



CARDERO RESOURCE CORP.
(An Exploration Stage Company)

Consolidated Financial Statements

(Unaudited – Prepared by Management)

April 30, 2009

**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)

April 30, 2009

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

	April 30, 2009	October 31, 2008 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 2,377,824	\$ 1,288,840
Accounts receivable (note 8)	2,801,432	1,793,924
Prepaid expenses	109,333	223,774
Total Current Assets	5,288,589	3,306,538
Fixed Assets (note 3)	170,772	198,911
Resource Related Investments (note 4)	11,222,400	7,824,670
Equity Investment (note 5)	783,743	795,000
Resource Properties (note 6)	20,429,051	21,879,246
Total Assets	\$ 37,894,555	\$ 34,004,365
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 737,321	\$ 870,208
Advance payment on sale of resource property (note 12(a))	2,386,000	-
	3,123,321	870,208
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	70,002,836	68,824,822
Obligation to Issue Shares	-	795,000
Contributed Surplus	12,437,286	11,912,309
Accumulated Other Comprehensive Income	6,407,108	2,617,740
Deficit	(54,075,996)	(51,015,714)
Total Shareholders' Equity	34,771,234	33,134,157
Total Liabilities and Shareholders' Equity	\$ 37,894,555	\$ 34,004,365

Nature of operations and going concern (note 1)

Commitments (note 11)

Subsequent events (note 12)

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)

	Three Months Ended		Six Months Ended	
	April 30		April 30	
	2009	2008	2009	2008
		(restated – note 14)		(restated – note 14)
Administrative Expenses				
Amortization	\$ 11,571	\$ 5,349	\$ 23,845	\$ 10,255
Consulting fees (note 8)	760,002	253,197	944,417	343,078
Insurance	43,022	49,070	85,778	95,734
Investor relations	161,985	233,616	362,611	555,117
Office costs	214,432	255,960	287,137	399,771
Professional fees (note 8)	228,562	263,483	391,942	380,241
Property evaluations	56,577	135,571	272,521	282,133
Regulatory and transfer agent fees	84,853	78,291	121,469	88,079
Salaries	385,103	299,189	1,300,370	708,337
Loss Before Other Items and Income Taxes	(1,946,107)	(1,573,726)	(3,790,090)	(2,862,745)
Other Gain (Loss) Items				
Foreign exchange gain (loss)	246,181	17,858	290,985	94,655
Interest income	5,446	17,427	12,577	21,020
Realized gain on sale of available-for-sale investment (note 4)	1,722,356	66,963	2,382,459	66,693
Unrealized gain (loss) on derivative investment (note 4)	-	(1,680,000)	-	(2,260,000)
Write-off of resource properties	45,559	(683,365)	(2,596,492)	(683,365)
Loss on equity investment	(11,257)	-	(11,257)	-
Loss on debt settlement	(17,176)	-	(17,176)	-
	1,991,109	(2,261,117)	61,096	(2,760,727)
Loss Before Income Taxes	45,002	(3,834,843)	(3,728,994)	(5,623,472)
Future income tax recovery (expense) (note 10)	(107,463)	(358,867)	668,712	(249,367)
Net Loss for Period	(62,461)	(4,193,710)	(3,060,282)	(5,872,839)
Basic and Diluted Loss Per Share	\$ (0.00)	\$ (0.08)	\$ (0.05)	\$ (0.12)
Weighted Average Number of Shares Outstanding	58,419,731	53,510,739	58,297,116	50,714,293

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

	Share Capital		Obligation to Issue Shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2006	43,122,439	\$ 49,460,316	\$ -	\$ (29,412,562)	\$ 6,645,896	\$ -	\$ 26,693,650
Net loss for the year (restated – note 14)				(8,313,490)			(8,313,490)
Other Comprehensive Income							
Unrealized gain on available-for-sale investments (restated – note 14)						331,500	331,500
Transfer to income of realized gain on sale of resource related investments (restated – note 14)						(1,453,500)	(1,453,500)
Comprehensive loss for the year							(9,435,490)
Adjustment to opening balance – change in accounting policy (restated – note 14)				2,540,000		5,814,000	8,354,000
Shares issued for cash							
Private placement	3,700,000	5,550,000					5,550,000
Exercise of options	190,000	329,250					329,250
Share issue costs		(281,830)					(281,830)
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options		121,665			(121,665)		-
Property acquisition	220,000	415,600					415,600
Agent's compensation	89,000	133,500					133,500
Share issue costs		(254,580)			121,080		(133,500)
Stock-based compensation					1,845,480		1,845,480
Balance, October 31, 2007	47,321,439	55,473,921	-	(35,186,052)	8,490,791	4,692,000	33,470,660

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

	Share Capital		Obligation to issue shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2007 (carried forward)	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							
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	795,000				1,795,000
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
Net loss for the period				(3,060,282)			(3,060,282)
Other comprehensive income							
Unrealized gain on available-for-sale investments						5,227,944	5,227,944
Transfer to Income of realized gain on sale of resource related investments						(1,438,576)	(1,438,576)
Comprehensive loss for the period							729,086
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)		-
Property acquisition	500,000	795,000	(795,000)				-
Debt settlement	143,130	204,676					204,676
Stock-based compensation					539,064		539,064
Balance, April 30, 2009	58,543,477	\$ 70,002,836	\$ -	\$ (54,075,996)	\$ 12,437,286	\$ 6,407,108	\$ 34,771,234

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

	Three Months Ended		Six Months Ended	
	April 30		April 30	
	2009	2008	2009	2008
		(restated – note 14)		(restated – note 14)
Operating Activities				
Net loss for period	\$ (62,461)	\$ (4,193,710)	\$ (3,060,282)	\$ (5,872,839)
Items not involving cash				
Amortization	11,571	5,349	23,845	10,255
Stock-based compensation	147,270	-	539,064	311,524
Write-off resource properties	(45,559)	683,365	2,596,492	683,365
Realized gain on sale of available-for-sale investment	(1,722,356)	(66,963)	(2,382,459)	(66,963)
Loss on equity investment	11,257	-	11,257	-
Loss on debt settlement	17,176	-	17,176	-
Unrealized loss on derivative investment (note 4)	-	1,680,000	-	2,260,000
Future income tax (recovery) expense	107,463	358,867	(668,712)	249,367
Changes in Non-Cash Working Capital Items				
Accounts receivable	(1,059,411)	(373,528)	(1,007,508)	266,709
Prepaid expenses	29,330	(85,287)	114,441	(41,493)
Accounts payable and accrued liabilities	2,532,851	26,995	2,446,602	(46,144)
Cash Used in Operating Activities	(32,869)	(1,964,912)	(1,370,084)	(2,246,219)
Investing Activities				
Investment in and expenditures on resource properties	(336,838)	(1,142,574)	(1,152,286)	(2,037,968)
Proceeds from sale of investment in ITH	2,308,106	92,557	3,442,809	92,557
Investment in Trevali Resources Corp.	-	-	-	-
Purchase of equipment	-	(2,956)	4,295	(2,956)
Cash Provided by (Used in) Investing Activities	1,971,268	(1,052,973)	2,294,818	(1,948,367)
Financing Activities				
Proceeds from shares issued	127,500	8,251,100	164,250	9,136,100
Share issue costs	-	(862,688)	-	(862,688)
Cash Provided by Financing Activities	127,500	7,388,412	164,250	8,273,412
Increase (Decrease) in Cash and Cash Equivalents	2,065,899	4,370,527	1,088,984	4,078,826
Cash and Cash Equivalents, Beginning of Period	311,925	532,783	1,288,840	824,484
Cash and Cash Equivalents, End of Period	\$ 2,377,824	\$ 4,903,310	\$ 2,377,824	\$ 4,903,310
Supplemental Cash Flow Information				
Accounts payable related to property expenditure	\$ 390,085	\$ 333,020	\$ 390,085	\$ 333,020
Shares issued for property option payments	\$ 795,000	\$ -	\$ 795,000	\$ 1,000,000
Shares issued for debt settlement	\$ 204,676	\$ -	\$ 204,676	\$ -
Shares issued for brokers' commission	\$ -	\$ 55,000	\$ -	\$ 55,000
Interest and income tax paid	\$ -	\$ -	\$ -	\$ -

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Consolidated Financial Statements
For the Six Months ended April 30, 2009 and 2008
(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.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred significant operating losses over the current six month and recent periods (April 30, 2009 - \$3,060,282; year ended October 31, 2008 - \$15,829,662), is currently unable to self-finance operations, has working capital of \$2,165,268 (October 31, 2008 - \$2,436,330), has a deficit of \$54,075,996 (October 31, 2008: \$51,015,714), has limited resources, has no source of operating cash flow and has no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property projects.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 period. Areas requiring the use of estimates include the rates of amortization for fixed assets, the recoverability 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 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.

(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. Other investments, not including derivatives, are 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 included in operations. Share purchase warrants included in investments are classified as derivative financial instruments 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Resource properties (Continued)

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;
- 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Asset retirement obligations (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the 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.

(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. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income or loss calculated in accordance with Canadian GAAP.

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.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 13.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Capital disclosures

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital. The new section is effective for the Company for the year beginning on November 1, 2007. Other than the additional disclosure in note 13, the adoption of this section has had no impact on the Company’s consolidated financial statements.

(m) Going concern

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of a company’s ability to continue as a going concern. When financial statements are not prepared on a going concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new section is effective for the Company on February 1, 2008. The adoption of this standard had no effect on the Company’s consolidated financial statements.

(o) Future accounting changes

i. Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after November 1, 2008. The Company believes the adoption of this new section has had no additional impact on its consolidated financial statements.

ii. 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, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

iii 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.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Consolidated Financial Statements
For the Six Months ended April 30, 2009 and 2008
(Unaudited – Prepared by Management)

3. FIXED ASSETS

	April 30, 2009			October 31, 2008		
	Cost	Accumulated		Cost	Accumulated	
		Amortization	Net		Amortization	Net
Computer equipment	\$ 137,893	\$ 91,576	\$ 46,317	\$ 127,842	\$ 83,433	\$ 44,409
Office equipment	83,089	30,638	52,451	101,048	24,570	76,478
Leasehold improvements	136,023	64,019	72,004	82,900	4,876	78,024
	\$ 357,005	\$ 186,233	\$ 170,772	\$ 311,790	\$ 112,879	\$ 198,911

4. RESOURCE RELATED INVESTMENTS

	April 30, 2009	October 31, 2008
		(audited)
International Tower Hill Mines Ltd.	\$ 10,292,400	\$ 7,024,670
Trevali Resources Corp.	930,000	800,000
	\$ 11,222,400	\$ 7,824,670

- (a) During fiscal 2006, the Company acquired 4,000,000 common shares of International Tower Hill Mines Ltd. (TSXV: "ITH"), plus common share purchase warrants to purchase up to an additional 2,000,000 common shares at a price of \$1.00 until August 4, 2008, at an average gross cost of \$2,240,000. 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, 2007, the Company sold 1,000,000 shares of ITH for net proceeds of \$2,378,236 resulting in a gain on sale of \$1,818,236.

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

At April 30, 2009, the quoted market value of ITH common shares was \$3.00 (October 31, 2008 - \$1.45) per share, or a total market value for the Company's shares of \$10,292,400 (October 31, 2008 - \$7,024,670). The 2,000,000 share purchase warrants were exercised in the fourth quarter of fiscal 2008. The Company sold 1,413,800 shares during the period, realizing a gain of \$2,382,459. Fair value adjustments for the period April 30, 2009 amounted to unrealized gains of \$5,117,444 (year ended October 31, 2008 – unrealized losses of \$2,482,697) on the shares, net of tax, and unrealized gains of \$Nil (year ended October 31, 2008 - \$1,800,000) on the warrants recorded as other comprehensive income and other income, respectively. The Company held 3,430,800 shares, or 6.9% of the ITH issued and outstanding common shares as of April 30, 2009.

- (b) On April 24, 2007, the Company acquired 1,000,000 shares of Trevali Resources Corp. ("Trevali"), a related party (note 8), at a gross cost of \$100,000. As there was no quoted market value for the shares of Trevali as at October 31, 2007, the Company considered its cost to be a reasonable estimate of fair value as of that date. Trevali commenced trading on the Canadian National Stock Exchange ("CNSX" formerly "CNQ") effective December 21, 2007. At April 30, 2009, the quoted market value of the Trevali common shares was \$0.93 per share, or a total market value for the Company's shares of \$930,000 (October 31, 2008 - \$800,000). Fair value adjustments for the period ended April 30, 2009 amounted to unrealized gains of \$110,500 (year ended October 31, 2008 - \$595,000), net of tax, recorded as other comprehensive income. The Company held 2.9% of the issued and outstanding common shares of Trevali as of April 30, 2009. See Note 12(b) and (c) – subsequent events.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Consolidated Financial Statements
For the Six Months ended April 30, 2009 and 2008
(Unaudited – Prepared by Management)

5. EQUITY INVESTMENT

	April 30, 2009	October 31, 2008
		(audited)
IMM Gold Limited (ownership interest – 15%)	\$ 783,743	\$ 795,000

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 headquartered in London (“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 (see note 8).

The Company acquired an initial 15% interest in IMMG by issuing to IMM an initial 500,000 common shares upon acceptance for filing of the transaction by the Toronto Stock Exchange (“TSX”) (received September 24, 2008) and the NYSE Alternext (“NYSE-A”) (received November 21, 2008). 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 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 IMMG by issuing an additional 1,000,000 shares to IMM on or before December 31, 2009.

For the period ended April 30, 2009, the Company’s share of IMMG’s results of operations amounted to a loss of \$11,257 (year ended October 31, 2008 - \$Nil) based upon IMMG’s unaudited financial statements for the period.

CARDERO RESOURCE CORP.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months Ended April 30, 2009 and 2008
(Unaudited – Prepared by Management)

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, 2007	\$ 5,577,320	\$ 124,954	\$ 5,702,274	\$ 6,508,333	\$ 2,683,199	\$ 5,057,939	\$ 597,591	\$ 8,338,729	\$ -	\$ 20,549,336
Acquisition costs	1,181,790	173,795	1,355,585	282,238	327,690	330,433	75,973	734,096	-	2,371,919
Deferred exploration costs:										
Camp	135,063	49,390	184,453	253,374	342,267	1,322,888	26,052	1,691,207	20,854	2,149,888
Drilling and analysis	32,902	163,713	196,615	331,205	9,761	111,194	-	120,955	-	648,775
Personnel and geology	137,834	66,487	204,321	739,598	329,788	249,166	2,580	581,534	-	1,525,453
	305,799	279,590	585,389	1,324,177	681,816	1,683,248	28,632	2,393,696	20,854	4,324,116
Total expenditures for the year	1,487,589	453,385	1,940,974	1,606,415	1,009,506	2,013,681	104,605	3,127,792	20,854	6,696,035
Total before write-offs	7,064,909	578,339	7,643,247	8,114,748	3,692,705	7,071,620	702,196	11,466,521	20,854	27,245,371
Write-offs	-	(208,224)	(208,224)	(4,798,815)	-	-	(359,086)	(359,086)	-	(5,366,125)
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	48,114	13,497	61,611	57	-	218,663	-	218,663	-	280,331
Deferred exploration costs:										
Camp	20,410	7,196	27,606	47,482	141,637	306,019	-	447,656	-	522,744
Drilling and analysis	11,347	-	11,347	120	-	7,449	-	7,449	-	18,916
Personnel and geology	63,026	211	63,237	10,171	85,757	295,697	-	381,454	7,590	462,452
Costs recovered	-	(138,146)	(138,146)	-	-	-	-	-	-	(138,146)
	94,783	(130,739)	(35,956)	57,773	227,394	609,165	-	836,559	7,590	865,966
Total expenditures for the period	142,897	(117,242)	25,655	57,830	227,394	827,828	-	1,055,222	7,590	1,146,297
Total before write-offs	7,207,806	252,873	7,460,679	3,373,763	3,920,099	7,899,448	343,110	12,162,657	28,444	23,025,543
Write-offs	-	-	-	(2,596,492)	-	-	-	-	-	(2,596,492)
Balance, April 30, 2009	\$ 7,207,806	\$ 252,873	\$ 7,460,679	\$ 777,271	\$ 3,920,099	\$ 7,899,448	\$343,110	\$ 12,162,657	\$ 28,444	\$ 20,429,051

6. RESOURCE PROPERTIES (Continued)

(a) Mexico

The properties in Mexico consist of the following:

i. Sirena Project, Baja California State, Mexico

Pursuant to an agreement dated December 12, 2001 between the Company and a private Mexican company, the Company acquired a 100% interest in six mineral concessions located in Baja California State, Mexico, in consideration of the issuance of an aggregate of 400,000 common shares of the Company (issued). Some of these concessions form part of the Baja IOCG Project (see note 6(a)(v)). The Company does not presently plan to carry out any work programs on the balance of the properties during the fiscal year ending October 31, 2009.

ii. Acquisition of MMC

Pursuant to an agreement dated September 9, 2002 between the Company and two Mexican individuals, the Company acquired a 100% interest in MMC, a private Mexican corporation that owned 8,055 hectares of mineral concessions situated in Baja California State, Mexico, in consideration of aggregate payments of USD 75,000 (paid) and the issuance of an aggregate of 225,000 common shares of the Company (issued).

In addition to the above concessions, pursuant to an agreement made November 3, 2003, between MMC and a Mexican individual, MMC acquired a 100% interest in three mineral concessions covering 30 hectares upon payment of USD 45,000 (paid).

During 2006, the Company wrote off \$117,008 relating to the Ludavina concessions, which were held by MMC at the time of its acquisition by the Company.

iii. Coahuila Copper Data Acquisition, Coahuila de Zaragoza State, Mexico

Pursuant to an acquisition agreement dated August 22, 2003 between the Company and two individuals, the Company obtained copies of and non-exclusive rights to use and retain certain property data and other information pertaining to copper prospects in Coahuila de Zaragoza State, Mexico, in consideration of the issuance of an aggregate of 20,000 common shares (issued).

iv. Crockite IOCG Data Acquisition, Baja California State, Mexico

Pursuant to an agreement dated October 27, 2003 between the Company, an individual and a private B.C. company, the Company acquired all right, title and interest to certain geological information, data and materials with respect to the potential for, and occurrences of, iron oxide copper gold (“IOCG”) type deposits in Baja California State, Mexico, in consideration of the issuance of an aggregate of 200,000 common shares, as follows:

- 100,000 common shares on January 20, 2004 (issued); and
- 100,000 common shares on or before the day that is ten business days from the earliest of the following to occur (issued April 19, 2006):
 - Anglo American Mexico S.A. de C.V. (“Anglo”) having earned an interest in certain mineral concessions situated in Baja California State in accordance with and pursuant to the agreement between Anglo and the Company (the “Anglo Agreement” as described in note 6(a)(v));
 - The Company having been advised by Anglo that Anglo has incurred aggregate exploration expenditures (as defined in the Anglo Agreement) of not less than USD 2,000,000; and

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

iv. Crockite IOCG Data Acquisition, Baja California State, Mexico (continued)

- If the Anglo Agreement is terminated prior to Anglo having incurred USD 2,000,000 in exploration expenditures, then, upon Anglo, the Company or any third party that subsequently enters into an agreement with the Company to earn an interest in the Company's IOCG properties in Baja California State, collectively having incurred Exploration Expenditures of not less than USD 2,000,000.

v. 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 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

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

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

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.

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.

vi. 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).

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

vi. 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 5, 2003, the Company optioned the property to a public B.C. company (the "Optionee") whereby the Optionee could acquire a 50% interest by paying the Company the sum of USD 50,000, making the underlying USD 20,000 and USD 60,000 payments and incurring cumulative exploration expenditures of USD 250,000. On November 2, 2004, the Optionee returned the property to the Company and all funds advanced by the Optionee to the Company (which was the operator) to incur exploration expenditures were returned to the Optionee.

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 April 30, 2009, 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.

vii. 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;
- 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)(x)).

viii. 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 (see note 6(a)(x)).

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

ix. 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.

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

The Company has 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 Santa Teresa and Corrales Silver-Lead-Zinc projects in Mexico (notes 6(a)(vii) and (viii)).

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 the day (the “Acceptance Date”), which is five days after the LOI is accepted for filing by the TSXV;
 - (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 on the Acceptance Date;
 - (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.

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

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

The option to Ethos is subject to the acceptance for filing of the LOI by the TSXV on behalf of Ethos, including fulfillment of the requirements for the completion of a qualifying transaction by Ethos under applicable TSXV policies (presently underway).

(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 three months ended January 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 three months ended January 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, 2009. During the year ended October 31, 2007, the Company wrote off its remaining investment in the property in the amount of \$5,600.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iii. Cerro Atajo Project, Catamarca Province, Argentina

In order to acquire an interest in the Cerro Atajo Project, consisting of 17 mineral concessions in Catamarca Province, Argentina, the Company entered into two agreements involving Sociedad Minera Catamarquena de Economía Mixta (“Somicadem”), a governmental corporation owned as to 51% by the Province of Catamarca and 49% by two private Argentinean companies (the “Shareholders”). Somicadem is the holder of the Cerro Atajo property. The first of these agreements was with respect to the acquisition by the Company of the interest of the Shareholders in Somicadem and the second was with respect to the acquisition by the Company from Somicadem of the rights to explore and exploit the property itself.

Pursuant to the first agreement, dated August 24, 2004 (as amended by an agreement dated December 10, 2004), among the Company and the Shareholders, the Company had the option to acquire the 49% of the issued capital stock of Somicadem from the Shareholders, together with all of the interest of the Shareholders in their existing exploration, exploitation and Mining Lease Agreements dated September 10, and 13, 1991 (collectively, the “Existing Lease”) with Somicadem relating to the Cerro Atajo property. In order to exercise the option, the Company was required to pay the Shareholders an aggregate of USD 11,650,000, and issue 1,750,000 common shares to the Shareholders, as follows:

Payments

- USD 300,000 upon the Company having completed its due diligence (as provided for below) following the Company having entered into a satisfactory amendment to the Existing Lease (which occurred, and the payment was made, on January 12, 2005);
- USD 350,000 on or before January 12, 2006 (paid);
- USD 1,000,000 on or before January 12, 2007 (see below);
- USD 2,000,000 on or before January 12, 2008 (see below);
- USD 3,000,000 on or before January 12, 2009 (see below); and
- USD 5,000,000 on or before January 12, 2010 (see below).

Share Issuances

- 100,000 common shares on or before January 12, 2006 (issued);
- 150,000 common shares on or before January 12, 2007 (see below);
- 500,000 common shares on or before January 12, 2008 (see below); and
- 1,000,000 common shares on or before January 12, 2009 (see below).

At the election of the Company, it could settle the obligation to issue some or all of the foregoing common shares by making payments to the Shareholders equal to USD 5 per share (up to USD 8,750,000 in total).

Pursuant to the second agreement, which was a modification agreement dated January 12, 2005 among the Shareholders, Somicadem and the Company to amend the Existing Lease, the Company had the right to carry out prospecting, exploration, development and exploitation activities at Cerro Atajo, and the option to enter into a 40-year mining lease. In order to maintain the exploration rights and option to enter into a mining lease in good standing, the Company was required to complete the following:

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iii. Cerro Atajo Project, Catamarca Province, Argentina (continued)

Payments to the Province of Catamarca aggregating USD 550,000, as follows:

- USD 50,000 on execution of the modification agreement (paid);
- USD 100,000 on or before January 12, 2007 (see below);
- USD 100,000 on or before January 12, 2008 (see below);
- USD 100,000 on or before January 12, 2009 (see below);
- USD 100,000 on or before January 12, 2010 (see below); and
- USD 100,000 on or before January 12, 2011 (see below).

Exploration expenditures of not less than USD 1,525,000 on or before January 12, 2011 (to be incurred carrying out a prescribed program of work).

If the Company exercised the mining lease option (which must be exercised on or before March 12, 2011), it would be required to make aggregate payments of USD 27,000,000 to the Province of Catamarca, as follows:

- USD 10,000,000 following a production decision and prior to the commencement of production; and
- USD 17,000,000 during the first two years of production.

In addition, the Company would be required to pay to the Province of Catamarca a royalty consisting of 15% of the net profits realized by the Company from the exploitation of the property.

During the year ended October 31, 2006, the Cerro Atajo Project was abandoned and \$1,137,656 in associated acquisition and exploration costs was written off.

iv. Cerro Juncal Property, Salta Province, Argentina

Pursuant to an agreement dated November 12, 2004 between the Company and a private Argentinean company, the Company had the right to acquire a 100% interest, subject to a 0.5% NSR to the vendor, in two mineral concessions (approximately 2,600 hectares) in Salta Province, Argentina, in consideration of payment to the vendor of USD 2,000,000 on or before the date that is three years after the Company commences exploration on the property. Prior to the exercise of the purchase option, the Company was required to pay the vendor an aggregate of USD 360,000 in order to keep the purchase option in good standing, as follows:

- USD 25,000 on signing (paid);
- USD 60,000 on or before November 12, 2005 (paid);
- USD 50,000 on or before May 12, 2006 (paid);
- USD 75,000 on or before November 12, 2006 (see below); and
- USD 150,000 on or before May 12, 2007 (see below).

If the Company exercised the option to purchase the property prior to May 12, 2007, the requirement to make any remaining option payments outlined above ceased. Commencing with the fifth year after execution of the agreement if, in such year or any subsequent year prior to the exercise of the purchase option, the vendor has not received at least USD 100,000 pursuant to the NSR in such year, the Company is required to pay to the vendor the difference between USD 100,000 and the amount received by the vendor pursuant to the NSR. The Company had the option to purchase the 0.5% NSR at any time for the sum of USD 1,000,000.

CARDERO RESOURCE CORP.
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Notes to Consolidated Financial Statements
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6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

iv. Cerro Juncal Property, Salta Province, Argentina (continued)

As a result of the status of ongoing negotiations concerning the property, the Company did not make the November 12, 2006 payment. As a consequence, the property was returned to the vendor and, accordingly, \$394,172 was written off as at October 31, 2006.

v. 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 USD110,000, which was paid);
- USD 1,000,000 on or before June 13, 2009; 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 (subsequently 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 \$1,917,438 during the six months ended April 30, 2009.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vi. Sediment Hosted Vein (SHV) Project, North-western Argentina

The SHV project is an exploration program based on a specific geological model, and involves an initial reconnaissance program, followed by the acquisition of properties believed to be prospective for this type of deposit. 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. Additional properties may be acquired, as reconnaissance and property evaluation is ongoing.

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 exploration alliance. The Cardero/Newmont exploration alliance operates within the northern portion of Company's Sediment 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 in the Company in that amount (at a price per unit equal to the 30 trading day closing average price of 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;

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vi. Sediment Hosted Vein (SHV) Project, North-western Argentina (continued)

a. (continued)

- 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:

- 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 continuous 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);

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vi. Sediment Hosted Vein (SHV) Project, North-western Argentina (continued)

b. Salar de Oro Property, Jujuy Province, Argentina (continued)

- 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:

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;
- 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.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vi. Sediment Hosted Vein (SHV) Project, North-western Argentina (continued)

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;
- 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:

- 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;
- 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:

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vi. Sediment Hosted Vein (SHV) Project, North-western Argentina (continued)

- 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;
- 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.

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 (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).

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

- vi. Sediment Hosted Vein (SHV) Project, North-western Argentina (continued)
- 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:
- 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 fiscal 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.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

vii. 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; however, no work programs are currently planned for the fiscal year ending October 31, 2009.

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 USD\$40,000 paid on October, 2006);
- USD 150,000 on or before April 25, 2007 (paid); and
- USD 150,000 on or before April 25, 2008 (paid).

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.

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

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.

In January 2008, the Company reached an agreement in principle 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. 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. The agreement is subject to the execution of formal documentation (currently being drafted).

(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 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:

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

ii. Pampa de Pongo Property, Caraveli Province, Peru

- 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).

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 Nanjinzhaio Group Co., Ltd., (“Nanjinzhaio”), a private Chinese enterprise located in Zibo City, Shandong Province, PRC, whereby the Company agreed to sell the Pampa de Pongo property to Nanjinzhaio 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, Nanjinzhaio will obtain the appropriate Chinese governmental consents to the transaction. The Pampa de Pongo property will be transferred to a Peruvian subsidiary of Nanjinzhaio 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 Nanjinzhaio 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 Nanjinzhaio 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 Nanjinzhaio. See Note 12(a) – subsequent events.

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

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 (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. 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.

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

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

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.

The Company is currently actively exploring this property with work programs planned for the fiscal year ending October 31, 2009.

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.

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

vi. Bocana Property, Peru (continued)

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.

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.

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. The Company does not presently plan any work programs on the property, and is seeking a joint venture partner.

(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.

6. RESOURCE PROPERTIES (Continued)

(d) Chile (Continued)

Pedernales Property, Chile.

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 sections 2 and 3 of Township 54 North and sections 34 and 35 of Township 55 North, all Range 14 West, St. 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.

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). See Note 12(d) – subsequent events.

The Company considers this an active property, and plans a work program during the fiscal year ending October 31, 2009.

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 over four years to December 8, 2012 (USD 100,000 before December 8, 2009) and a payment of USD 50,000 to the optionor on or before August 15, 2009 (and each an every August 15 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

6. RESOURCE PROPERTIES (Continued)

(e) United States of America (continued)

ii. Longnose Property, Minnesota (continued)

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.

(f) Other regions

Caucasian Region Joint Venture (see note 5)

(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

The Company is not aware of any AROs as of April 30, 2009 and October 31, 2008.

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.

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7. CAPITAL STOCK (Continued)

(b) Private placements

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.

(c) Share purchase warrants

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

	April 30, 2009		October 31, 2008 (audited)	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	4,395,600	\$1.47	1,894,500	\$2.00
Exercised	(92,500)	\$1.38	(1,411,908)	\$1.97
Expired	-	-	(612,592)	\$2.00
Issued	-	-	4,525,600	\$1.47
Warrants outstanding, end of period	4,303,100	\$1.47	4,395,600	\$1.47

Details of warrants outstanding are as follows:

	April 30, 2009		October 31, 2008 (audited)	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
March 1, 2010	3,628,000	\$1.50	3,645,500	\$1.50
March 1, 2010	675,100	\$1.35	750,100	\$1.35
Warrants outstanding, end of period	4,303,100		4,395,600	

(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 granted at fair value.

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7. CAPITAL STOCK (Continued)

(d) Stock options (continued)

A summary of the status of the stock option plan as of April 30, 2009 and October 31, 2008 and changes during the periods ended on those dates is presented below:

	April 30, 2009		October 31, 2008 (audited)	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,687,500	\$1.93	4,906,000	\$2.02
Expired and cancelled	(737,500)	(2.08)	(1,920,000)	\$(2.80)
Exercised	(25,000)	(1.47)	(998,500)	\$(1.84)
Granted	800,000	\$1.22	3,700,000	\$2.01
Options outstanding, end of period	5,725,000	\$1.81	5,687,500	\$ 1.93

Stock options outstanding are as follows:

Expiry Date	April 30, 2009			October 31, 2008 (audited)		
	Exercise Price	Number of Options	Exercisable at Period End	Exercise Price	Number of Options	Exercisable at Year End
November 30, 2008	\$ 2.00	-	-	\$ 2.00	412,500	412,500
December 20, 2008	\$ 1.70	-	-	\$ 1.70	225,000	225,000
April 11, 2009	\$ 3.28	-	-	\$ 3.28	100,000	100,000
September 7, 2009	\$ 1.47	875,000	875,000	\$ 1.47	900,000	900,000
October 3, 2009	\$ 1.91	350,000	350,000	\$ 1.91	350,000	350,000
January 16, 2010	\$ 1.50	500,000	500,000	\$ 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	\$ -	-	-
April 9, 2011	\$ 1.39	225,000	225,000	\$ -	-	-
		5,725,000	5,725,000		5,687,500	5,687,500

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 April 30, 2009	Year ended October 31, 2008 (audited)	Year ended October 31, 2007 (audited)
Expected life (years)	2.0	2.0	1.97
Interest rate	1.48%	3.01%	4.06%
Volatility (average)	108.08%	88.37%	65.03%
Dividend yield	0.00%	0.00%	0.00%

Stock-based compensation charges for the six month period ended April 30, 2009 totalled \$539,064 (2008 - \$311,524), of which \$289,587 (2008 - \$124,610) was allocated to salary expenses, \$Nil (2008 - \$186,914) was allocated to investor relations expense and \$249,477 (2008 - \$nil) was allocated to consulting expense.

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8. RELATED PARTY TRANSACTIONS

During the six months ended April 30, 2009, and 2008, the Company incurred the following expenses paid to officers or directors of the Company or companies with common directors:

	2009	2008
Professional fees	\$ 44,138	\$ 44,138
Consulting fees	\$ 45,000	\$ 45,000

At April 30, 2009, there was \$7,700 (October 31, 2008 - \$7,700) included in accounts payable and accrued liabilities, and \$2,415,995 (October 31, 2008 - \$1,086,561) included in accounts receivable, owing to/from related parties. Professional fees include amounts paid to a law firm of which a director is a shareholder.

Amounts due from related parties (principally Trevali Resources Corp. and Wealth Minerals Ltd.) are unsecured, represented by grid promissory notes, bear simple interest at one (1%) percent (commencing December 1, 2008) and are repayable on the earlier of November 30, 2009 (Wealth) or December 31, 2009 (Trevali) and 30 days after demand. Interest accrued to April 30, 2009 amounted to \$4,532.

The Company recovered \$301,670 during the period ended April 30, 2009 (2008 - \$56,940) 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 which 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 (see 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).

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

	April 30, 2009				
	Canada/US	Peru	Argentina	Mexico	Total
Resource properties	\$ 28,444	\$ 12,162,658	\$ 777,271	\$ 7,460,679	\$ 20,429,052
Cash	2,349,065	9,473	8,623	10,663	2,377,824
Investments	12,006,143	-	-	-	12,006,143
Other	1,989,743	817,972	129,724	144,097	3,081,536
	\$ 16,373,395	\$ 12,990,103	\$ 915,618	\$ 7,615,439	\$ 37,894,555

	October 31, 2008 (audited)				
	Canada/US	Peru	Argentina	Mexico	Total
Resource properties	\$ 20,854	\$ 11,107,435	\$ 3,315,933	\$ 7,435,024	\$ 21,879,246
Cash	1,167,125	60,028	56,299	5,388	1,288,840
Investments	8,619,670	-	-	-	8,619,670
Other	1,756,252	6,682	386,414	67,261	2,216,609
	\$ 11,563,901	\$ 11,174,145	\$ 3,758,646	\$ 7,507,673	\$ 34,004,365

10. INCOME TAX LOSSES

	Six months ended April 30	
	2009	2008
Income tax expense (benefits)	\$ (1,199,618)	\$ (1,743,276)
Permanent differences	(203,035)	786,793
Write-down of properties	810,507	198,176
Other temporary differences	(19,747)	(23,338)
Effect of rate reduction	6,400	
Unrecognized (utilized) tax losses	(63,219)	1,031,012
	\$ (668,712)	\$ 249,367

The components of future income tax assets are as follows:

	April 30, 2009	October 31, 2008 (audited)
Future income tax assets		
Non-capital loss carry-forwards	\$ 24,710,677	\$ 22,893,519
Difference between undepreciated capital cost over net book value of property and equipment	127,921	104,077
Cumulative eligible capital deduction	54,712	54,712
Tax value of resource properties in excess of book values	13,392,165	10,888,732
	38,285,475	33,941,040
Tax rate	28%	28%
	10,719,933	9,503,491
Valuation allowance	(10,719,933)	(9,503,491)
	\$ -	\$ -

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

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10. INCOME TAX LOSSES (Continued)

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
2009	\$ 362,200	\$ -	\$ 362,200
2010	817,500	22,422	839,922
2011	1,446,600	1,182,790	2,629,390
2012	-	1,862,002	1,862,002
2013	-	1,295,913	1,295,913
2014	-	341,688	341,688
2015	2,950,500	-	2,950,500
2016	-	1,580,780	1,580,780
2017	-	356,852	356,852
2018	-	918,397	918,397
2019	-	188,457	188,457
2026	2,850,500	-	2,850,500
2027	3,086,700	69,800	3,156,500
2028	3,741,013	354,362	4,095,375
2029	992,984	289,217	1,282,201
	\$ 16,247,997	\$ 8,462,680	\$ 24,710,677

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, commencing in September 2008.

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

12. SUBSEQUENT EVENTS

Subsequent to April 30, 2009:

- a. The Company, the Company's Peruvian subsidiary, Cardero Hierro del Peru, S.A.C. ("Cardero Peru") and Zibo Hongda Mining Co., Ltd. ("Hongda"), a subsidiary of Nanjinzhaoh Group Co. Ltd. ("Nanjinzhaoh"), agreed to amend the provisions of the October 24, 2008 sale agreement among the Company, Cardero Peru and Nanjinzhaoh (the interest of Nanjinzhaoh 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 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 Peru, which deposit is non-refundable unless either (i) Cardero terminates the agreement or (ii) Rio Tinto Mining and Exploration, S.A.C. ("Rio Tinto") exercises its right of first offer. Due to the new lower purchase price, pursuant to its right of first offer Rio Tinto has another 45- day period (expires on July 9, 2009) to match the revised terms. If Rio Tinto does so, Cardero will repay the USD 10 million deposit to Hongda.

The balance of the purchase price of USD 88 million is now due on the earlier of ten days after Hongda has received the necessary Chinese governmental approvals to proceed with the purchase and December 17,

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2009. The break-up fee payable by Cardero, should it determine not to proceed with the transaction (whether due to a better offer or otherwise), remains at USD 20 million (plus repayment of the USD 10 million deposit). Hongda has agreed to provide, on or before August 19, 2009, (i) an irrevocable letter of guarantee from a senior Chinese bank guaranteeing the payment of the balance of the purchase price and (ii) a formal commitment letter to guarantee that the total purchase price of USD 100 million, and the terms and conditions for the payment of the purchase price, is final and cannot be changed by Hongda.
- b. On May 11, 2009, the Company purchased 1,250,000 units of Trevali through a non-brokered private placement of units at \$0.80 per unit. 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.
 - c. 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. 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.
 - d. On May 29, 2009, the Company, through Cardero Iron Ore (USA) Inc., exercised its option to enter into a mining lease with respect to the TiTac property in Minnesota (Note 6(e)(i)), and made the initial USD 2,500 payment required upon execution of the lease (which will be dated July 1, 2009).

13. 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 period ended April 30, 2009. 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 carrying values of cash and cash equivalents, amounts receivable, deposits, 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.

The Company's risk exposure and the impact on the Company's financial instruments are 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 due from governmental agencies.

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

(a) Credit Risk (continued)

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

	Period ended April 30, 2009	Year ended October 31, 2008 (audited)
Bank accounts	\$ 2,377,824	\$ 788,840
Guaranteed investment certificates	-	500,000
	\$ 2,377,824	\$ 1,288,840

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.

Included in accounts receivable is \$2,411,463 due from related parties. 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 substantially sufficient cash and cash equivalents at April 30, 2009 of \$2,377,824 (October 31, 2008 - \$1,288,840) in order to meet short-term business requirements. At April 30, 2009 the Company had accounts payable and accrued liabilities of \$737,321 (October 31, 2008 -\$870,208).

(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 April 30, 2009. 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. The Company's sensitivity analysis suggests that a 1% change in interest rates would not have a material effect on interest income.

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

(a) Market Risk (continued)

ii. Foreign currency risk

The Company is exposed to foreign currency risk as 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 \$530,313.

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 exchange 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.

14. RESTATEMENT

On August 28, 2008, the CICA Emerging Issues Committee ("EIC") issued EIC – 172 wherein it recommended the recognition in net income of the tax benefit arising from the recognition of income tax loss carry-forwards consequent to the recording of unrealized gains on available-for-sale financial assets in other comprehensive income. The abstract requires retrospective accounting for prior periods so affected. The Company has therefore restated net loss for the three and six month period ended April 30, 2008 and the net loss and related components of other comprehensive income for 2007 to reflect the recognition of the benefit of the application in the amount of \$828,000 as follows:

	October 31, 2007	
	(audited)	
	Restated	Previously reported
Net loss for the year	\$ (8,313,490)	\$ (9,141,490)
Deficit	\$ (35,186,052)	\$ (36,014,052)
Accumulated other comprehensive income:		
Adjustment to opening balance	\$ 5,814,000	\$ 6,840,000
Unrealized gain on available for sale investments	\$ 331,500	\$ 390,000
Transfer to income of realized gains	\$ (1,453,500)	\$ (1,710,000)

15. COMPARATIVE FIGURES

Certain of the figures for 2008 have been reclassified to conform to the presentation adopted for the current period.

16. 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.

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

(a) Differences in accounting principles (continued)

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.

ii. Financial instruments

Under Canadian GAAP prior to October 31, 2006, investments were carried at the lower of aggregate cost or quoted market value. Subsequent to that date, investments in marketable securities classified as available-for-sale and derivative financial instruments classified as held for trading are all recognized at fair value for both Canadian and US GAAP. Unrealized gains and losses are included in other comprehensive income or operations for available-for-sale and held for trading investments, respectively.

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

	April 30, 2009	October 31, 2008 (audited)
Total assets per Canadian GAAP	\$ 37,894,555	\$ 34,004,365
Expenditures on resource properties expended under US GAAP	(13,023,507)	(14,071,172)
Total assets per US GAAP	\$ 24,871,048	\$ 19,933,193
Total liabilities per Canadian and US GAAP	\$ 3,123,321	\$ 870,208
Total shareholders’ equity per Canadian GAAP	34,771,234	33,134,157
Expenditures on resource properties expended under US GAAP	(13,023,507)	(14,071,172)
Total shareholders’ equity per US GAAP	21,747,727	19,062,985
Total liabilities and shareholders’ equity per US GAAP	\$ 24,871,048	\$ 19,933,193

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

(a) Differences in accounting principles (continued)

iv. Reconciliation of net loss and comprehensive loss reported in Canadian GAAP and US GAAP:

Statements of operations for the six months ended April 30:

	2009	2008
Reconciliation of net loss from Canadian to US GAAP		
Net loss per Canadian GAAP	\$ (3,060,282)	\$ (5,872,839)
Acquisition of mineral interests	-	-
Exploration and development costs, net	(865,965)	(1,458,923)
Reverse amounts written-off	1,913,631	440,329
Total difference	1,047,666	(1,018,594)
Net loss per US GAAP, as previously reported	(2,012,616)	(6,891,433)
Future income taxes (Note 14)	-	-
Total net loss per US GAAP	\$ (2,012,616)	\$ (6,891,433)
Weighted average number of common shares outstanding	58,297,116	50,714,293
Basic and diluted loss per share in accordance with Canadian GAAP	\$ (0.05)	\$ (0.12)
Total differences	0.02	(0.02)
Basic and diluted loss per share in accordance with US GAAP	\$ (0.03)	\$ (0.14)

Statements of comprehensive loss for six months ended April 30:

	2009	2008
Comprehensive income (loss) in accordance with Canadian GAAP	\$ 729,086	\$ (7,535,284)
Unrealized gain on investment	-	-
Total difference in net loss between Canadian and US GAAP	1,047,666	(1,018,594)
Total comprehensive income (loss) per US GAAP	1,776,752	(8,553,878)
Future income taxes (note 14)	-	-
Unrealized gain on derivative instruments	-	-
Acquisition of mineral properties capitalized	-	-
Total comprehensive income (loss) in accordance with US GAAP	\$ 1,776,752	\$ (8,553,878)

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

(a) Differences in accounting principles (continued)

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

Statements of cash flow for six months ended April 30:

	2009	2008
Net cash used in operating activities of continuing operations in accordance with Canadian GAAP	\$ (1,370,084)	\$ (2,246,219)
Adjustments to net loss involving use of cash		
Write-off of capitalized resource property costs	(871,954)	(1,401,384)
Net cash used in operating activities of continuing operations in accordance with US GAAP	(2,242,038)	(3,647,603)
Acquisition of mineral properties capitalized	-	-
Net cash used in operating activities of continuing operations in accordance with US GAAP	(2,242,038)	(3,647,603)
Net cash provided by (used in) investing activities of continuing operations in accordance with Canadian GAAP	2,294,818	(1,948,367)
Reclassification of capitalized resource property expenditures	871,954	1,401,384
Net cash provided by (used in) investing activities of continuing operations in accordance with US GAAP	3,166,772	(546,983)
Acquisition of mineral properties capitalized	-	-
Net cash provided by (used in) investing activities of continuing operations in accordance with US GAAP	3,166,772	(546,983)
Net cash flows provided by financing activities of continuing operations in accordance with Canadian and US GAAP	164,250	8,273,412
Net increase (decrease) in cash and cash equivalents in accordance with Canadian and US GAAP	1,088,984	4,078,826
Cash and cash equivalents, beginning of year in accordance with Canadian and US GAAP	1,288,840	824,484
Cash and cash equivalents, end of year in accordance with Canadian and US GAAP	\$ 2,377,824	\$ 4,903,310

(b) Recent US accounting pronouncements (continued)

- i. In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141(R), “*Business Combinations*” (“SFAS 141(R)”), which replaces SFAS 141. SFAS 141(R) requires assets and liabilities acquired in a business combination, contingent consideration, and certain acquired contingencies to be measured at their fair values as of the date of acquisition. SFAS 141(R) also requires that acquisition-related costs and restructuring costs be recognized separately from the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008 and will be effective for business combinations entered into after January 1, 2009.
- ii. In December 2007, the FASB issued SFAS No. 160, “*Non-controlling Interests in Consolidated Financial Statements*”, an Amendment of ARB No. 51 (“SFAS 160”). SFAS 160 clarifies the accounting for non-controlling interests and establishes accounting and reporting standards for the non-controlling interest in a subsidiary, including classification as a component of equity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. As at April 30, 2009, the Company did not have any minority interests.

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

(b) Recent US accounting pronouncements (continued)

- iii. In March 2008, the FASB issued SFAS Statement No. 161, “*Disclosures about Derivative Instruments and Hedging Activities*” (“SFAS 161”). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 is not expected to have a material impact on the Company’s consolidated financial statements, beyond its current disclosure.
- iv. In May 2008, the FASB issued SFAS Statement No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” (“SFAS 162”). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with US GAAP for non-governmental entities. SFAS 162 is not expected to have a material impact on the Company’s consolidated financial statements, beyond its current disclosure.
- v. In May 2008, the FASB issued SFAS Statement No. 163, “*Accounting for Financial Guarantee Insurance Contracts*” (“FASB 163”). The new standard clarifies how FASB Statement No. 60, “*Accounting and Reporting by Insurance Enterprises*”, applies to financial guarantee insurance contracts issued by insurance enterprises, including the recognition and measurement of premium revenue and claim liabilities. It also requires expanded disclosures about financial guarantee insurance contracts. The Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for disclosures about the insurance enterprise’s risk-management activities. Disclosures about the insurance enterprise’s risk-management activities are effective the first period beginning after issuance of the Statement. SFAS 163 is not expected to have a material impact on the Company’s consolidated financial statements.
- vi. In April 2008, the FASB issued SFAS Statement No. 142-3 to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), *Business Combinations*, and other U.S. GAAP. SFAS 142-3 is not expected to have a material impact on the Company’s consolidated financial statements.
- vii. In June 2008, the FASB issued SFAS Statement EITF 03-6-1, which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, *Earnings per Share*. EITF 03-6-1 is not expected to have a material impact on the Company’s consolidated financial statements.
- viii. In May 2009, the FASB issued SFAS Statement No 165, which establishes principles and requirements for subsequent events. In particular, this Statement 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. SFAS 165 is 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 six months ended April 30, 2009

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) for Cardero Resource Corp. (“Cardero” or the “Company”) for the period ended April 30, 2009 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of June 10, 2009, and compares its financial results for the period ended April 30, 2009 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, 2008 and 2007 and unaudited consolidated interim financial statements for the six month period ended April 30, 2009. 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”. Forward-looking statements include but are not limited to, statements regarding future anticipated property acquisitions, the 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, statements regarding the completion of the sale of Pampa de Pongo and the anticipated receipt of the USD 88 million balance of the purchase price for Pampa de Pongo from Zibo Hongda Mining Co., Ltd., business and financing plans, business trends and future operating revenues. 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, the failure of Hongda to obtain the required Chinese governmental approvals to proceed with the purchase, the determination by either the Company or Hongda not to proceed with the Pampa de Pongo purchase agreement and other risks and uncertainties identified herein under “Risk Factors”. 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 reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See “Risk Factors – Insufficient Financial Resources/Share Price Volatility”.

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 US Securities and Exchange Commission's ("SEC") mining guidelines 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 are not indicative of mineral deposits on the Company's 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 ("SEC Industry Guide 7") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Under SEC Industry 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 SEC Industry 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 SEC Industry 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 June 10, 2009.

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 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 material properties to be the Iron Sands Project (Peru), and the Pampa de Pongo Iron Project (Peru).

Property	Total Costs as of October 31, 2008	Total Costs to April 30, 2009	Estimated Fiscal 2009 Expenditures⁽¹⁾
Iron Sands / Marcona, Peru	\$7,071,620	\$7,899,448	\$3,200,000
Pampa de Pongo, Peru	\$3,692,705	\$3,920,099	Note 2

Note: 1. This amount represents the estimated exploration expenditures for fiscal year ending October 31, 2009. Estimated expenditures are contingent upon ongoing successful results justifying further expenditures. In addition, the Company will need to raise the necessary funds to carry out such planned expenditures, as it does not currently have the necessary funds to do so.

Note 2 The Company has agreed to sell this property to Zibo Hongda Mining Co., Ltd., a subsidiary of Nanjinzhaoh Group Co., Ltd. and therefore does not plan on incurring any further material expenditures on this property.

During the quarter ended April 30, 2009 and to June 10, 2009, the Company was primarily focussed on metallurgical testing with respect to the Pampa el Toro Iron Sands property.

Material Mineral Properties

Peru - Pampa de Pongo Iron Property

On October 24, 2008, the Company and its Peruvian subsidiary, Cardero Hierro Del Peru, S.A.C. ("Cardero Peru") entered into an agreement (the "Sale Agreement") with Nanjinzhaoh Group Co., Ltd., ("Nanjinzhaoh"), a private Chinese enterprise located in Zibo City, Shandong Province, PRC, whereby the Company and Cardero Peru agreed to sell the Pampa de Pongo property ("Property") to Nanjinzhaoh for USD 200 million, subject to the waiver by Rio Tinto Mining and Exploration, S.A.C. ("Rio Tinto") of their right of first refusal in respect of the majority of the mining rights comprising the Property. The Sale

Agreement required 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 was to obtain the appropriate Chinese governmental consents to the transaction. The Property will be transferred to a Peruvian subsidiary of Nanjinzhao once the USD 10 million deposit has been received. The Sale Agreement permits the Company to decline to proceed with the transaction at any time prior to the receipt of the final payment, provided that, if such decision is made at any time after the initial USD 10 million deposit has been paid, the Company 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 Property will be retransferred to Cardero Peru. Rio Tinto elected to waive its right of first refusal in respect of the sale of the Property to Nanjinzhao under the Sale Agreement on December 17, 2008.

The Company has agreed to pay a finder's fee to an arm's length private company in consideration of the finder introducing the Company to Nanjinzhao and providing ongoing advice in the negotiations.

On February 10, 2009, at the request of Nanjinzhao and in consideration of the payment by Nanjinzhao to Cardero Peru of the sum of USD 2.0 million (to be applied against the balance of the purchase price due on September 17, 2009 - which therefore reduced by that amount), the Company authorized Nanjinzhao to immediately commence engineering drilling on the Property under the existing drilling permit, in order to facilitate the timely collection of engineering and geotechnical data essential for the development permitting process. Payment of the USD 2 million advance did not trigger the "break fee" provisions of the Sale Agreement.

On April 3, 2009, Nanjinzhao, with the consent of Cardero and Cardero Peru, assigned its interest in the Sale Agreement, and its right to purchase the Property, to a subsidiary, Zibo Hongda Mining Co., Ltd.

On May 20, 2009, the Company, Cardero Peru and Hongda agreed to amend the provisions of the Sale Agreement. 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 Peru agreed to revise the final sale price to USD 100 million (of which USD 2 million has already been paid). Accordingly, on May 21, 2009 Hongda paid the required USD 10 million deposit to Cardero Peru, which deposit is non-refundable unless either (i) Cardero terminates the Sale 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 has another 45- day period (expires on July 9, 2009) to match the revised terms). If Rio Tinto exercise its right of first offer, Cardero Peru will repay the USD 10 million deposit to Hongda.

The balance of the purchase price of USD 88 million is now due on the earlier of ten days after Hongda has received the necessary Chinese governmental approvals to proceed with the purchase and December 17, 2009. The break-up fee payable by the Company, should it determine not to proceed with the transaction (whether due to a better offer or otherwise), remains at USD 20 million (plus repayment of the USD 10 million deposit). Hongda has agreed to provide, on or before August 19, 2009, (i) an irrevocable letter of guarantee from a senior Chinese bank guaranteeing the payment of the balance of the purchase price and (ii) a formal commitment letter to guarantee that the total purchase price of USD 100 million, and the terms and conditions for the payment of the purchase price, is final and cannot be changed by Hongda.

Peru - Pampa El Toro Iron Sands Project

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 first quarter and to date has been the Pampa el Toro dune field.

Work to Date

The Pampa El Toro Iron Sands project has been ongoing since 2005 and is now in the advanced stages of feasibility work. To date, the Company has completed processing and metallurgical work at various laboratories and scales, including SGS Lakefield (2005), Midrex (2005), Solumet/SGS (2006), Eriez (2006), Midrex (2006) and Bateman Engineering (2006). Percussion drilling of 122 drillholes has been completed. The drilling covers an area of approximately 2,600 hectares, less than 17% of the current Cardero iron sand land-holding. Surface sampling and subsequent percussion drillhole testing indicate that the overall magnetite content is relatively homogeneous (approximately 5% iron) particularly in the uppermost 30 metres.

The Company has completed construction and optimization of a pilot-scale magnetic separation plant at Pampa el Toro. The plant consists of a primary separator drum, a secondary scavenger drum and a cleaner drum. Virtually all magnetite reports to the first-pass magnetic concentrate. The primary drum switches polarity during operation, which improves recovery of magnetic fraction. The resulting magnetic concentrate grades 55.54% iron. The final magnetic concentrate is classified by size-fraction (-80Mesh, +270 Mesh), resulting in a final grade of 65.1% iron.

The Company has commissioned SRK Consulting (Johannesburg) to prepare a resource estimate for Pampa el Toro, which it anticipates will be completed in the second quarter of calendar 2009. In August 2008, the Company signed a contract with SRK to prepare a Preliminary Economic Assessment for Pampa el Toro. However, given the advanced stage of testing at Pampa El Toro, SRK have agreed to skip this preliminary step and proceed directly to a Pre-Feasibility Study (PFS) and the Company is currently reviewing SRK's proposal in this regard. The PFS will include a resource estimate and a determination of mining method, together with estimates for capital and operating costs. The design of the dry magnetic separation and size classification plant will be finalized and designed for full-scale construction. A comprehensive logistical operating plan and ore transportation plan will also be included.

A critical component of the feasibility work will be the results of the pilot-scale melting and slag recovery tests, which are currently in progress. Approximately 40mt from the nearly 60mt of iron ore concentrate produced during the Pampa el Toro pilot plant magnetic separation tests staged from April through June 2008 were shipped to a warehouse in Portland, Oregon for temporary storage. The majority of this concentrate material is earmarked for processing into liquid hot metal. The remainder of iron ore concentrate will be made available to equipment manufacturers (e.g., screen sizer manufacturers, mass flow & material handling system manufacturers, etc.) for the purpose of equipment design and performance guarantee tests.

The concentrate will be processed into liquid hot metal (molten iron) by means of a pilot-scale electric arc-based smelting furnace and cast into saleable iron ingots. The melting test program includes agglomeration studies and testing, bench-scale smelting tests to establish operating parameters, and a large-scale smelting test intended to produce a significant quantity of pig iron product, which demonstrates steady state smelting operation and provides samples for examination by end-users. The bench-scale testing was completed in January, 2009, and approximately 150 kilograms of high quality pig iron was successfully produced. The large scale melting test has been scheduled to take place early third quarter 2009. A research & development contract was entered into with Colorado School of Mines ("CSM") in the second quarter of 2009 for the purpose of identifying and quantifying the operating parameters for the best technology route to be used in recovering vanadium and titanium contained in the melting test slag. Slag produced from the bench-scale melting tests has already been sent to CSM, and characterization work has commenced. The large scale smelting test will also produce a large sample of slag, which will also be sent to CSM for further testing and optimization for vanadium and titanium recovery for the commercial plant flow sheet.

In September 2008, a formal agreement was entered into with the U. S. Department of Energy (DOE)'s National Energy Technology Lab (NETL) located in Albany, Oregon (a U.S. government testing facility) to carry out extensive commercial-scale melting tests on PET concentrate. A three phase melting test program was initiated with an end goal to produce a premium-quality pig iron product (96-98% iron, 2-4% carbon and less than 0.05% deleterious elements), along with a vanadium and titanium enriched slag.

Phase I (Complete) - The first phase of testing was oriented towards agglomerating the defined mix of iron ore concentrate, pulverized reductant and modifiers to make a sufficiently strong cold briquette. Briquette strength was sufficient to resist breakage and abrasion expected during normal material handling in a commercial plant. Sufficient quality cold briquettes have been made with a bench-scale briquetter. A key result from this work will be identification of a low-cost yet effective binder.

Phase II (Complete) - Bench-scale smelting of the cold briquettes in 35kW melter was successfully undertaken during Phase II. Knowledge gained from the bench scale tests has been incorporated in the large scale smelting test plan.

Phase III - The pilot-scale smelting test will be designed to run with the optimum briquette formulation along with operating control parameters gleaned from the bench scale smelting test. The goal for the pilot-scale smelting test is to demonstrate consistent melter operation, uniform hot metal quality and slag quality over an extended period of operation time.

The Company has now completed both **Phase I** and **Phase II** of the program outlined above. A portion of the Pampa El Toro concentrate was agglomerated, processed into liquid hot metal (molten iron) and cast into pigs in a total of ten bench-scale electric arc-based melting furnace tests. A total of 128 kilograms of pig iron was produced. The pig iron product is currently undergoing chemical analysis. The knowledge gained from the bench scale tests will be incorporated in the large scale smelting test. The **Phase III** pilot-scale melting test will be designed to run with the optimum briquette formulation along with operating control parameters gleaned from the bench-scale smelting test. The pilot-scale melting test program is undergoing a permitting process that is targeted to be completed by the end of Q2 2009, with the actual pilot plant operation and final report to follow.

The ability of the Company to proceed with further work at its Iron Sands Project, including commissioning SRK to proceed with the PFS, is dependent upon the Company being able to raise the additional financing required to do so. At the present time, the Company does not have sufficient funding to proceed, and there can be no assurance that it will be able to do so. Failure to raise the required

funding in a timely manner will result in the delay of further work and the commencement and completion of the PFS.

Other Mineral Projects

Mexico

Baja IOCG

The Company has reviewed the Baja IOCG project and is currently making plans to re-commence drilling in the fourth quarter of calendar 2009. The details of the drill program are in the early stages of planning and will be reviewed by technical management in the coming weeks. The current plan is to further drill test **San Fernando**, where previous drilling by the Company intersected several mineralized zones including:

- 218 metres @ 0.1% copper & 21% iron (including 18 metres @ 0.54% copper and 0.06 g/t gold)
- 280 metres @ 0.2% copper & 19% iron (including 31 metres @ 0.96% copper and 0.07 g/t gold and 20 metres @ 0.42% copper and 0.03 g/t gold)
- 261 metres @ 0.24% copper & 17% iron (including 47 metres @ 0.74% copper and 0.06 g/t gold)

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 has outlined several areas which have the potential for the generation of copper-rich ore bodies. A series of prospective targets and drill recommendations have been 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) are planned for the program.

The Company also plans to initiate new drill testing at **San Jose** and **Santa Maria**, two prospects that have already been mapped and targeted by in-house geologists. At San Jose, a large induced polarization (IP) geophysical target, supported by soil and rock geochemistry, remains untested. 4 drillholes (1,150 metres) are planned for San Jose and 2 drillholes (500 metres) are planned for Santa Maria.

All drill permits for the foregoing planned programs are in place.

Corrales and Santa Teresa Projects Option

Ethos Capital Corp., 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, is continuing the process of obtaining TSXV acceptance to the transaction. The Company is unable to estimate when the transaction will be accepted by the TSXV.

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 100% of the property, which covers approximately 6,100 hectares.

Earliest recorded work in the area of the Organullo property comes from reports of small-scale production from the Julio Verne mine during the 1930's. Mining activity centered on 2 high-grade sub-parallel veins with concentrates reported to average 12.5% bismuth and 8.2% copper, with gold ranging between 10 and 20g/t. Early regional work was undertaken in the area by Fabricaciones Militares in 1962-72 in partnership with the United Nations, followed up by an IP survey and drilling by Cities Service Corporation. In 1994-1995 Triton Mining Corp. and Northern Orion Explorations, Ltd. jointly conducted a detailed surface sampling, mapping and prospecting campaign and completed a 17 hole, 3,295 metre reverse circulation (RC) exploration drill program. This was followed with a 6 hole diamond drill program in 1997 and an additional 12 hole RC drill program in 1999 by Northern Orion. The Company has conducted several reconnaissance exploration programs and detailed petrographic studies since its acquisition of the property for 70,000 common shares in 2004.

Gold and Copper mineralization on the Organullo property is hosted in Tertiary age dacite to andesite pyroclastic rocks and underlying Paleozoic age Puncoviscana metasedimentary rocks in a tectonically fertile part of the Argentinean Puna. Argillic, possible advanced argillic, and propylitic styles of alteration and mineralization are intimately associated with breccias and intrusive rocks comagmatic with the host volcanic rocks. Textures, geochemistry, host rocks and alteration assemblages are consistent with high sulphidation styles of epithermal mineralization which host prolific gold mineralization elsewhere in the central Andes.

Despite aggressive historic drilling, it appears that most of those holes were oriented parallel to mineralized structures and hence either missed completely the main target structure identified at the Julio Verne mine or provided intersections which may not be representative. In addition, recoveries were apparently very poor due to loss of potentially mineralized clay rich zones and high groundwater saturation. Potential remains open at depth below Julio Verne, along strike of known mineralization and along probable parallel structures which remain untested. Future work will map the extent of permissive alteration systems to examine the extent of hydrothermal fluid activity on the property associated with epithermal mineralization and to test the potential for porphyry-style mineralization at depth.

The Company plans to recommence work on the Organullo project, commencing in the second half of calendar 2009 and intends to begin drill testing, subject to permitting and availability of drill contractors, within the same timeline. The actual program to be carried out is presently under development, and no final decisions have been reached.

Los Manantiales 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. 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

The Company continues to work with Davcha Resources Pty. Ltd. to finalize the formal documentation in connection with the option to Davcha to earn an interest in the property. No work was completed on the property during the quarter.

Peru

Amable Maria Copper/Uranium Project

The Company intends to relinquish its interest in part of the Amable Maria project, but will retain the concessions over the most strongly anomalous areas. The project is under review, and the area to be retained has not yet been determined. No work was completed on the property during the quarter.

United States

Longnose Project, Minnesota

Proposed Work Program – TiTac and Longnose Projects, Minnesota - GLEN

The Company is presently in the process of formulating the initial work program for these projects, securing surface access rights and initiating the necessary permitting process for a program anticipated to include the re-survey of the existing drillholes at the properties (to the extent they can be located) and the re-sampling and assaying of the existing drillcore (where available). It is proposed that historical drilling data will be used to initiate new, 43-101 compliant resource estimates aimed at defining inferred to indicated resources, and that SRK will be retained to complete this work. Additional drilling would be planned based on recommendations from SRK, following completion of the resource estimate. Bulk samples taken from surface will be used for metallurgical testing. At this time the Company is unable to predict when the required permits may be received or when the drilling portion of the program might commence.

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. Mr. Glen Hoffman MMSA QP, the President & 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.

The work programs at Pampa el Toro are designed by, and are supervised by, Mr. Henderson and Dr. S. Jayson Ripke, 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, initially 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, with the exception of the Pampa de Pongo iron project in Peru, are primarily early to advanced stage exploration properties with no known resources or reserves), the following risk factors, among others, will apply:

Other than the Pampa de Pongo Iron project in Peru, there is no known resource, and there are no known reserves, 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 the slackening demand in previous high demand countries, such as China and India, is materially adversely affecting 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.

Insufficient Financial Resources/Share Price Volatility: The Company has raised additional private placement financing, and generated some additional funding through the exercise of outstanding warrants and options in the fiscal year ended October 31, 2008 and in the six months ended April 30, 2009 and to date. However, the Company does not have sufficient financial resources to undertake all of its planned acquisition, exploration and development programs in the financial year ending October 31, 2009, and will need to raised additional funding (some of which has been recently provided through the sale of some of its holding of common shares of International Tower Hill Mines Ltd.). In the future, the Company's ability to continue its exploration, assessment, and development activities depends in part on the Company's ability to commence operations and generate revenues or to obtain financing through joint ventures, debt financing, equity financing, production sharing arrangements, sale of assets or some combination of these or other means. There can be no assurance that any such arrangements will be concluded and the associated funding obtained. There can be no assurance that the Company will generate sufficient revenues to meet its obligations as they become due or will obtain necessary financing on acceptable terms, if at all. The failure of the Company to meet its on-going obligations on a timely basis will likely result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties. The Company's priority is to maintain its Pampa de Pongo and Pampa el Toro projects (both of which have minimal holding costs during the financial year ending October 31, 2009). In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those reflected in its current financial statements.

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 working capital and other capital requirements. 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, subprime 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. These disruptions 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.

In recent months, 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 declines 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 places 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. The Company does not presently have the financial resources required to make all payments and complete all expenditure obligations under its all of its various property acquisition agreements over their full term. 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 principal properties are 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, land slides 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.

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.

Uncertainty of Resource Estimates/Reserves: Unless otherwise indicated, mineralization figures 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. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. 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 ore ultimately mined, if any, may differ from that indicated by drilling results. 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. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver, copper, iron or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition. **The Company has not established the presence of any proven and probable reserves at any of its mineral properties. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves at the Company's properties. 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 may be 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 prior years, and expects it will be in the current year a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). 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.

Investments

International Tower Hill Mines Ltd.

During the three month period ended April 30, 2009, the Company sold 1,413,800 shares of International Tower Hill Mines Ltd. (“ITH”) for gross proceeds of \$3,442,809. As at April 30, 2009 and as at the date of this MD&A, the Company held 3,430,800 common shares of ITH, representing approximately 6.9% of the issued and outstanding common shares of ITH.

Trevali Resources Corp.

As at April 30, 2009, the Company held 1,000,000 common shares of Trevali Resources Corp. (“Trevali”), representing approximately 2.9% of the issued and outstanding common shares of Trevali. Subsequent to April 30, 2009, the Company has acquired additional securities of Trevali, as follows:

- On May 11, 2009, the Company purchased 1,250,000 units of Trevali through a non-brokered private placement of units at \$0.80 per unit. 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.
- 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. 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.

As a consequence of these acquisitions, the Company now holds 2,384,000 common shares of Trevali (representing approximately 6.7 % of the currently outstanding Trevali shares, plus warrants to acquire an additional 692,000 common shares).

The Company does not have any present plans to dispose of any additional ITH shares or any Trevali shares, 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.

Six months ended April 30, 2009 compared to six months ended April 30, 2008

In the six months ended April 30, 2009 the Company incurred a net loss of \$3,060,282 compared to a net loss of \$5,872,839 for the six month period ended April 30, 2008. The following discussion explains the variations in the key components of these numbers.

The Company's general and administrative costs were \$3,790,090 compared to \$2,862,745 in 2008. The major expense categories involved in this increase were consulting fees of \$944,417 (2008 - \$343,078) and salaries of \$1,300,370 (2008 - \$708,337). The increase in consulting fee expense is primarily due to the recording of the stock based compensation to consultants in the amount of \$249,477 (2008 - \$Nil), and \$255,515 in fees in relating to the Pampa de Pongo sale transaction in the current period. The increase in salary expense is comprised of additional costs at the Company's Peruvian subsidiary due to the increased activity on the Pampa el Toro Iron Sands project, \$164,977 stock based compensation expense recorded in the current period in excess of the amount recorded in the prior period, additional staff at the Company's iron ore subsidiary in the US, and an increase in the salaries of certain employees.

Investor relations expense decreased 35% compared to the previous period as a result of \$186,915 recorded in the equivalent period in 2008 for stock based compensation compared to \$Nil in the current period. Office costs decreased 28% in the current period (2009 - \$287,137; 2008 - \$399,771) largely due to the savings in rent and the office expenditures through sharing arrangements with other companies.

During the period, the Company wrote off resource properties in the amount of \$2,596,492 (Chingolo and Huachi properties, Argentina), compared to \$683,365 in the same period in 2008, as the Company continues to wind down its operations in Argentina.

As the Company exercised all the ITH purchase warrants during the previous fiscal year, there was no unrealized gain/loss on derivative investments during the current six month period, whereas the Company had an unrealized loss of \$2,260,000 in 2008. There was, however, a realized gain of \$2,382,459 on the sale of 1,413,800 ITH shares at prices ranging from \$1.75 to \$3.05 compared to a realized gain of \$66,963 in the comparative period in 2008.

Three months ended April 30, 2009 compared to the three months ended April 30, 2008

In the three months ended April 30, 2009 the Company incurred a net loss of \$62,461, which was substantially less than the comparative period loss of \$4,193,710. This was largely due to the realized gain of \$1,722,356 on the sale of 781,000 ITH shares at prices ranging from \$2.69 to \$3.05, whereas only \$66,963 gain was recorded in 2008 from the sale of 45,700 ITH shares at prices ranging from \$1.50 to \$2.15.

The Company's general and administrative costs for the period were \$1,946,107 compared to \$1,573,726 in 2008. Consulting fees was the only area of significant increase (2009 - \$760,002; 2008 - \$253,197) primarily due to \$147,271 in stock based compensation recorded in the current period, versus \$Nil in 2008 and \$225,515 in consulting fees relating to the Pampa de Pongo property sale transaction. Salaries increased 29% in the current period (2009 - \$385,103; 2008 - \$299,189) due to additional costs at the Company's Peruvian subsidiary due to the increased activity on the Pampa el Toro Iron Sands project, \$164,977 stock based compensation expense recorded in the current period in excess of the amount recorded in the prior period, additional staff at the Company's iron ore subsidiary in the US, and an increase in the salaries of certain employees.

As the Company exercised all the ITH purchase warrants during the previous fiscal year, there was no unrealized gain/loss on derivative investments in the current three month period, whereas an unrealized loss of \$1,680,000 was recorded in 2008. The Company also incurred a loss of \$11,257 on its equity investment in IMM Gold Limited based upon its 15% share of that company's operating losses to April 30, 2009. The Company also incurred a loss of \$17,176 on the issuance of 143,130 common shares to settle \$187,500 of debt.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal 2009

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 7,131	\$ 5,446		
Gain on sale of investment	660,103	1,722,356		
Net income (loss)	(2,997,821)	(62,461)		
Net loss per share	(0.05)	0.00		
Comprehensive income (loss)	1,400,502	(671,416)		

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)

Fiscal 2007

	First Quarter	Second Quarter
Total revenue	\$ 82,190	\$88,649
Gain on sale of investment	1,818,236	-
Net income (loss)	6,903	(2,001,964)
Net income per share	0.01	(0.03)
Comprehensive income (loss)	566,903	(1,601,964)

- 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.

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, although current market conditions have substantially reduced the number of potential buyers/acquirors of any such interest(s). This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects. 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.

At the present time the Company does not contemplate that it will be necessary to institute any specific cost saving measures or reductions in staff or consultants, or drop any additional properties, in response to current conditions in the equity or credit markets. However, as previously stated, the Company is devoting substantially all of its resources to moving forward with the ongoing resource definition program at the Pampa el Toro Iron Sands project and is unlikely to carry out any significant work programs at its other properties (other than as necessary to maintain its interest therein) in the near future. Consequently, the Company will consider the abandonment of some or all of its other property interests if necessary to preserve its interest in the Pampa el Toro property. Management will continue to review such strategy on an ongoing basis. The Company also anticipates that the current slow-down in the junior resource exploration sector may also serve to reduce the cost of external services such as drilling, helicopter support and expediting, as will reduce fuel costs.

The Company expects that it will operate at a loss for the foreseeable future and that it will require additional financing to fund further exploration of current mineral properties, to acquire additional mineral properties and to continue its operations (including general and administrative expenses) beyond the third quarter of 2009. While it anticipates that such funding will come from the proceeds of the sale of the Pampa de Pongo property in Peru to Hongda and believes that there is a reasonable possibility that the sale will complete as provided for in the Sale Agreement, there remains the possibility that the sale may not complete as presently structured or at all. This may occur due to, among other reasons, the inability of Hongda to secure the appropriate Chinese governmental consents to complete the transaction (in which process the Company is not involved and over which it has no control) or a significant decline in the price of iron ore on the world market. 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 and Trevali) 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 in the current equity markets – see "Risk Factors – Insufficient Financial Resources/Share Price Volatility". 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 April 30, 2009, the Company reported cash and cash equivalents of \$2,377,824 compared to \$1,288,840 as at October 31, 2008. The change in cash was the net result of the issuance of the shares for the exercise of outstanding stock options, less mineral property expenditures of \$1,152,286, net proceeds

from sale of investments of \$3,442,809 and cash used in operations of \$1,370,084 for the period ended April 30, 2009. As at April 30, 2009, the Company had working capital of \$2,165,268, compared to working capital of \$2,436,330 at October 31, 2008.

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 a major Canadian chartered bank 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 ARRANGMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

	2009	2008
Professional fees	\$ 44,138	\$ 44,138
Consulting fees	\$ 45,000	\$ 45,000

At April 30, 2009 there was \$7,700 (October 31, 2008 - \$7,700) included in accounts payable and accrued liabilities, and \$2,415,995 (October 31, 2008- \$1,086,561) included in accounts receivable, owing to/from related parties. Professional fees include amounts paid to a law firm of which a director is a shareholder.

The amounts due from the related parties Trevali and Wealth Minerals Ltd. ("Wealth") are unsecured, are represented by a grid promissory note, bear simple interest at one (1%) percent (commencing December 1, 2008) and are repayable on the earlier of November 30, 2009 (Wealth) and December 31, 2009 (Trevali), respectively, and 30 days after demand. Interest accrued to April 30, 2009 amounted to \$4,532.

The Company recovered \$301,670 during the six month period (2008 - \$56,940), and \$175,214 during the three month period (2008 - \$44,910), ended April 30, 2009 in rent and administration costs from Wealth, ITH, Dorato Resources Inc., Indico Resources Ltd., Trevali and Lawrence W. Talbot Law Corporation ("LWTLC"), companies with common officers or directors.

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, and has the option to acquire an additional 15% interest by issuing 1,000,000 common shares prior to December 31, 2009 (see 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).

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).

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

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, 2008, being the start of the Company's most recently completed fiscal year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, receivables, resource related investments and payables. The carrying values of the Company's financial instruments approximate their respective fair values due to their short-term maturity. Due to the short term of all such instruments, the Company does not believe that it is exposed to any material risk with respect thereto.

The Company's cash at April 30, 2009 was \$2,377,824 of which \$28,759 was held in Mexican, Argentinean and Peruvian currencies.

The Company's receivables and payables at April 30, 2009 were normal course business items that are settled on a regular basis. The Company's investments in ITH and Trevali are carried at quoted market value or an estimate thereof, and are classified as "available for sale" for accounting purposes. The intrinsic value represented by the share purchase warrants of ITH (prior to the exercise thereof) was carried at quoted market value (or an estimate thereof). This investment is classified as a derivative financial instrument, changes to the fair value of which are included in net income. The Company has no current plans to dispose of any significant portion of its investments in either ITH or Trevali, 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.

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, 2008 and ended on April 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at June 10, 2009)

1. Authorized and Issued capital stock:

Authorized	Issued	Value
An unlimited number of common shares without par value	58,543,477	\$70,002,836

2. Options Outstanding:

Number	Exercise Price	Expiry Date
875,000	\$1.47	September 7, 2009
350,000	\$1.91	October 3, 2009
500,000	\$1.50	January 16, 2010
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
5,725,000		

3. Warrants/Agent's warrants Outstanding:

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

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.