404,000 common shares of Dorato at a cost of \$334,984.

At January 31, 2010, the quoted market value of Dorato common shares was \$1.15, or a total market value for the Company's shares of \$1,150,000. Fair value adjustment at the period ended January 31, 2010 amounted to an unrealized gain, net of tax, of \$424,266 (October 31, 2009 - \$3,447). The Company held 1,000,000 common shares, or 1.57% of issued and outstanding common shares of Dorato as of January 31, 2010.

Indico Resources Ltd.

During the period, the Company purchased 50,000 common shares of Indico at a cost of \$29,954.

At January 31, 2010, the quoted market value of Indico common shares was \$0.50. Fair value adjustment at the period ended January 31, 2010 amounted to an unrealized loss, net of tax, of \$4,211.

The Company held 50,000 common shares, or 0.39% of issued and outstanding common shares of Indico as of January 31, 2010.

Ethos Capital Corp.

During the year ended October 31, 2009, the Company received 100,000 common shares of Ethos valued at \$17,000 pursuant to a property option agreement. This investment is classified as held-for-trading. Fair value adjustments for the period ended January 31, 2010 amounted to an unrealized gain of \$46,000.

The Company does not have any present plans to dispose of any of its investments in ITH, Trevali, Wealth, Dorato, Indico or Ethos. However, the Company will consider dispositions of such shares as an option to be considered should it become necessary to raise additional funding for the Company's operations and other sources of financing are not available or are felt by the directors to be less advantageous or more costly. The Company may add to its holdings of ITH, Trevali, Wealth, Dorato, Indico and Ethos securities. Although the Company's primary focus remains the acquisition, exploration and development or sale of mineral properties, Cardero will continue to consider and evaluate potential direct investments in other natural resource companies in appropriate circumstances (principally early-stage investments). All investments by the Company in ITH, Dorato, Wealth, Trevali, Indico and Ethos are, and any investments in other companies will be, for investment purposes only, and Cardero does not presently plan to exercise any control over, or seek to affect or influence, the management or policies of any such companies.

Three months ended January 31, 2010 compared to three months ended January 31, 2009

During the three months ended January 31, 2010, the Company recorded a net income of \$62,261,575 compared to a net loss of \$2,997,821 for the three months ended January 31, 2009. The following discussion explains the variations in the key components of these results.

The net income of \$62,261,575 was largely a result of receiving the final payment of \$93,607,400 (USD 88,000,000) from the sale of Pampa de Pongo property that have been recognized in other income, net of related property costs of \$640,669 and transaction costs of \$3,560,715, for a gain of \$89,406,016 (2009 - \$Nil) before applicable income taxes.

The Company's general and administrative costs totalled \$1,617,333, compared to \$1,843,983 in 2009. The major expense categories involved in this decrease were property evaluations of \$51,054 (2009 - \$215,944), salaries of \$556,779 (2009 - \$915,267) and regulatory and transfer agent fees of \$23,203 (2009 - \$36,616). The decrease in salaries is primarily due to lower personnel costs in the Company's Peruvian subsidiary of \$244,423 for the quarter as a result of decreased activity after the sale of Pampa de Pongo. Property evaluations costs have been decreasing as the Company focussed on the finalization of the Pampa de Pongo transaction. Offsetting these variances was the write off of value added tax (VAT) receivable in Mexico of \$104,835 (2009 - \$Nil).

Investor relations expense of \$170,738 (2009 - \$200,626) decreased 15% compared to the previous year as a result of \$102,207 recorded in 2009 for stock-based compensation compared to \$Nil in 2010. Existing market conditions also contributed to a general decrease in investor relations expenditures. Office costs increased substantially from \$72,705 in 2009 to \$278,132 in the current fiscal year largely due to higher costs at the Company's Peruvian subsidiaries.

During the quarter, no resource properties were written off, compared to a write-off of \$2,642,051 in the same period in 2009.

During the period, The Company purchased more securities of ITH, Trevali, Indico and Dorato at a total cost of \$816,982 (2009 - \$Nil). The Company sold 24,000 ITH common shares for net proceeds of \$156,492, realizing a gain of \$136,092, compared to selling 632,800 ITH common shares for net proceeds of \$1,134,703, realizing a gain of \$660,103 in 2009.

SUMMARY OF QUARTERLY RESULTS

The table below sets out the quarterly results, expressed in Canadian dollars, for the past 8 quarters:

Fiscal 2010

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 411			
Gain(loss) on resource property transactions	89,406,016			
Gain on sale of investments	136,092			
Net income (loss)	62,261,575			
Net income per share	1.06			
Comprehensive income (loss)	69,081,221			

Fiscal 2009

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 7,131	\$ 5,446	\$ (135)	12,133
Gain(loss) on resource property transactions	-	-	8,731,350	(133,695)
Gain on sale of investment	660,103	1,722,356	-	335,795
Net income (loss)	(2,997,821)	193,054	4,391,076	(1,840,937)
Net loss per share	(0.05)	0.00	0.08	(0.03)
Comprehensive income (loss)	1,400,502	(671,416)	6,506,293	2,895,749

Fiscal 2008

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 3,593	\$ 17,427	\$ 14,721	\$ 56,760
Gain on sale of investment	-	66,963	81,014	110,943
Net income (loss)	(1,788,629)	(3,834,843)	(3,744,818)	(6,461,372)
Net loss per share	(0.04)	(0.07)	(0.07)	(0.11)
Comprehensive income (loss)	(1,058,629)	(7,285,919)	(2,259,782)	(7,299,592)

- Notes: 1) There were no discontinued operations or extraordinary items in the periods under review.
2) The basic and diluted losses per share were the same in each of the periods.

The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation and acquisition program and the timing and results of the Company's exploration activities on its current properties, none of which are possible to predict with any accuracy. The variation in income is related to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities, and the sale of investments the timing of which will vary with overall market conditions, and is therefore also difficult to predict. In addition, results in fiscal 2009 and the current quarter were significantly influenced by the one-time sale of the Pampa de Pongo property. While the Company may seek, in the future, to sell some or all of the interests in other of its mineral properties, the timing and potential effect of any such sale is impossible to predict.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed by the sale of its equity securities by way of private placements and the subsequent exercise of share purchase warrants and broker options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. In addition, the Company can raise funds through the sale of interests in its mineral properties (as, for example, with the sale of the Pampa de Pongo project), although current market conditions have substantially reduced the number of potential buyers/acquirors of any such interest(s). Notwithstanding current market conditions, the Company did complete the sale of Pampa de Pongo during the period, and received the final payment of USD 88 million on account of the USD 100 million purchase price. When acquiring an interest in mineral properties through purchase or option the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash.

The Company expects that it will operate at a loss for the foreseeable future, notwithstanding the income recognized on the Pampa de Pongo transaction in the third quarter of fiscal 2009 and in the first quarter of fiscal 2010. The Company currently has no funding commitments or arrangements for additional financing at this time (other than the potential exercise of outstanding options or warrants or the sale of some or all of its investment in ITH, Trevali, Wealth, Dorato, Indico and Ethos) and there is no assurance that the Company will be able to obtain additional financing on acceptable terms, if at all. There is significant uncertainty that the Company will be able to secure any additional financing required for the development of any of its mineral properties, or to develop any advanced properties that it may acquire. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes.

As at January 31, 2010, the Company reported cash and cash equivalents of \$94,410,073 compared to \$5,823,196 as at October 31, 2009. The change in cash is comprised of funds provided from investing activities of \$87,079,257 (principally from the proceeds of the Pampa de Pongo transaction) and \$1,522,070 from operating activities. As at January 31, 2010, the Company had working capital of \$62,694,127, compared to working capital of \$3,803,620 at October 31, 2009.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiaries for their immediate operating needs in the United States, Mexico, Peru and Argentina, all of the Company's cash reserves are on deposit with major financial institutions or invested in Government of Canada Treasury Bills or Banker's Acceptances issued by major Canadian chartered banks. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

OFF BALANCE-SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

	January 31, 2010	January 31, 2009
Professional fees	\$ 22,294	\$ 22,069
Consulting fees	\$ 22,500	\$ 22,500

At January 31, 2010, there was \$7,700 (October 31, 2009 - \$18,900) included in accounts payable and accrued liabilities, and \$449,405 (October 31, 2009 - \$587,956) included in due from related parties. Professional fees include amounts paid to a law firm of which a director is a shareholder.

Amounts due from related parties are comprised as follows:

	January 31, 2010	October 31, 2009 (audited)
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date		
Trevali Resource Corp.	\$ 24,875	\$ 290,003
Wealth Minerals Ltd.	134,169	121,393
Dorato Resources Inc.	42,308	25,490
Director/Officer/Others	248,053	151,070
	\$ 449,405	\$ 587,956

The Company recovered \$221,764 during the period ended January 31, 2010 (January 31, 2009 - \$126,456) in rent and administration costs from Wealth, ITH, Dorato, Indico Resources Ltd., Trevali and Lawrence W. Talbot Law Corporation ("LWTLC"), companies with common officers or directors.

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Mr. Stephan Fitch, a director of the Company, is a director and significant shareholder of a private company which is the major shareholder (67%) of IMM. The Company has a 15% interest in IMM (a subsidiary of IMM) which was purchased from IMM. This transaction was approved by the Company's audit committee and board of directors (other than Mr. Fitch, who abstained from voting in each case). The Company has determined that it has an obligation to issue an additional 214,843 common shares to IMM pursuant to the acquisition of its initial 15% investment in IMM, the final issuance of which is currently the subject of on-going negotiations with IMM. The Company determined not to acquire an additional 15% interest in IMM and did not therefore issue the additional 1,000,000 common shares on or before December 31, 2009.

Effective October 1, 2005, the Company retained Mr. Carlos Ballon of Lima, Peru, to provide management services on behalf of the Company in Peru through his private Peruvian company, Minera Koripampa del Peru S.A. ("Koripampa"), for a fee of USD 10,000 per month (reduced to USD 7,500 per month starting from March 2007), which has been expensed to consulting fees. Mr. Ballon became President of Cardero Peru in April 2006. Accordingly, Mr. Ballon is a related party with respect to the Company. Prior to Mr. Ballon becoming a related party, the Company entered into a number of mineral property acquisition/option agreements with either Koripampa or Sudamericana de Metales Peru S.A., another private Peruvian company controlled by Mr. Ballon. Such property transactions include those with respect to the Carbonera and Daniella Properties, the Pampa de Pongo Property, the Katanga Property and the Corongo Property.

The presidents of MMC and Cardero Argentina provide management services for USD 3,750 each per month, which is expensed to consulting fees or capitalized to property costs, depending upon the nature of the services.

The Company has entered into a retainer agreement dated May 1, 2007 with LWTLC, pursuant to which LWTLC agrees to provide legal services to the Company. Pursuant to the retainer agreement, the Company has agreed to pay LWTLC a minimum annual retainer of \$82,500 (plus applicable taxes and disbursements). The retainer agreement may be terminated by LWTLC on reasonable notice, and by the Company on one year's notice (or payment of one year's retainer in lieu of notice).

PROPOSED TRANSACTIONS

Although the Company is currently investigating a number of additional property acquisitions, and is entertaining proposals for the sale or option/joint venture of one or more of its properties, as at the date of this MD&A there are no proposed transactions where the board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates in the preparation of the Company's financial statements include the rates of amortization for equipment, the potential recovery of resource property interests, the assumptions used in the determination of the fair value of stock-based compensation and the determination of the valuation allowance for future income tax assets. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since November 1, 2009, being the start of the Company's most recently completed fiscal year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's cash and resource related investments in common shares are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Company's resource related investments in warrants and accounts payable, are classified at Level 2 of the fair value hierarchy because they are derived directly on the prices of services provided by these parties; however, this is not readily measurable in an active market. The Company does not believe that it is exposed to any material risk with respect thereto.

The Company's cash at January 31, 2010 was \$94,410,073 of which \$90,642,905 was held in US, Mexican, Argentinean and Peruvian currencies.

The Company's receivables and payables at January 31, 2010 were normal course business items that are settled on a regular basis. The Company's investments in ITH, Trevali, Wealth, Indico and Dorato are carried at quoted market value or an estimate thereof, and are classified as "available-for-sale" for

accounting purposes. The Company's investment in Ethos is classified as "held-for-trading" for accounting purposes. All resource related investments in warrants are classified as held-for-trading and are considered derivative financial instruments where changes to the fair value are included in net income. The Company has no current plans to dispose of any significant portion of its investments in ITH, Trevali, Wealth, Indico or Dorato, but may determine to do so if necessary to raise funds for its ongoing operations.

MATERIAL PROCEEDINGS

The Company is not a party to any material proceedings.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that all relevant information required to be disclosed in the Company's reports filed or submitted as part of the Company's continuous disclosure requirements is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure and such information can be recorded, processed, summarized and reported within the time periods specified by applicable regulatory authorities.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at January 31, 2010 as required by Canadian and US securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of January 31, 2010, the disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting means a process designed by, or under the supervision of, the Company's certifying officers, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP and includes those policies and procedures that:

- (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the Company's GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period beginning on November 1, 2009 and ended on January 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with appropriate comparative data from the prior year. The Company will be required to adopt IFRS commencing November 1, 2011 and will require the restatement, for comparative purposes, of amounts reported on the Company's opening IFRS balance sheet as at October 31, 2010 and amounts reported for the year ended October 31, 2011.

Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that will need to be addressed by management. The Company has a comprehensive IFRS conversion plan and is completing its initial scoping study to identify key areas that may affect disclosure and financial reporting upon transition to IFRS.

During the current quarter the Company initiated its detailed analysis of identified areas of potential accounting changes and is approximately 30% complete its review of key areas. It is expected that all of the decisions regarding accounting policy choices, transitional provisions and the potential impacts of IFRS on the Company's financial statements will be completed by October 31, 2010. The Company will also evaluate and re-document its information systems, internal controls over financial reporting, and data collection methods to ensure that it can smoothly transition to IFRS while meeting all financial reporting obligations. No significant issues are anticipated at this time.

DISCLOSURE OF OUTSTANDING SHARE DATA

1. Authorized and Issued capital stock:

(a) As at January 31, 2010:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	58,618,477	\$70,146,395

(b) As at March 10, 2010:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	58,685,602	\$70,237,014

2. Options Outstanding:

(a) As at January 31, 2010:

Number	Exercise Price	Expiry Date
2,000,000	\$2.04	July 21, 2010
1,200,000	\$2.18	August 8, 2010
575,000	\$1.16	December 9, 2010
225,000	\$1.39	April 9, 2011
1,000,000	\$1.30	September 11, 2011
360,000	\$1.31	December 1, 2011
5,360,000		

(b) As at March 10, 2010:

Number	Exercise Price	Expiry Date
2,000,000	\$2.04	July 21, 2010
1,200,000	\$2.18	August 8, 2010
575,000	\$1.16	December 9, 2010
225,000	\$1.39	April 9, 2011
1,000,000	\$1.30	September 11, 2011
360,000	\$1.31	December 1, 2011
500,000	\$1.41	February 2, 2012
5,860,000		

3. Warrants/Agent's warrants Outstanding:

(a) As at January 31, 2010:

Number	Exercise Price	Expiry Date
3,628,000	\$1.50	March 1, 2010
675,100	\$1.35	March 1, 2010
4,303,100		

(b) As at March 10, 2010, nil warrants/agent's warrants outstanding.

NYSE AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE Amex LLC ("NYSE Amex"). Section 110 of the NYSE Amex Company Guide permits NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is posted on the Company's website at www.cardero.com and a copy of such description is available by written request made to the Company.

ADDITIONAL SOURCES OF INFORMATION

Additional disclosures pertaining to the Company, including its most recent Annual Information Form, financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at www.sedar.com or on the Company's website at www.cardero.com. Readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.