



CARDERO RESOURCE CORP.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

Six months ended April 30, 2015 and 2014

Corporate Head Office

Suite 2300 – 1177 West Hastings Street
Vancouver, British Columbia
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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated 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 condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
April 30, 2015 and 2014

<u>INDEX</u>	<u>Page</u>
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Loss	2
Condensed Interim Consolidated Statements of Comprehensive Loss	3
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	4-5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to Condensed Interim Consolidated Financial Statements	7-20

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	April 30 2015	October 31 2014
ASSETS		
Current		
Cash and cash equivalents	\$ 73,073	\$ 91,047
Accounts receivable	21,656	35,644
Due from related parties (note 8)	146,899	117,298
Prepaid financing costs (note 6)	472,974	1,216,597
Prepaid expenses	122,466	186,989
Total Current Assets	837,068	1,647,575
Property, Plant and Equipment	206,044	227,687
Investments (note 3)	407,557	127,870
Exploration and Evaluation Assets (note 4)	8,800,000	8,800,000
Deposits	375,886	375,886
Total Assets	\$ 10,626,555	\$ 11,179,018
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,001,674	\$ 1,278,280
Short-term loan (note 5)	2,590,995	1,888,751
Credit facility (note 6)	4,635,362	-
	8,228,031	3,167,031
Credit facility (note 6)	-	2,722,425
Total Liabilities	8,228,031	5,889,456
SHAREHOLDERS' EQUITY		
Share Capital (note 7)	126,163,632	126,163,632
Contributed Surplus	30,510,807	30,510,807
Accumulated Other Comprehensive Income	287,562	-
Deficit	(154,563,477)	(151,384,877)
Total Shareholders' Equity	2,398,524	5,289,562
Total Liabilities and Shareholders' Equity	\$ 10,626,555	\$ 11,179,018

Approved on behalf of the Board:

"Hendrik Van Alphen"
Hendrik Van Alphen, Director

"Stephan Fitch"
Stephan Fitch, Director

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended		Six Months Ended	
	April 30		April 30	
	2015	2014	2015	2014
Administrative Expenses				
Bad debts	\$ -	\$ 113,438	\$ -	\$ 113,438
Consulting fees (note 8(a))	4,000	100,774	5,600	218,582
Corporate development	9,588	19,030	11,276	46,622
Depreciation	10,820	45,175	21,642	87,270
Insurance	19,389	23,128	38,778	51,617
Investor relations	-	12,061	847	12,926
Office costs	56,063	121,030	114,299	259,172
Professional fees (note 8(a))	66,393	81,387	165,467	162,763
Property evaluations	26,169	3,941	26,169	14,110
Regulatory and transfer agent fees	17,934	34,059	67,387	80,780
Salaries and benefits	209,289	405,752	410,235	597,522
Travel	11,916	13,732	34,887	23,428
Loss Before Other Items and Income Tax	(431,561)	(973,507)	(896,587)	(1,668,230)
Other Items				
Other income (expenses)	-	9,109	5,775	(33,734)
Foreign exchange gain (loss)	491,751	68,661	(575,758)	(439,042)
Interest expense	(946,228)	(1,022,605)	(1,750,580)	(2,530,821)
Realized loss on sale of available-for-sale investments (note 3)	-	(4,024)	-	(8,613)
Realized loss on derivative investment (note 3)	-	-	-	(87,470)
Impairment losses on available-for-sale investments (note 3)	(7,875)	(61,985)	(7,875)	(72,129)
Impairment losses on property plant and equipment	-	(61,856)	-	(61,856)
Impairment losses on exploration and evaluation assets (note 4)	-	(21,000,947)	-	(21,000,947)
Loss on sale of subsidiary	-	-	-	(81,537)
Flow-through Part XII.6 Tax	-	-	-	(166,152)
Gain on Note restructuring	-	86,022	-	275,742
Gain (loss) on settlement of accounts payable	999	(21,418)	46,425	1,199,653
	(461,353)	(22,009,043)	(2,282,013)	(23,006,906)
Loss Before Income Taxes	(892,914)	(22,982,550)	(3,178,600)	(24,675,136)
Income Taxes				
Deferred recovery (expense)	-	(17,821)	-	3,739
Current recovery	-	-	-	232,613
Net Loss for Period	(892,914)	(23,000,371)	(3,178,600)	(24,438,784)
Basic and Diluted Loss Per Share				
	\$ (0.01)	\$ (0.20)	\$ (0.03)	\$ (0.21)
Weighted Average Number of Shares Outstanding				
	117,366,887	117,284,421	117,366,887	116,464,753

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended		Six Months Ended	
	April 30		April 30	
	2015	2014	2015	2014
Net Loss for the Period	\$ (892,914)	\$ (23,000,371)	\$ (3,178,600)	\$ (24,438,784)
Other comprehensive income (loss), net of deferred taxes				
Exchange differences on translation of foreign operations	-	(4,826)	-	10,097
Other comprehensive income (loss) on available-for-sale securities	197,532	(121,577)	287,562	29,345
Other Comprehensive Income (Loss) for the Period, net of deferred taxes	197,532	(126,403)	287,562	39,442
Comprehensive Loss for the Period	\$ (695,382)	\$ (23,126,774)	\$ (2,891,038)	\$ (24,399,342)

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)

Condensed Interim Consolidated Statements of changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Six Months Ended April 30, 2015

	Share Capital		Deficit	Contributed Surplus	Functional Currency Translation	Available-for-Sale Investments	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2013	113,436,270	\$ 125,528,040	\$ (71,715,670)	\$ 23,847,997	\$ 17,035	\$ (4,200)	\$ 77,673,202
Net loss for the period	-	-	(24,438,784)	-	-	-	(24,438,784)
Other comprehensive income							
Unrealized loss on available-for-sale investments	-	-	-	-	-	29,345	29,345
Functional currency translation	-	-	-	-	10,097	-	10,097
Shares issued for cash							
Exercise options	711,000	78,210	-	-	-	-	78,210
Shares issued costs	-	(315)	-	-	-	-	(315)
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	42,558	-	(42,558)	-	-	-
Shares issued in settlement of trade creditors	3,219,617	515,139	-	-	-	-	515,139
Credit facility warrants	-	-	-	4,190,559	-	-	4,190,559
Share-based payments	-	-	-	185,785	-	-	185,785
Balance, April 30, 2014	117,366,887	\$ 126,163,632	\$ (96,154,454)	\$ 28,181,783	\$ 27,132	\$ 25,145	\$ 58,243,238
Net loss for the period	-	-	(55,230,423)	-	-	-	(55,230,423)
Other comprehensive income							
Unrealized loss on available-for-sale investments	-	-	-	-	-	(25,145)	(25,145)
Functional currency translation	-	-	-	-	(27,132)	-	(27,132)
Shares issued for cash							
Exercise of options	-	-	-	-	-	-	-
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	-	-	-	-	-	-
Short-term loan warrants	-	-	-	986,464	-	-	986,464
Credit facility warrants	-	-	-	1,330,877	-	-	1,330,877
Share-based payments	-	-	-	11,683	-	-	11,683
Balance, October 31, 2014	117,366,887	\$ 126,163,632	\$ (151,384,877)	\$ 30,510,807	\$ -	\$ -	\$ 5,289,562

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)

Condensed Interim Consolidated Statements of changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Six Months Ended April 30, 2015

	Share Capital		Deficit	Contributed Surplus	Functional Currency Translation	Available-for- Sale Investments	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2014	117,366,887	\$ 126,163,632	\$ (151,384,877)	\$ 30,510,807	\$ -	\$ -	\$ 5,289,562
Net loss for the period	-	-	(3,178,600)	-	-	-	(3,178,600)
Other comprehensive income							
Unrealized gain (loss) on available-for-sale investments	-	-	-	-	-	287,562	287,562
Balance, April 30, 2015	117,366,887	\$ 126,163,632	\$ (154,563,477)	\$ 30,510,807	\$ -	\$ 287,562	\$ 2,398,524

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
Six Months Ended April 30

	2015	2014
Operating Activities		
Net loss for the period	\$ (3,178,600)	\$ (24,438,784)
Items not involving cash		
Depreciation	21,642	87,270
Share-based payments	-	185,786
Bad debts	-	113,438
Accretion expense	1,298,484	2,070,196
Realized loss (gain) on sale of available-for-sale investments (note 3)	-	8,613
Impairment losses on available-for-sale investments (note 3)	7,875	72,129
Impairment losses on property plant and equipment (note 3)	-	21,000,947
Impairment losses on property plant and equipment	-	61,855
Gain on Note restructuring	-	(275,742)
Gain on settlement of accounts payable	(46,425)	(1,199,653)
Realized loss on derivative investment (note 3)	-	87,470
Income taxes recovered	-	(236,352)
Loss on asset disposal	-	285
Unrealized foreign exchange loss	584,628	560,524
Changes in non-cash working capital items		
Deferred financing costs	-	(1,420,868)
Prepaid expenses	64,523	(32,751)
Accounts receivable	13,988	4,028,729
Due from related parties	-	(16,170)
Interest payable	446,908	127,899
Accounts payable and accrued liabilities	(230,179)	(259,461)
Cash Used in Operating Activities	(1,017,156)	525,360
Investing Activities		
Expenditures on exploration and evaluation assets	-	(1,153,544)
Decrease (Increase) in deposits	-	30,750
Proceeds from sale of investments	-	31,467
Disposal (Purchase) of property, plant and equipment	-	2,006
Due from related parties	(29,601)	-
Cash (Used in) Investing Activities	(29,601)	(1,089,321)
Financing Activities		
Proceeds from shares issued, net of issuance costs	-	77,895
Credit facility	1,028,783	365,152
Cash Provided by Financing Activities	1,028,783	443,047
(Decrease) Increase in Cash and Cash Equivalents	(17,974)	(120,914)
Cash and Cash Equivalents, Beginning of the Period	91,047	291,277
Cash and Cash Equivalents, End of the Period	\$ 73,073	\$ 170,363

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

1. NATURE OF OPERATIONS AND GOING CONCERN

Cardero Resource Corp. (“Cardero” or the “Company”) and its subsidiaries are engaged in the exploration of mineral properties, primarily in Canada and Argentina. The Company considers itself to be an exploration stage company.

The Company is a public company with shares listed on the TSX Exchange (the “TSX”) and the Frankfurt Stock Exchange. The head office, principal address and records office of the Company are located at 1177 West Hastings Street, Suite 2300, Vancouver, British Columbia, Canada, V6E 2K3.

Going concern

While these condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, the following events and conditions raise substantial doubt on the validity of that assumption:

- During the period ended April 30, 2015, the Company incurred a net loss of \$3,178,600 (2014 - \$24,438,784) and as at April 30, 2015 had an accumulated deficit of \$154,563,477 (2014 - \$151,384,877) and a working capital deficit of \$7,390,963 (2014 - \$4,241,881);
- Additional sources of financing are required to enable the Company to meet its existing obligations; and
- USD 2.2 million (CDN 2.7million) of a short term loan is due August 5, 2015.

While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. The Company has no assurance that such financing will be available or be available on favorable terms. Factors that could affect the availability of financing include the progress and results of the Company’s exploration properties, the state of international debt and equity markets, investor perceptions and expectations, and the global financial and iron ore and metallurgical coal markets. There can be no assurance the Company will be successful in its endeavor to obtain additional financing. These condensed interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual consolidated financial statements. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale or fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. The presentation and functional currency of the Company is the Canadian dollar.

The Board of Directors approved the condensed interim consolidated financial statements on June 9, 2015.

CARDERO RESOURCE CORP.
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Notes to Condensed Interim Consolidated Financial Statements
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Six Months ended April 30, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

Mineral property impairment

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned and results of exploration and evaluation activities on the exploration and evaluation assets. The Company performed an impairment test as at April 30, 2015 and there was no additional indicators impairment on the Carbon Creek property.

3. INVESTMENTS

	April 30, 2015	
	Number	Fair Value
(1) Wealth Minerals Ltd. ("Wealth")	1,255,701	\$ 345,318
Xiana Mining Inc. ("Xiana")	126,800	8,876
(2) Abzu Gold Inc. ("Abzu Gold")	787,500	27,563
Artha Resources Corporation ("Artha")	2,150,000	25,800
		\$ 407,557

	October 31, 2014	
	Number	Fair Value
(1) Wealth	1,255,701	\$ 75,342
Xiana	126,800	6,340
(2) Abzu	787,500	35,438
Artha	2,150,000	10,750
		\$ 127,870

- (1) During the year ended October 31, 2014, Wealth completed a 4 – 1 share consolidation.
(2) During the year ended October 31, 2014, Abzu completed a 10 - 1 share consolidation.

Wealth is considered to be a related party by virtue of having directors and/or officers in common. All investments in shares are classified as AFS under the financial instruments classification.

The Company sold investments for net proceeds of \$Nil (2014 - \$31,467) at a cost of \$Nil (2014 - \$40,080) for net (loss) gains on sale of \$Nil (2014 - \$(8,613)). Impairment losses on investments amounted to \$7,875 Nil (2014 - \$72,129).

During the period ended April 30, 2015, the Company recorded a realized loss on the fair value of derivatives of \$Nil (2014 – \$87,470). The Company held 2,074,761 Trevali warrants with an exercise price of \$1.10 which expired, unexercised on January 16, 2014.

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Notes to Condensed Interim Consolidated Financial Statements
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Six Months ended April 30, 2015 and 2014

4. EXPLORATION AND EVALUATION ASSETS

The Company's capitalized acquisition and exploration expenditures on its exploration and evaluation assets are as follows:

	U.S.A. (note 5(b))	Ghana (note 5(c))	Canada (note 5(d))	Total
Balance, October 31, 2012	\$ 3,770,227	\$ 11,436,626	\$ 73,116,935	\$ 88,323,788
Acquisition costs				
Acquisition costs – shares	-	135,000	68,000	203,000
Acquisition costs – cash	557	635,500	5,625,760	6,261,817
Total acquisition costs	557	770,500	5,693,760	6,464,817
Deferred exploration costs				
Camp	-	146,891	322,482	469,373
Drilling and analysis	-	-	410,761	410,761
Personnel and geology	4,470	248,546	2,342,717	2,595,733
Total exploration costs	4,470	395,437	3,075,960	3,475,867
Total expenditures for the year	5,027	1,165,937	8,769,720	9,940,684
Costs recovered – exploration (i)	-	-	(3,734,000)	(3,734,000)
Write-offs – acquisition costs	(353,540)	(6,820,013)	-	(7,173,553)
Write-offs – exploration costs	(3,421,714)	(5,851,846)	-	(9,273,560)
Total write-offs	(3,775,254)	(12,671,859)	-	(16,447,113)
Currency translation adjustments	-	69,296	-	69,296
Balance, October 31, 2013	-	-	78,152,655	78,152,655
Acquisition costs				
Acquisition costs – cash	-	-	301,960	301,960
Total acquisition costs	-	-	301,960	301,960
Deferred exploration costs				
Drilling and analysis	-	-	8,416	8,416
Personnel and geology	-	-	90,498	90,498
Total exploration costs	-	-	98,914	98,914
Total expenditures for the year	-	-	400,874	400,874
Write-offs – acquisition costs	-	-	(44,736,362)	(44,736,362)
Write-offs – exploration costs	-	-	(25,017,167)	(25,017,167)
Total write-offs	-	-	(69,753,529)	(69,753,529)
Balance, October 31, 2014 and April 30, 2015	\$ -	\$ -	\$ 8,800,000	\$ 8,800,000

(i) Costs recovered are BC METC amounts claimed and refunded to the Company. These tax credits were recorded as accounts receivable as at October 31, 2013, and were received by the Company during the year ended October 31, 2014.

(a) Argentina

On March 27, 2015, the Company entered into a definitive purchase agreement with Artha in connection with an arm's length transaction (the "Transaction"), whereby Cardero will sell to Artha all of Cardero's interests in a wholly-owned Argentine subsidiary, Cardero Argentina. As consideration for the acquisition, as well as for services provided by Cardero to Artha in connection with the Transaction, the Company will pay / issue to Cardero US \$50,000 (CDN\$60,550) cash and 23,743,781 common shares. Cardero Argentina's principal assets include the 100% owned Organullo Gold deposit, located in Salta province, Argentina, the 100% owned former-producing Mina Angela Gold deposit, located in Chubut province, southern Argentina, and an extensive proprietary exploration data-set covering northwestern and west-central Argentina (note 10).

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Canada – Carbon Creek Property, British Columbia

To acquire its interest in the Carbon Creek Metallurgical Coal Property, Cardero Coal entered into the following agreements:

i) Johnson Agreement

On May 18, 2010, Cardero Coal (a wholly-owned subsidiary of the Company) entered into a Coal Tenure Option Agreement, as amended April 14, 2011, January 14, 2013 and April 12, 2013, (the “Johnson Agreement”) to acquire, subject to the issuance by the BC Government of certain coal licenses (the “Johnson Licenses”) in respect of a coal license application over an area located in the Peace River Land District of British Columbia (4 coal licenses issued June 14, 2012), all of the shares (the “Shares”) of a private Alberta company that holds such coal licenses. Consideration for the acquisition of a 100% interest in the Shares consisted of the following payments, share issuance and option grant:

- \$75,000 on execution of the Johnson Agreement (paid), an additional \$275,000 on or before June 24, 2010 (paid) and a final payment of \$5,000,000 due within four months of the date of issuance of the Johnson Licenses (October 14, 2012). As permitted by the Johnson Agreement, Cardero Coal extended the deadline for the final payment from October 14, 2012 until January 14, 2013 by paying \$20,000 per month. The deadline was further extended to April 14, 2013 by Cardero Coal paying a non-refundable cash deposit of \$1,000,000 on January 14, 2013 (paid), plus an additional \$20,000 per month for each month’s extension (\$60,000 paid in total). The deadline was further extended to April 22, 2013 upon payment of a further non-refundable cash deposit of \$1,000,000 (paid April 12, 2013). On April 22, 2013, Cardero Coal exercised the option and paid the balance of \$3,000,000. Immediately following the exercise of option, the coal licenses and other assets of the private company were transferred to Cardero Coal and thereby became part of the Carbon Creek Joint Venture;
- issuance of 400,000 common shares (issued), with a fair value of \$68,000, of the Company concurrently with the \$3,000,000 final option payment; and
- grant of an option to acquire 1,000,000 common shares of Cardero Coal at an exercise price of \$0.15 per share (granted). The option was exercised March 9, 2011 (prior to the acquisition of Cardero Coal by the Company).

ii) Burns Agreement

On June 15, 2010, Cardero Coal entered into an option agreement (the “Burns Agreement”) to acquire a lease of the coal situated on 10 Crown granted district lots (the “CGDL”) located in the Peace River Land District of British Columbia. Cardero Coal paid \$6,000,000 to exercise its option.

Under the lease agreement (the “Burns Lease”), Cardero Coal will pay a 5% “freight on rail” royalty on all coal sold or \$2 per metric tonne of coal sold, whichever is greater, and 20% on sales for any coal substances sold or consumed on the CGDL. On May 1, 2013, the Burns Lease was amended to include an advance royalty payment to be paid until the commencement of the payment of the royalty. The advance royalty is non-refundable and is to be deducted from the amount required to be paid in respect of the royalty due. On May 30, 2014, the Company withdrew from the Burns Lease. As a consequence, the Burns Lease no longer forms part of the property subject to the joint venture agreement (note 5(d) (iii)). The Company determined that the carrying value of its interest in the Carbon Creek project was impaired because the Burns Lease no longer forms a part of the property and wrote-off cumulative costs incurred to date on the Burns Lease claims of \$21,004,470 as an impairment charge as at April 30, 2014.

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) Canada – Carbon Creek Property, British Columbia (Continued)

iii) Joint Venture Agreement

On June 15, 2010, Cardero Coal entered into a joint venture agreement (the “Joint Venture Agreement”) with a private Alberta partnership, to participate in common operation and exploration, development and production of the Carbon Creek Property. Under the Joint Venture Agreement, the Carbon Creek Property subject to the joint venture will consist of Cardero Coal’s interest in the Johnson Licenses and, until May 30, 2014, the Burns Lease, 10 coal licenses held by the joint venture partner (once issued), one coal license held by Cardero Coal (once issued) and any additional coal licenses acquired by a joint venturer within 25 kilometres of the balance of the Carbon Creek Property. Pursuant to the Joint Venture Agreement, the Company will have a 75% interest in the joint venture and is responsible for incurring all costs of carrying out the required exploration, development and mining of the Carbon Creek Property and the marketing of the product produced. The joint venture partner will have a 25% interest in the joint venture, which interest is carried and the joint venture partner will therefore not be required to contribute to any such costs. The joint venture partner is entitled to receive, in respect of its 25% interest, 25% of the net proceeds of production following Cardero Coal having recovered, from the proceeds of any production, all monies paid under the Johnson Agreement and all costs incurred by Cardero Coal to develop the mine site and put it into production. To acquire its interest in the joint venture, the Company issued 1,600,000 common shares, warrants to purchase 1,600,000 common shares and made payments of \$6,000,000.

On September 5, 2014, Cardero Coal completed the acquisition of 13 applications for coal licenses referred to as the “South Williston Coal Licence Applications” for \$235,000. These applications cover lands contiguous with the eastern and western borders of the Carbon Creek Property and become part of the Joint Venture Agreement.

iv) Carbon Creek Impairment

As at October 31, 2014, the Company assessed the Carbon Creek property for indicators of impairment in accordance with IFRS 6, *Exploration and evaluation of mineral resources*. The Company identified that indicators of impairment existed for the Carbon Creek Property as a result of the depressed price of coal, the Company's market capitalization being significantly below the carrying value of net assets, and the withdrawal from the Burns Lease. The indicators of impairment necessitated an impairment test in accordance with IAS 36, *Impairment of assets*. The impairment test focused on fair value of the Carbon Creek property, less costs to sell, because the Carbon Creek property is not sufficiently advanced to create a meaningful calculation of value in use. The fair value of the Carbon Creek property was calculated using the value implied based on that asset being the primary security to settle the Company's short-term debt and credit facility. Accordingly, the Company assumes that the fair value of the Carbon Creek property is approximately equal to the fair value of the short-term debt and credit facility. The fair value resulting from that calculation was \$8,800,000, which resulted in the Company impairing the property by a \$48,749,059 write-down. This write-down was calculated in accordance with level 3 of the fair value hierarchy, and was in addition to the Burns Lease impairment of \$21,004,470 discussed above.

(c) 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 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 legislations are becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislations 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.

5. SHORT-TERM LOAN

On April 22, 2013, the Company completed a placement of senior secured notes (the “Luxor Notes”) in the aggregate principal amount of USD 5.5 million with certain affiliates of Luxor Capital Group, LP. (“Luxor”). The Luxor Notes had a one year term and were issued at a 9.1% discount to net the Company USD 5.0 million (\$5,083,398) with interest accruing at the rate of 10% per annum, payable semi-annually (13% after an event of default). The Luxor Notes were secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of Cardero Coal. Cardero Coal also provided a corporate guarantee. The Luxor Notes could be redeemed by the Company at any time at par plus accrued interest. Should there be a change of control of Cardero Coal while the Luxor Notes remain outstanding, the holders of the Luxor Notes would have the right to put the Luxor Notes to the Company for an amount equal to 110% of par plus accrued interest.

As a bonus for subscribing for and purchasing the Luxor Notes, the holders of the Luxor Notes were issued an aggregate of 2,000,000 common shares of the Company (the “Bonus Shares”). The Bonus Shares were subject to a hold period in Canada until August 25, 2013, plus additional restrictions under United States securities laws.

On August 9, 2013, the Company completed a private placement of senior secured notes (the “Notes”) in the aggregate principal amount of USD 5.7 million with entities controlled by Robert C. Kopple of Los Angeles, California, US (the “Lenders”). The net proceeds of the Notes were used to pay the indebtedness owing to Luxor immediately following closing. The Company incurred a loss of \$686,531 on settlement of the Luxor Notes.

Notes in the amount of USD 3.7 million were due no later than December 31, 2013, subsequently extended to February 28, 2014 and further extended to March 14, 2014. The Company paid USD 3,920,986 (representing the USD 3,700,000 principal amount plus USD 220,986 in interest, of which USD 3,360,957 was paid in cash and USD 560,029 was paid from the Company’s line of credit) towards the Notes due on or before March 14, 2014. The remaining USD 2.0 million of the Notes plus interest of USD 0.2 million due August 8, 2014 was amended with an extension of the maturity date to August 8, 2015. Interest accrues at the rate of 10% per annum payable quarterly. The Notes are secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of Cardero Coal. The Notes may be redeemed by the Company at any time at par plus accrued interest. Should there be a change of control of the Company or Cardero Coal while the Notes remain outstanding, other than a change of control caused by the Lenders or their associates or affiliates, the holders of the Notes will have the right to put the Notes to the Company for an amount equal to 110% of par plus accrued interest.

As consideration for purchasing the Notes, the Lenders were issued transferrable warrants to purchase an aggregate of 28,359,066 common shares of the Company. The warrants have a term of seven years, and are exercisable at a price of \$0.05 (reduced from \$0.095 with the approval of the Company’s shareholders obtained at the December 19, 2014 Special Annual General Meeting (“AGM”). In accordance with IAS 32 *Financial Instruments: Presentation*, the residual value being the difference between the cash value and fair value of the Notes was assigned to the fair value of the warrants. Re-pricing of the notes to \$0.05 was measured in accordance with IFRS 2 *Share-Based Payment*, and was expensed as interest expense when incurred.

The warrants, and any shares issuable on the exercise thereof, will be subject to a hold period in Canada of four months from the date of issuance, plus additional restrictions under United States securities laws. Assuming the full exercise of the warrants, the Lenders, together with their associates and affiliates, and including their current shareholdings (but excluding any additional common shares that may be purchased by them), would then hold in excess of 20% of the Company’s then-issued shares (assuming no other share issuances by the Company in the meantime). As this exercise of warrants represents a potential change of control, the Company agreed to seek, and obtained, shareholder approval to the full exercise of the warrants and potential change of control arising therefrom at its 2014 AGM. As a result of such shareholder approval having been obtained, the Lenders may exercise the warrants in full at any time.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

5. SHORT TERM LOAN (Continued)

The extension of the Notes from August 8, 2014 to August 8, 2015 was considered an extinguishment of the Notes for accounting purposes, with an associated issuance of new Notes. As consideration for the extension of the maturity date, the Company issued to the Lenders an aggregate 27,500,000 transferable common share purchase warrants of the Company (the “Additional Warrants”) and subject to receipt of requisite approval from the TSX (approval received) and the Company’s shareholders, amend the exercise price of the warrants as issued under the Notes from the current exercise price thereof to \$0.05 per share. Each Additional Warrant shall entitle the holder to subscribe for one common share of the Company for a period of seven years from the date of issue at a price of \$0.05. The warrants and any shares issuable on the exercise thereof, will be subject to a hold period in Canada of four months from the date of issuance. The warrants issued under the extension were measured using the residual method in accordance with IAS 32, as described above.

At the 2014 AGM the Company obtained shareholder approval of the grant of the Additional Warrants, any change of control that may result from the holder exercising such Additional Warrants; and amendment of the exercise price of the Warrants as issued under the Notes from the current exercise price thereof to \$0.05 per share.

At April 30, 2015 short-term loan is as follows:

	April 30, 2015	October 31, 2014
Short-term loan	\$ 2,664,200	\$ 2,479,620
Warrant	(762,196)	(762,196)
Interest payable	198,736	62,168
Professional fees	(83,071)	(83,071)
Accretion expenses	573,326	192,230
Balance at April 30, 2015 and October 31, 2014	\$ 2,590,995	\$ 1,888,751

6. CREDIT FACILITY

On December 5, 2013, the Company secured a USD 5.0 million line of credit (the “Credit Line”) from the Lenders and on September 17, 2014 increased the Credit Line to USD 6.0 million.

The Credit Line reflects or includes all amounts advanced by the Lenders since the purchase of the Notes, interest due under the Notes and amounts to be advanced in the future. Interest is payable by the Company on the amount outstanding under the Credit Line from time to time at the rate of 10% per annum. The security granted by the Company in connection with the Notes will extend to all indebtedness of the Company under the Credit Line.

All amounts outstanding under the Credit Line are due and payable on or before January 5, 2016.

As consideration for the establishment and funding of the Credit Line, the Company has agreed to issue to the Lenders transferrable common share purchase warrants to purchase an aggregate 38,417,396 common shares of the Company (the “Warrants”). Of this number, 28,359,066 were issued to the Lenders on the closing of the Credit Line December 5, 2013. The issuance of the additional 10,058,330 Warrants was subject to shareholder approval, which was obtained at the 2014 AGM. The Warrants have a term of seven years, and are exercisable at a price of \$0.05 (reduced from \$0.139 with the approval of the Company’s shareholders and later reduced from \$0.10 with the approval of the Company’s shareholders obtained at the 2014 AGM). Re-pricing of the notes to \$0.05 was measured in accordance with IFRS 2, and was expensed as interest expense when incurred.

As consideration for the increase in the Credit Line, the Company issued to the Lenders an aggregate 16,100,000 transferable common share purchase warrants of the Company (the “New Credit Warrants”), and subject to receipt of requisite approval from the TSX (approval received) and the Company’s shareholders, amend the exercise price of the Warrants as issued under the Credit Line from the current exercise price thereof to \$0.05 per share. Each New Credit Warrant entitles the Holder to subscribe for one common share of the Company for a period of seven years from the date of issue at a price of \$0.05. The warrants, and any shares issuable on the exercise thereof, will be subject to a hold period in Canada of four months from the date of issuance.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

6. CREDIT FACILITY (Continued)

The Company obtained shareholder approval for the grant of the New Credit Warrants at the 2014 AGM, any change of control that may result from the holder exercising such New Credit Warrants; and amendment of the exercise price of the Warrants as issued under the Credit Line from the current exercise price thereof to \$0.05 per share.

The Warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected life of 6.96 years, interest rate of 2.02% and volatility of 82.24%. The value of the warrants of \$4,938,933 has been recognized as a prepaid financing cost. Of this amount, \$743,623 was recognized as a transaction cost during the period ended April 30, 2015 as the Credit Line was drawn down.

At April 30, 2015, Credit Facility is as follows:

	April 30, 2015	October 31, 2014
Credit Facility	\$ 6,039,704	\$ 4,649,048
Transaction costs	(4,465,956)	(3,722,336)
Interest payable	673,475	324,961
Accretion expenses	2,388,139	1,470,752
Balance at April 30, 2015 and October 31, 2014	\$ 4,635,362	\$ 2,722,425

7. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Share issuances

During the six months ended April 30, 2015: Nil

(c) Share purchase warrants

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

	April 30, 2015		October 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	110,376,462	\$ 0.05	28,948,324	\$ 0.05
Issued	-	-	82,017,396	\$ 0.05
Expired	-	-	(589,258)	\$ (0.53)
Warrants outstanding, end of the year	110,376,462	\$ 0.05	110,376,462	\$ 0.05

The weighted average remaining contractual life of warrants outstanding at April 30, 2015 was 6.21 (2014 - 6.47) years.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

7. SHARE CAPITAL (Continued)

(c) Share purchase warrants (continued)

Warrants outstanding are as follows:

Expiry Date	April 30, 2015		October 31, 2014	
	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
August 8, 2020	\$ 0.05	28,359,066	\$ 0.05	28,359,066
December 5, 2020	\$ 0.05	28,359,066	\$ 0.05	28,359,066
May 6, 2022	\$ 0.05	53,658,330	\$ 0.05	53,658,330
		110,376,462		110,376,462

(d) Stock options

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

	April 30, 2015		October 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	10,715,000	\$ 0.14	11,165,000	\$ 0.22
Granted	-	\$ -	2,436,000	\$ 0.16
Expired	-	\$ -	(2,175,000)	\$ 0.58
Exercised	-	\$ -	(711,000)	\$ 0.11
Options outstanding, end of the year	10,715,000	\$ 0.14	10,715,000	\$ 0.14

The weighted average remaining contractual life of options outstanding at April 30, 2015 was 3.29 (2014 - 4.32) years.

The weighted average market price for Nil (2014 - 711,000) options exercised during the period ended April 30, 2015 was \$Nil (2014 - \$0.11).

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

7. SHARE CAPITAL (Continued)

(d) Stock options (continued)

Stock options outstanding are as follows:

Expiry Date	April 30, 2015			October 31, 2014		
	Exercise Price	Number of Options	Exercisable at year End	Exercise Price	Number of Options	Exercisable at year End
May 28, 2015(1)	\$ 0.20	1,925,000	1,925,000	\$ 0.20	1,925,000	1,925,000
July 3, 2020(2)	\$ 0.11	6,354,000	6,354,000	\$ 0.11	6,354,000	6,354,000
February 7, 2016	\$ 0.18	2,036,000	2,036,000	\$ 0.18	2,036,000	2,036,000
October 22, 2016	\$ 0.06	400,000	400,000	\$ 0.06	400,000	400,000
		10,715,000	10,715,000		10,715,000	10,715,000

The Company uses the fair value method for determining share-based payments for all options granted. The fair value was determined using the Black-Scholes option pricing model.

- (1) Options expired subsequent to April 30, 2015 (Note 10).
(2) 3,600,000 options were cancelled subsequent to April 30, 2015 (Note 10).

8. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the six month periods ended April 31, 2015 and 2014 the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2015	2014
Consulting fees	\$ -	\$ 64,000
Directors fees	\$ 18,000	\$ 2,000
Professional fees	\$ 39,609	\$ 44,136

Professional fees include amounts paid to a law firm of which an officer is a shareholder.

(b) Due from related parties

Amounts due from related parties are comprised as follows:

	April 30, 2015	April 30, 2014
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date, if applicable:		
Wealth	\$ 76,287	\$ 52,736
Others	70,612	64,562
	\$ 146,899	\$ 117,298

These related party transactions have been measured by the exchange amount, which is the amount agreed upon by the transacting parties.

8. RELATED PARTY TRANSACTIONS (Continued)

(c) **Management compensation**

Key management personnel compensation comprised:

For the six months ended April 30,	2015	2014
Wages and benefits	\$ 232,666	\$ 204,899
Share-based payments	\$ -	\$ 123,187
	\$ 232,666	\$ 328,086

9. RISK AND CAPITAL MANAGEMENT AND 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 and debt. 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 six month ended April 30, 2015. The Company is not subject to externally imposed capital requirements.

The Company classified its accounts receivable and due from related parties as loans and receivables; and accounts payable and accrued liabilities, as other financial liabilities. The classification of investments is set out in note 4. The carrying values of cash and cash equivalents, accounts receivable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due 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 short-term loan and credit facility are initially valued at fair value, and subsequently measured using effective interest rate method.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such input exists. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
Six Months ended April 30, 2015 and 2014

9. RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

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

April 30, 2015	Level 1	Level 2	Level 3	Total
Cash	\$ 73,073	\$ -	\$ -	\$ 73,073
Investments	\$ 407,557	\$ -	\$ -	\$ 407,557
Short-term loan	\$ -	\$ -	\$ (2,590,995)	\$ (2,590,995)
Credit facility	\$ -	\$ -	\$ (4,635,362)	\$ (4,635,362)

October 31, 2014	Level 1	Level 2	Level 3	Total
Cash	\$ 91,047	\$ -	\$ -	\$ 91,047
Investments	\$ 127,870	\$ -	\$ -	\$ 127,870
Short-term loan	\$ -	\$ -	\$ (1,888,751)	\$ (1,888,751)
Credit facility	\$ -	\$ -	\$ (2,722,425)	\$ (2,722,425)

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

(a) Credit risk

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

	April 30, 2015	October 31, 2014
Bank accounts - Canada	\$ 64,986	\$ 83,752
Bank accounts - USA	-	-
Bank accounts - Others	8,087	7,295
	\$ 73,073	\$ 91,047

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

With respect to the \$146,899 (October 31, 2014 - \$117,298) due from related parties as at April 30, 2015 the maximum exposure to credit risk is the carrying value of the receivables as the Company does not have any collateral for the receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities. 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 normally maintains sufficient cash to meet the Company's business requirements.

However, at April 30, 2015, the cash balance of \$73,073 (October 31, 2014 - \$91,047) would be insufficient to meet the cash requirements for the Company's administrative overhead, debt repayments, maintaining its mineral interests and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in fiscal 2015 (note 1). At April 30, 2015,

9. RISK AND CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (continued)

the Company had accounts payable and accrued liabilities of \$1,001,674 (October 31, 2014 - \$1,278,280), which are due within 30 days.

The Company and one of its subsidiaries have provided security against both the Credit Facility and the short-term loan. The security provides the debt holders a call against the assets of the Company including the Carbon Creek mineral property to satisfy those debts should the Company be unable to meet their payment requirements at maturity of those instruments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 consist of cash held in bank accounts and guaranteed investment certificates that earn interest at variable interest rates. Due to the amount and 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, 2015.

The Company is not exposed to significant interest rate risk with respect to the Credit Facility and short-term loan, as these facilities have fixed interest rates over their respective terms to maturity.

ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in United States, Argentinean, Peruvian and Ghanaian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk. 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 foreign exchange gain or loss by \$471,915 (2014 - \$351,573).

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's investments are carried at market value and are, therefore, directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 1% change in market prices would change the value of the resource related investments by \$4,075 (2014 - \$1,278).

10. EVENTS AFTER THE REPORTING DATE

Subsequent to April 30, 2015:

- a) On March 27, 2015, the Company entered into a definitive purchase agreement with Artha in connection with an arm's length transaction (the "Transaction"), whereby Cardero will sell to Artha all of Cardero's interests in a wholly-owned Argentine subsidiary, Cardero Argentina. As consideration for the acquisition, as well as for services provided by Cardero to Artha in connection with the Transaction, the Company will pay / issue to Cardero US \$50,000 (CDN\$60,550) cash and 23,743,781 common shares. Cardero Argentina's principal assets include the 100% owned Organullo Gold deposit, located in Salta province, Argentina, the 100% owned former-producing Mina Angela Gold deposit, located in Chubut province, southern Argentina, and an extensive proprietary exploration data-set covering northwestern and west-central Argentina.

The effect of the Transaction will be a reverse take-over of Artha by Cardero resulting in Cardero becoming a new control person of Artha, within the meaning of TSX Venture Exchange ("TSX-V") policies. The Transaction is subject to approval by the TSX-V and shareholders of Artha.

On May 25, 2015 Artha, at its annual general and special meeting, received from its shareholders' approval of the acquisition of Cardero Argentina. There can be no assurance that the Transaction will be completed as proposed or at all.

- b) On May 22, 2015, 3,600,000 stock options at a price of \$0.11 were cancelled.
- c) On May 28, 2015, 1,925,000 stock options at a price of \$0.20 expired.



CARDERO RESOURCE CORP.
Form 51-102F1
Management's Discussion and Analysis
For the period ended April 30, 2015

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) for Cardero Resource Corp. (“Cardero” or the “Company”) for the six month period ended April 30, 2015 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of June 10, 2015, and compares its financial results for the six months ended April 30, 2015 to the six months ended April 30, 2014. 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 and the accompanying notes for the years ended October 31, 2014 and October 31, 2013. The Company’s reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars unless otherwise noted. The Company reports its financial position, results of operations and cash-flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Forward-Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in preliminary economic analyses or prefeasibility studies also may be deemed to be forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining that mineralization, if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and specifically in respect of the Carbon Creek Metallurgical Coal project in north-east British Columbia (“Carbon Creek”);
- the potential for a production decision to be made concerning Carbon Creek, the potential commencement of any development of a mine at Carbon Creek following a production decision and the potential for any production from the Carbon Creek deposit;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company’s ongoing exploration programs on its properties;
- the Company’s estimates of the quality and quantity of the resources and reserves at its mineral properties;
- the timing and cost of any proposed future work with respect to Carbon Creek, including with respect to the preparation of a bankable feasibility study in respect thereof;
- general business and economic conditions;

- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and
- the Company's ability to negotiate acceptable option/joint venture or sale agreements for some or all of its "non-core" properties.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to raise the necessary capital to be able to continue in business and to implement its business strategies, to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price 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, to produce minerals from its properties successfully or profitably, to continue its projected growth, and other risks identified herein under "Risk Factors". The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the Company's future cash requirements, and the ability of the Company to raise the funding necessary to carry out its planned activities and to meet its anticipated general and administrative expenses for the remainder of the fiscal year ending October 31, 2015;
- the level and volatility of the price of commodities, and coal in particular;
- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's proposed work programs, particularly at Carbon Creek;
- conditions in the financial markets generally;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource/reserve estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the ongoing relations of the Company with its underlying optionors/lessors, any joint venture and/or contractual partners, the applicable regulatory agencies, First Nations in British Columbia and indigenous groups in other countries; and
- that the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties are reflective of the deposit as a whole.

These forward looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward looking statements, except as required by

applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Caution Regarding Adjacent or Similar Mineral Properties

This MD&A contains information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises US investors that the mining guidelines of the US Securities and Exchange Commission (the "SEC") set forth in the SEC's Industry Guide 7 ("SEC Industry Guide 7") strictly prohibit information of this type in documents filed with the SEC. Because the Company meets the definition of a "foreign private issuer" under applicable SEC rules and is preparing this MD&A pursuant to Canadian disclosure requirements under the Canada-U.S. Multi-Jurisdictional Disclosure System, this MD&A is not subject to the requirements of SEC Industry Guide 7. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposit on adjacent or similar properties are not indicative of mineral deposits on the Company's properties.

Caution Regarding Reference to Resources and Reserves

National Instrument 43-101 Standards of Disclosure of Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators which establishes 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 or incorporated by reference in this MD&A have been prepared in accordance with NI 43-101 and the guidelines set out in 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 and, with respect to coal, in the Geological Survey of Canada Paper 88-21 entitled "A Standardized Coal Resource/Reserve Reporting System for Canada" originally published in 1988.

Caution Regarding Historical Results

Historical results of operations and trends that may be inferred from the discussion and analysis in this MD&A 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 - Share Price Volatility".

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 MD&A reflects information available as at June 10, 2015.

RESULTS OF OPERATIONS

Background

Cardero is a junior resource mineral exploration company. Its assets consist of interests in mineral properties, investments and cash. The Company funds its operations primarily through the sale of its equity securities, its investments and interests in its mineral properties and, more recently, debt. The mineral exploration business is very high risk (See “Risk Factors”).

Exploration Activities

General

Since 2010, Cardero has been focused on advanced stage projects, and on bulk commodities such as metallurgical coal, where it can add value through identification and acquisition of advanced projects. Metallurgical coal markets are experiencing a sustained downturn at present and metallurgical coal is forecast to average \$95/t through 2015, having reached a 10-year low of \$84/t in May 2015. Cardero management believes that the currently depressed market for metallurgical coal will recover in due course and while timing is unknown, analyst consensus is for benchmark premium metallurgical coal to reach \$145/t in late 2017. While the timeline for a full recovery is neither assured nor certain, management believe that metallurgical coal assets could have significant future value.

In 2014, the Company acquired a 100% interest in approximately 15,000 hectares of applications for coal licenses from Anglo American. The licenses acquired are contiguous with the Carbon Creek joint venture property and could provide a growth opportunity for the Carbon Creek resource. The acquisition was made for \$235,000, which management believes is good value for a property prospective for metallurgical coal.

The Company’s strategy in respect of Carbon Creek is to maintain its interest only to the extent that it makes financial sense and the Company has the ability to do so. To this end, on May 31, 2014, the Company surrendered its interest in the Carbon Creek Coal Lease, as it could not justify making the approximately \$12.5 million in advance royalties required in the next 5 years.

In addition to metallurgical coal assets, which should provide medium to long-term value, Cardero is also reviewing a number of opportunities outside of metallurgical coal. In particular, the Company is currently reviewing a number of copper and other base metal projects in the USA and Peru.

In the case of non-core assets such as precious metals projects in Argentina, the Company has stated for several previous quarters that it intended to realize value for Cardero shareholders through joint ventures or dispositions. To that end, on March 27, 2015, the Company entered into a definitive purchase agreement (the “Transaction”) with Artha Resources Corporation (“Artha”), whereby Cardero will sell to Artha its wholly-owned subsidiary Cardero Argentina S.A. As consideration for the acquisition, as well as for services provided by Cardero to Artha in connection with the Transaction, the Company will pay / issue to Cardero US \$50,000 (CDN\$60,550) cash and 23,743,781 common shares. Cardero Argentina’s principal assets include the 100% owned Organullo Gold deposit, located in Salta province, Argentina, the 100% owned former-producing Mina Angela Gold deposit, located in Chubut province, southern Argentina, and an extensive proprietary exploration data-set covering northwestern and west-central Argentina. The Transaction was approved by Artha shareholders on May 25, 2015 at Artha’s Annual General and Special Meeting and is expected to close on or before June 15, 2015.

Property	Total Costs Capitalized at October 31, 2013	Total Costs Capitalized at October 31, 2014	Proposed Fiscal 2015 Expenditures ⁽¹⁾
Carbon Creek Metallurgical Coal Project, BC, Canada	\$78,152,650	\$8,800,000	\$250,000

Note: 1. This amount represents the estimated exploration expenditures for the entire fiscal year ending October 31, 2015 and does not include property acquisition costs. Estimated expenditures are contingent upon ongoing successful results justifying further expenditures, as well as the Company raising the necessary financing to carry out its planned work, as it does not currently have the required funds to carry out the planned work.

Material Mineral Property

Carbon Creek Metallurgical Coal Deposit, British Columbia, Canada

The Carbon Creek property lies approximately 60 kilometres (km) northwest of the town of Chetwynd, BC and 40km west of the town of Hudson's Hope. Improved forest service roads connect the property with British Columbia Highway 29 between the towns of Chetwynd and Hudson's Hope. The CN Rail line connecting Fort St. John and Tumbler Ridge areas with Prince George passes 40km south of the property. The CN Rail line provides direct access to the ports of Vancouver and Ridley Terminals in Prince Rupert, BC. The northern end of the property is adjacent to the Williston Lake and is approximately 175km east of Mackenzie, BC by water.

The Property is in the Peace River Coalfield and, as at the effective date of this report, consists of four Coal Licenses (Licenses) covering 3,680 hectares (ha) and 25 applications for coal licenses (Applications) covering 26,910 ha, for a total area of 30,590 ha. Cardero holds a 75% interest in the Property through a joint venture ("JV") agreement with the Carbon Creek Partnership (CCP), which holds the remaining 25% interest in the JV. Any coal licenses issued pursuant to the Applications, and any coal leases issued pursuant to any coal licenses will, upon issuance, be subject to the JV and included as part of the Property.

From December 21, 2011 to May 30, 2014, Cardero held an interest in the coal located on 10 Crown Granted District Lots (CGDL or Freehold) via a coal lease (Lease) with the Peace River Partnership ("PRP"), which was part of the JV property. All previous public disclosures of coal resources and reserves for Carbon Creek by Cardero Resources were based upon the JV property as it existed at the time of such public disclosures, which included this additional 2,600 ha of coal tenure. Cardero withdrew from the Lease on May 30, 2014, at which time the CGDL ceased to be a part of the JV. Consequently, such previous public disclosures of coal resources and reserves may no longer be relied upon with respect to the Carbon Creek property as now constituted.

Pursuant to the JV, each joint venture partner is contributing its interest in the Property. The JV, known as the Carbon Creek JV, controls and operates the Property. The joint venture agreement provides that the CCP interest is a carried interest which requires Cardero to fund all of the exploration, development, construction and operation of the mine. However, CCP will not receive any of its share of the net proceeds of production from the Property until Cardero has recovered 100% of its investment including all development monies, exploration expenditures, and capital expenditures as well as the cost of acquiring the four Licenses. Following Cardero recovering its investment, the CCP is entitled to 25% of the net proceeds of production from the Property. Cardero is the manager of the Carbon Creek JV.

Carbon Creek is accessible by improved forest service roads that connect with British Columbia Highway 29 between the towns of Chetwynd and Hudson's Hope.

The nearest towns to the property are Chetwynd (population 2,500) located 60km southeast of the property and Hudson's Hope (population 1,200) located 40km east of the property. The nearest city is Fort St. John (population 18,300) located 110km east of property and is connected to the towns of Chetwynd and Hudson's Hope by Highway 29. The CN Rail line connecting Fort St John and Tumbler Ridge areas with Prince George passes 40km south of the property. The CN Rail line provides direct access to the ports of Vancouver and Ridley Terminals in Prince Rupert, BC.

The area has a continental highland climate featuring short, warm summers averaging 15.3°C (Chetwynd, July) and long, cold winters averaging -10.3°C (Chetwynd, January). Nearby Chetwynd averages 318 millimeters (mm) of rain and 1.69m of snow per year. Year-round mining operations are common in the region and winter conditions do not preclude surface or underground mining activities.

The property is located in the Inner Foothills of the Canadian Rocky Mountains. The regional topography is a belt of hills and low mountains. The highest elevation on the property is slightly over 1,600 meters (m) above sea level.

A watercourse called Carbon Creek flows from south to north through the property and enters the Williston Lake located in the north of the property.

During the period 1908 to 1951 coal exploration and evaluation at Carbon Creek was limited to surface mapping, trenching, and sampling along creek beds. From 1970 to 1981 Trend Exploration Limited conducted an aerial mapping survey and subsequently Utah International (now BHP Billiton) and its subsidiary, Utah Mines Ltd. ("Utah") completed comprehensive campaigns of exploration, including surface mapping, drilling, trenching, and bulk sampling.

There was a hiatus in coal exploration from the early 1980s to 2010 when Cardero Coal completed an eight-hole validation drilling program. The positive results permitted the Utah drilling data to be used in the completion of a resource estimate. Starting in August 2011 Cardero Coal initiated an in-fill drilling, surface mapping and bulk sampling program.

The Property lies within the Inner Foothills structural province of western Canada and contains medium volatile bituminous coals of the Gething Formation. The Foothills belt is characterized by folded and faulted Mesozoic sediments that are in transition between the relatively gently-dipping, non-deformed formations of the Alberta Plateau to the east and the highly-deformed Rocky Mountain Trend to the west. The subsequent structural deformation resulted in increased pressures and heat flows that have imparted metallurgical properties to the coal seams.

The Gething Formation consists of dark grey mudstone, siltstone, very-fine to coarse-grained sandstone, carbonaceous mudstone, silty and sandy mudstone, coaly plant debris, minor bentonite, black shale, occasional minor tuffs in the upper part, minor conglomerates and abundant but relatively thin coal seams.

Structural interpretations of the Property portray a doubly-plunging syncline lying between two anticlinal belts that straddle the western and eastern boundaries of the Property. The synclinal axis roughly parallels the course of Carbon Creek and plunges gently (less than 5°) to the south-southeast through the area. Dips in the central portion of the Property are nearly flat, ranging from 0° to 15°, increasing to up to 30° locally along the synclinal flanks in the east and west portions of the Property.

For coal deposits, “mineralization” refers to coal development and coal seam stratigraphy. The coals occurring within the Property are thought to occur in the upper to middle sections of the Gething Formation. The coal deposition found on the Property is typical of the Gething Formation, consisting of abundant coal seams, some showing favourable metallurgical properties. Although there are numerous seams throughout the Property, 61 identified coal seams are of sufficient thickness and extent to include in the geologic model and report as coal resources. The average thickness (m) and undiluted raw coal quality for the 61 coal seams within the Measured plus Indicated coal resource are outlined in Table 1.1.

TABLE 1.1 AVERAGE THICKNESS AND UNDILUTED RAW COAL QUALITY OVER RESOURCE AREA

Resource Type	Average Thickness (m)	Coal Quality (Air Dried Basis)						FSI
		Moisture (%)	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Calorific Value (kcal/kg)	
Surface	1.28	1.62	17.53	0.93	24.95	57.52	6,716	3.0
Underground	1.56	1.16	18.90	0.79	23.88	57.21	6,636	4.0

Values shown represent coal without out-of-seam dilution (OSD). Run-of-Mine (ROM) coal, including OSD, can be beneficiated using size specific density and froth flotation separating processes to improve coal quality. Coking properties such as Free Swelling Index (FSI) and dilation are typically improved as well through beneficiation. The washability testing and metallurgical analyses performed for Cardero and described in this report show this to be applicable to the coals on the Property.

The periods and types of coal exploration undertaken on the property are summarised in Table 1.2. The coal exploration methods can be separated into four types: regional mapping and field sampling, aerial surveys, coring and open-hole (rotary) drilling, and bulk sampling. Types by era are summarized below.

TABLE 1.2 EXPLORATION METHODS

Year	Company/ Individual	Exploration Activity
1908 -1945	Various	Surface mapping, and sampling, trenching
1970	Trend Exploration	Aerial reconnaissance mapping
1971 - 1981	Utah	Surface mapping, drilling, 2D seismic program, bulk sampling
2010	Coalhunter	Validation drilling (coring)
2011 - 2012	Cardero	Surface mapping and drilling (geological, geotechnical and hydrogeological)
2011 – 2012	Cardero	Large diameter (6 inch) bulk sample drilling, (16) seams intersected

Most drilling was vertically oriented, targeting coal seams that were usually dipping between 5° and 20° from horizontal. A 2D seismic program completed in 1975 focused on the mapping of surficial glacial till nearby Nine Mile Creek. Approximately half of the holes drilled on the Property were sampled core holes. The rotary holes were completed for the purposes of coal seam correlations and mapping depth of surface weathering or glacial till. The field recording of drillhole depth intervals were later reconciled with the aid of geophysical logs. Fifteen angled drillholes were completed by Cardero during 2011 to 2012 for the purposes of obtaining oriented core samples for detailed geotechnical logging and analyses. Bulk sampling was completed in 1976 by Utah from surface adits and by Cardero in 2011 and 2012 from vertically oriented large diameter (LD) drill cores. The LD holes comprise widely spaced bulk samples, located both on the Property and the Freehold, which were subjected to a rigorous suite of washability and metallurgical testing, the results of which were extrapolated across the entire deposit.

The sample data used in the preparation of this report is restricted to analyses of slim core samples and bulk samples and excludes pre-1971 surface-derived samples.

Field sampling, handling and transport of drill core samples by Cardero were observed to be in accordance with industry best practice. Norwest believes that Utah used similar methods in their drill core sampling program in the 1970s and 1980s. The Utah samples predominantly went to coal laboratories in United States whereas the Cardero samples were sent to certified coal laboratories in both the United States and Canada.

The drill core samples were subject to a standard suite of raw proximate coal analyses that included FSI. The bulk samples and selected slim core samples were subjected to more detailed analyses specifically targeted for the evaluation of the coal's washability characteristics and metallurgical properties.

The 2011 and 2012 exploration programs conducted by Cardero included a select number of LD (6in/150mm) cores for the purpose of obtaining representative washability and carbonization data. Only one bulk sample per seam was obtained, with each sample ranging from 250kg to 325kg of coal. Analysis and discussion of mineral processing and metallurgical testing is contained in the PFS report (Norwest, 2012); however, some of the seam quality information has been either updated or expanded.

Each bulk sample, representing 16 of the key seams exhibiting metallurgical characteristics, was subjected to a comprehensive washability study program. Applying Limn[®] simulations to a process design typifying the washing of high value coking coals, a plausible product for each seam was developed. With this information, a physical *simulated seam product* (SSP) was assembled in the laboratory. These SSPs were then subjected to a wide range of quality tests including petrographics, plasticity and sole heated oven testing. A summary of key test results are listed in Table 1.4, composited as either hard coking coal (HCC) or semi-soft coking coal (SSCC).

TABLE 1.4 SUMMARY OF COKING COAL CHARACTERISTICS

Resource Type	Moisture (% , ad)	Ash (% , ad)	Sulphur (% , ad)	Volatile Matter (% , ad)	Volatile Matter (% , ddmf)	FSI	CSR ¹	VR ² (Ro _{max})	P ³ (% , ad)
HCC	0.71	4.33	0.71	25.98	27.43	6.5	62.00	1.17	0.056
SSCC	1.12	4.95	0.93	29.64	31.58	3	42.00	0.94	0.033

¹Coke Strength after Reaction (SSCC represents Seam 40 only)

²Vitrinite Reflectance

³Phosphorus Content

A resource estimation of the coal on the Property was completed in accordance with the procedures and criteria of Geological Survey of Canada (GSC) Paper 88-21 as required by NI 43-101. The coal resources were reported from a 3D block model generated using MineSight™ software. Numeric seam identifiers, ore volumes and resource limiting criteria were coded into the 3D block model from gridded surface files representing the extent of the surface and underground coal resource in accordance with GSC Paper 88-21 guidelines. The mineral resource estimates for surface and underground moderate geology-type coal reported from the current Carbon Creek geologic model are outlined in Table 1.5. The effective date of the resource statement is November 1, 2014.

The Property has an estimated 290Mt of in-place coal resources in the measured and indicated categories plus 161Mt in the inferred category. Table 1.5 breaks these resources into surface and underground tonnes. Figure 1.2 illustrates the extent of the coal resource across the Property.

TABLE 1.5 CLASSIFICATION OF RESOURCE – CARBON CREEK PROPERTY – NOVEMBER 1, 2014

Deposit Type	ASTM Coal Rank	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Surface	mvB-hvB	145	46	82
Underground	mvB	63	36	79
Total	mvB	290		161

The geologic model used in the resource estimate provided in this report was completed in early 2013 and includes data from the entire Carbon Creek deposit, including the CGDL held under the Lease. For calculation of the resource estimate provided in this report, resource volumes within the 2013 geologic model were cut at the current property boundary due to the fact that Cardero withdrew from the Lease in May 2014. For clarity, no resources from the CGDL are included in the resource estimate presented in this report.

While resource volumes were truncated at the boundary of the Property, data extrapolated from the CGDL has been allowed to influence the characterization of the coal seams within the Property, including seam elevation, thickness, and numerous coal quality parameters. The author believes this is a valid approach and the inclusion of this data presents a more accurate representation of the coals occurring within the Property, as opposed to modeling the Property's data in isolation.

Mineral resources are not mineral reserves and there is no assurance that any mineral resources in this report will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. There is no certainty that the results of an economic assessment would demonstrate that any of the reported resources would qualify as reserves.

Qualified Person(s) and Quality Control/Quality Assurance

Keith Henderson, P.Geo., Cardero's Executive Vice President and a qualified person as defined by NI 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 and has approved the disclosure herein. Mr. Henderson is not independent of the Company, as he is an employee, a shareholder and holds incentive stock options.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties, primarily in British Columbia, Canada. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are primarily early to advanced stage exploration properties and, with the exception of Carbon Creek, which has estimated reserves and resources, with no known resources and or known reserves), the following risk factors, among others, will apply:

Lack of Operating Funds: At the present time, the Company is experiencing significant difficulty in raising additional capital to continue its operations. The Company has taken steps to conserve cash by reducing staffing, halting/delaying further work on its properties, including the Environmental Assessment Application and planned BFS for Carbon Creek, and shutting down its subsidiaries in Ghana, Peru and the United States. Although the Company continues to pursue potential funding opportunities, there can be no assurance that it will be successful in doing so. If the Company is not successful in raising funds it may be forced to further curtail or cease operations and may lose its interest in some or all of its properties, including Carbon Creek, which is its only material property at this time.

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.

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

Fluctuation of Commodity 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 minerals produced. The Company's long-term viability and profitability depend, in large part, upon the market price of minerals 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 recent price fluctuations in the price of all commodities for which the Company is presently exploring is an example of a situation over which the Company has no control and

may materially adversely affect the Company in a manner that it may not be able to compensate for. The supply of and demand for minerals are affected by various factors, including political events, economic conditions and production costs in major producing regions. 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.

Recent market events and conditions: Since 2008, the U.S. credit markets have experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems have 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 caused 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.

While these conditions appear to have improved slightly in 2012/13, unprecedented disruptions in the 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. 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 it or at all.

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

- The global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity
- the volatility of commodity prices may impact the Company's future revenues, profits and cash flow
- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential production costs
- the devaluation and volatility of global stock markets impacts the valuation of the Common Shares, which may impact the Company's ability to raise funds through the issuance of Common Shares

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

Share Price Volatility: In recent years, worldwide securities markets, particularly those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure 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 in obtaining, 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 Properties under Agreements: The agreements pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Title Matters: The acquisition of title to mineral properties can be a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. While the Company has diligently investigated title to all mineral properties in which it has an interest and, to the best of its knowledge, title to all such properties 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 mineral properties 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 Argentina where blockades of access to the Company's properties, hostile actions by local communities and indigenous peoples 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. Such issues can also occur in Canada, especially in connection with actions concerning resource development projects and involving first nations and environmental protest groups.

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, with the exception of Carbon Creek, 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 securities, the sale or optioning of a portion of its interest in its mineral properties or debt financing, none of which may be available at any particular time. 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, through the sale or possible syndication of its properties, or through short-term debt facilities, there is no assurance that any such funds will be available through any of such methods 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 has mineral properties located in Argentina. In other countries, 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, 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 of the Company to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; and (ii) the ability to attract and retain additional key personnel in exploration, mine development, sales, marketing, technical support and finance. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend. The Company has relied and may continue to rely, upon consultants and others for operating expertise.

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

Currency Fluctuations: The Company presently maintains its accounts in Canadian dollars. Due to the nature of its operations in other countries, the Company also maintains accounts in U.S. dollars and Argentinean pesos. The Company's operations in Argentina and its proposed payment commitments and exploration expenditures under many of the agreements pursuant to which it holds, or has a right to acquire, an interest in its mineral properties are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the

Company's financial position and results. The Company does not engage in any hedging programs with respect to currencies.

Minimum Throughput Payments: The Company has an agreement with Ridley Terminals to provide port services that contain minimum throughput charges. In the event the Company is unable to produce and sell coal to meet these commitments, and it is unable to sell port services to a third party, it may have to pay minimum throughput charges to Ridley Terminals without making use of the port services made available by Ridley Terminals. As of October 27, 2014 the Company declared Force Majeure due to government inaction as defined in sections 14.2 of the 2012 Terminal Services Agreement. The Company is currently committed to ship 12.2 million tonnes of coal through Ridley Terminals over the course of 17 years.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies 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 resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

Estimates of Mineral Reserves and Resources and Production Risks: The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral

resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. Accordingly, there can be no assurance that:

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

Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Enforcement of Civil Liabilities: As many 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 or 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 Cardero believes that it has been in one or more prior tax years, and may be in current and future tax years, a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). However, no determination has been made regarding Cardero's PFIC status for any particular tax year. If Cardero 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. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income.

Alternatively, a U.S. taxpayer that makes a "qualified electing fund" (a "QEF") election with respect to Cardero generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of Cardero'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 Cardero. U.S. taxpayers should be aware, however, that there can be no assurance that Cardero will satisfy record keeping requirements under the QEF rules or that Cardero will supply U.S. taxpayers with required information under the QEF rules, if Cardero 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 Cardero 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 Cardero is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in the Common Shares.

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

Financial Results of Operations

During the six month period ended April 30, 2015, the Company incurred a net loss of \$ 3,178,600 (2014 – \$24,438,784).

The following discussion explains the variations in key components of these numbers but, as with most junior mineral exploration companies, the results of operations are not the main factor in establishing the financial health of the Company. Of far greater significance are the mineral properties in which the Company has, or may earn, an interest, its working capital and how many shares it has outstanding. Quarterly results can vary significantly depending on whether the Company has abandoned any properties or granted any stock options.

Six Months ended April 30, 2015 compared to six months ended April 30, 2014

The Company's general and administrative costs were \$896,587 (2014- \$1,668,230), and reviews of the major items are as follows:

- Consulting fees decreased to \$5,600 (2014 - \$218,582), primarily due to a reduction in activity in the Company's subsidiaries and cost reductions implemented by the Company due to less activity;
- Insurance costs decreased to \$38,778 (2014 - \$51,617), primarily due to a reduction in insurance needs in subsidiaries;
- Office costs of \$114,299 (2014 - \$259,172), decreased primarily due to a slow-down of activities in the Company and significant reductions in the activities of the Company's Ghanaian, Peruvian and Argentinean subsidiaries due to a curtailing of exploration activities in these countries;
- Professional fees of \$165,467 (2014 - \$162,763), increased slightly due to Company's overall activities; and
- Salaries and benefits of \$410,235 (2014 - \$597,522), which includes share-based payments of \$Nil (2014 - \$185,785), remained relatively the same as prior year as all salary reductions had been implemented.

Other items showed a loss of \$2,282,013 (2014 - \$23,006,906). Due to their nature, these transactions relate to events that do not necessarily generate comparable effects on the Company's operating results. Significant areas of change include:

- Foreign exchange loss increased to \$575,758 (2014 - \$439,042). The Companies Short Term Loan and Credit Facility are in \$US and with the increase in the Credit Facility and the decline of the CDN\$ vs the USA\$ the increase was significant;
- The Company recognized a gain of \$46,425 (2014 - \$1,199,653) on the settlement of certain debts to trade creditors and
- Impairment losses on exploration and evaluation assets of \$Nil (2014 - \$21,000,947). On May 31, 2014, the Company withdrew from the Coal Lease which formed part of property subject to the Carbon Creek joint venture. As a consequence of such withdrawal, the Company determined

that the carrying value of Carbon Creek was impaired and wrote off cumulative costs incurred to date of \$21,000,947 as an impairment charge in the consolidated statements of loss.

Three Months ended April 30, 2015 compared to three months ended April 30, 2014

The Company's general and administrative costs were \$431,561 (2014- \$973,507), and reviews of the major items are as follows:

- Consulting fees decreased to \$4,000 (2014 - \$100,774), primarily due to a reduction in activity in the Company's subsidiaries and cost reductions implemented by the Company due to less activity;
- Insurance costs decreased to \$19,389 (2014 - \$23,128), primarily due to a reduction in insurance needs in subsidiaries;
- Office costs of \$56,063 (2014 - \$121,030), decreased primarily due to a slow-down of activities in the Company and significant reductions in the activities of the Company's Ghanaian, Peruvian and Argentinean subsidiaries due to a curtailing of exploration activities in these countries;
- Professional fees of \$66,393 (2014 - \$81,387), decreased due to Company's overall activities; and
- Salaries and benefits of \$209,289 (2014 - \$405,752) which includes share-based payments of \$Nil (2014 - \$185,785), remained relatively the same as prior year as all salary reductions had been implemented.

Other items showed a loss of \$461,353 (2014 - \$22,009,043). Due to their nature, these transactions relate to events that do not necessarily generate comparable effects on the Company's operating results. Significant areas of change include:

- Foreign exchange gain increased significantly to \$491,751 (2014 - \$68,661). The Companies Short Term Loan and Credit Facility are in \$US and the recovery of the CDN\$ vs the USA\$ the increase was significant during the quarter;
- Impairment losses on exploration and evaluation assets of \$Nil (2014 - \$21,000,947). On May 31, 2014, the Company withdrew from the Coal Lease which formed part of property subject to the Carbon Creek joint venture. As a consequence of such withdrawal, the Company determined that the carrying value of Carbon Creek was impaired and wrote off cumulative costs incurred to date of \$21,000,947 as an impairment charge in the consolidated statements of loss.

SELECTED ANNUAL INFORMATION

The Company's consolidated financial statements for the year ended October 31, 2014 have been prepared in accordance with IFRS. The following selected financial information for the year ended October 31, 2014 is taken from the Company's audited consolidated financial statements for the year ended October 31, 2014. The information for the years ended October 31, 2013 and 2012 are taken from the audited consolidated financial statements for the years ended October 31, 2013 and 2012. This information should be read in conjunction with those statements. Selected annual financial information appears below.

	October 31, 2014	October 31, 2013	October 31, 2012
Interest (expense) revenue	\$(4,229,134)	\$(1,389,964)	\$149,434
Loss for the year	\$(79,669,207)	\$(29,759,663)	\$(11,594,099)
Net loss per share	\$(0.68)	\$(0.27)	\$(0.13)
Total assets	\$11,179,018	\$89,114,381	\$106,301,442

SUMMARY OF QUARTERLY RESULTS

The table below sets out the quarterly results for the past eight quarters:

Fiscal 2015

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income (expenses)	\$ (804,352)	\$ (946,228)		
Gain (loss) on sale of investments	-	-		
Impairment (losses) on available-for-sale investments	-	-		
Write-off of exploration and evaluation assets	-	-		
Net loss	(2,285,686)	(892,914)		
Net loss per share	(0.02)	(0.01)		
Comprehensive loss	\$ (2,195,656)	\$ (695,382)		

Fiscal 2014

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income (expenses)	\$ (1,508,216)	\$ (1,022,605)	\$ (599,668)	\$ (1,098,645)
Gain (loss) on sale of investments	(4,589)	(4,024)	71	6,754
Impairment (losses) on available-for-sale investments	(10,144)	(61,985)	(58,532)	(100,766)
Write-off of exploration and evaluation assets	-	(21,000,947)	(3,523)	-
Net loss	(1,438,413)	(23,109,332)	(261,245)	(54,860,217)
Net loss per share	(0.01)	(0.20)	(0.01)	(0.46)
Comprehensive loss	\$ (1,419,290)	\$ (23,089,013)	\$ (307,027)	\$ (54,866,712)

Fiscal 2013

	Third Quarter	Fourth Quarter
Interest income (expenses)	\$ (575,832)	\$ (781,452)
Gain (loss) on sale of investments	-	(56,792)
Impairment losses on available-for-sale investments	(241,454)	(83,041)
Write-off of exploration and evaluation assets	(12,736,509)	64,650
Net loss	(16,091,678)	(3,908,016)
Net loss per share	(0.14)	(.04)
Comprehensive loss	\$ (15,851,258)	\$ (3,961,245)

- 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 program and the timing and results of the Company's exploration activities on its then current properties, none of which are possible to predict with any accuracy. There are no general trends regarding the Company's quarterly results, and the Company's business of mineral exploration is not seasonal. Quarterly results can vary significantly depending on whether the Company has abandoned any properties or granted any stock options and these are the factors that account for material variations in the Company's quarterly net losses, none of which are predictable. While the Company may seek, in the future, to sell some or all of the interests in other of its exploration and evaluation assets, the timing and potential effect of any such sale is impossible to predict. The write-off of exploration and evaluation assets can have a material effect on quarterly results as and when they occur. Another factor which can cause a material variation in net loss on a quarterly basis is the grant of stock options due to the resulting share-based payment charges which can be significant when they arise. General operating costs other than the specific items noted above tend to be quite similar from period to period. Interest expense is dependent to a large degree upon the necessity of the Company to secure funding through long or short term debt (until April, 2013, the Company did not have any short or long-term debt or the associated interest expense) and the success of the Company in securing such debt financing, as well as the relative interest rate negotiated, which cannot be predicted in advance. However, the increasing reliance by the Company on short-term debt/lines of credit, will have the effect of significantly increasing interest expense for the fiscal year ended October 31, 2015 and this is not expected to change for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. Over the past three fiscal years, 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. The Company has also successfully generated operating funds through the sale of certain of its resource related investments, some of which had significantly increased in value since their acquisition. However, such returns are subject to fluctuations in the market for the shares of the companies in which the Company has invested, and therefore there can be no assurance that the Company will continue to be able to generate significant additional funds through the liquidation of its investments. As illustrative of this,

the current market conditions for junior resource equities have resulted in a significant decline in the market value, and hence the price at which the Company can sell, any of its remaining resource related investments, and the Company does not presently envision raising any further significant funds through the sale of such investments. In addition, the Company has already disposed of the bulk of its resource-related investments and therefore does not anticipate being able to generate material funds through further sales in the foreseeable future. The Company can raise funds through the sale of interests in its mineral properties, and negotiations in this regard are underway, although there can be no assurance that it will be successful in doing so.

In 2013 the Company successfully secured funding through the sale of senior secured notes and establishing secured lines of credit, which, while they generate working capital, also bring with them significant interest expense. In addition, as such financings are denominated in US dollars, they increase the foreign exchange loss risk to the Company as the US-Canadian exchange rate may be significantly lower upon repayment than when the funding was initially secured or advanced.

On August 9, 2013 the Company completed a private placement of senior secured notes (the “Kopple Notes”) in the aggregate principal amount of USD 5,700,000 with entities controlled by Robert C. Kopple of Los Angeles, California, USA (the “Kopple Lenders”). The full proceeds of the Kopple Notes were used to pay off the indebtedness owing to the holders of certain senior secured notes issued in April 2013 immediately following closing of the Kopple Note transaction.

Kopple Notes in the amount of USD 3,700,000 were due no later than March 14, 2014, while USD 2,000,000 of the Kopple Notes is due on August 8, 2014. Interest accrues at the rate of 10 per cent per year, payable quarterly. The Kopple Notes are secured by a general security agreement over the assets of the Company, as well as a specific pledge of the shares of Cardero Coal. Cardero Coal also provided a corporate guarantee. The Kopple Notes may be redeemed by the Company at any time at par plus accrued interest. Should there be a change of control of the Company or Cardero Coal while the Kopple Notes remain outstanding, other than a change of control caused by the Kopple Lenders or their associates or affiliates, the holders of the Kopple Notes will have the right to put the Kopple Notes to the Company for an amount equal to 110% of par plus accrued interest.

As additional consideration for purchasing the Kopple Notes, the Kopple Lenders were issued transferrable warrants (“August Kopple Warrants”) to purchase an aggregate of 28,359,066 common shares of the Company. The August Kopple Warrants have a term of seven years, and are exercisable at a price of 9.5 cents.

On December 5, 2013 the Company completed the implementation of a USD 5,000,000 line of credit (“Credit Line”) from the Kopple Lenders. The Credit Line reflects or includes all amounts advanced by the Kopple Lenders since the purchase of the Kopple Notes, interest due under the Kopple Notes, and amounts to be advanced in the future. Interest is payable by the Company on the amount outstanding under the Credit Line from time to time at the rate of 10% per annum. The security granted by the Company in connection with the Kopple Notes will extend to all indebtedness of the Company under the Credit Line. In conjunction with the establishment of the Credit Line, the maturity date for USD 3,700,000 million of the Kopple Notes was extended from December 31, 2013 subsequently to February 28, 2014 and further extended to March 31, 2014. All amounts outstanding under the Credit Line are due and payable on or before January 5, 2016. The Kopple Lenders will have the right to seek representation on the Company’s board of directors.

In March, 2014, the Company received a total of \$3,774,651 (including interest) in connection with its application for the BC Mineral Exploration Tax Credit (“BCMETC”). On receipt, the BCMETC funds were used to make part of the payment of USD 3,920,986 (representing the USD 3,700,000 principle

amount plus USD 220,986 in interest) due on or before March 14, 2014 under the Kopple Notes, with the balance of USD 560,029 in excess of the BCMETC being paid from the Credit Line. On August 25, 2014, the Company made a payment of USD 480,000 under the Credit Line, thereby reducing the amount owing and interest thereon.

As additional consideration for the establishment and funding of the Credit Line, the Company agreed to issue to the Lenders transferrable common share purchase warrants to purchase an aggregate of 38,417,398 common shares of the Company (the "December Kopple Warrants"). Of this number, 28,359,066 were issued to the Kopple Lenders on the closing of the Credit Line on December 5, 2013. The issuance of the additional 10,058,330 December Kopple Warrants is subject to the approval thereof by the Company's shareholders (subsequently obtained, see below). The December Kopple Warrants have a term of seven years, and are exercisable at a price of \$0.139 (subsequently reduced, see below).

At its 2014 Annual General Meeting held April 4, 2014 in Vancouver, British Columbia ("AGM"), the Company's shareholders approved, by 95.12% of the votes cast (excluding any votes cast by Robert C. Kopple or his affiliates or associates), each of the following matters:

1. the issuance of additional December Kopple Warrants to purchase an additional 5,029,165 common shares to E.L. II Properties Trust and warrants to purchase an additional 5,029,165 common shares to the Kopple Family Partnership, LP., and thereby resulting in the Company having made issuable, within a three month period, a number of common shares in excess of 25% of the number of common shares outstanding at the commencement of such three month period;
2. the reduction in the exercise price, from \$0.139 to \$0.10, of the issued, and to be issued, December Kopple Warrants;
3. the extension of the expiry date of certain incentive stock options to purchase 3,600,000 common shares of the Company at \$0.10 held by Robert C. Kopple ("Kopple Options") to July 3, 2020 (unless sooner exercised) notwithstanding that Mr. Kopple sooner ceases, for any reason, to be qualified to hold incentive stock options under the 2012 Incentive Stock Option Plan of the Company; and
4. the exercise, by Mr. Robert C. Kopple, and any of his associates or affiliates, including, without limitation, the Lenders, of the Kopple Option, the August Kopple Warrants, the December Kopple Warrants, which exercises may result in Robert C. Kopple, together with his associates and affiliates (including the Lenders), holding in excess of 19.99% of the then issued common shares of the Company, and the consequent creation of Robert C. Kopple as a control person of the Company.

In September 2014 the Company amended the maturity date of the Notes in the amount of USD 2.0 million plus interest of USD 0.2 million due August 8, 2014 with an extension of the maturity date to August 8, 2015. As consideration for the extension of the maturity date, the Company issued to the Lenders, an aggregate 27,500,000 transferable common share purchase warrants of the Company (the "Additional Warrants") and subject to receipt of requisite approval from the TSX (received) and the Company's shareholders (received), amend the exercise price of the Warrants as issued under the Notes from the current exercise price thereof to \$0.05 per share. Each Additional Warrant shall entitle the holder to subscribe for one common share of the Company for a period of seven years from the date of issue at a price of \$0.05.

In September 2014 the Company increased the Credit Line to USD 6.0 from USD 5.0 million. As consideration for the increase in the Credit Line, the Company will issue to the Lenders, an aggregate

16,100,000 transferable common share purchase warrants of the Company (the “New Credit Warrants”) and subject to receipt of requisite approval from the TSX (received) and the Company’s shareholders (received), amend the exercise price of the Warrants as issued under the Credit Line from the current exercise price thereof to \$0.05 per share. Each New Credit Warrant shall entitle the holder to subscribe for one common share of the Company for a period of seven years from the date of issue at a price of \$0.05.

In December 2014 at the Company’s extraordinary general meeting held in Vancouver, BC on December 18, 2014, shareholders approved, by a 97% margin, the following matters:

1. the issuance to affiliates of Robert C. Kopple (“Lenders”) of 43,600,000 share purchase warrants, having an exercise price of \$0.05 and a term of 7 years, in connection with the one-year extension of the maturity date of an existing secured note held by a Lender and the increase in the existing credit line granted to the Company by the Lenders;
2. the reduction in the exercise price, from \$0.095 to \$0.05, of 28,359,066 outstanding share purchase warrants held by the Lenders; and
3. the reduction in the exercise price, from \$0.10 to \$0.05, of 38,417,398 share purchase warrants held by, or to be issued to, the Lenders.

The issuance of the additional share purchase warrants, and the repricing of the existing or to be issued warrants is, in each case, subject the acceptance thereof filing thereof by the TSX (received).

The Lenders have requested that the Company amend the August Kopple Warrants and the December Kopple Warrants to include a “cashless” exercise feature and the Company has agreed to do so, subject to settling approved wording in respect thereof. The amendment of the warrants to include such a feature does not require TSX acceptance, provided that an exercise formula acceptable to the TSX is used and it is the intention of the parties to use such a formula.

In December 2013, the Company successfully completed a number of debt settlements with a number of arm’s length creditors. Pursuant to such settlements, on December 12, 2013, the Company settled an aggregate of \$2,690,473 of outstanding trade debts in consideration of the payment, either on closing or over time, of an aggregate of \$1,038,367 in cash plus the issuance of 3,219,617 common shares at a deemed price of \$0.16 per share. During the year ended October 31, 2014, in total, the Company settled outstanding trade payables in the amount of \$4,575,538 by paying cash, \$1,907,323 and exchanging for shares, \$515,139, which resulted in a gain for accounting purposes of \$2,153,078.

The Company expects that it will operate at a loss for the foreseeable future. While the Company has secured financing through the establishment of the Credit Line, the Company requires additional funding in order to carry on business and meet its objectives of advancing the Carbon Creek project. The Company is focussed on securing additional funding but, at this time, currently has no funding commitments or arrangements for additional financing beyond the Credit Line and there can be no assurance that it will be successful in doing so.

As at April 30, 2015, the Company reported cash and cash equivalents of \$73,073 compared to \$91,047 at October 31, 2014. The change in cash and cash equivalents over the year is comprised of funds used by investing activities of \$(29,601), (\$1,017,156) from operations, and \$1,028,783 provided by financing activities due to drawdowns under the Credit Line. As at April 30, 2015, the Company had a working capital deficit of \$2,755,601 compared to working capital of \$1,519,456 at October 31, 2014.

The Company anticipates that its monthly burn rate for general and administrative expenses is approximately \$57,300, and that the undrawn amount available under its current secured line of credit is approximately USD 850,335 as at June 9, 2015. This amount is sufficient to fund the Company's anticipated general and administrative expenditures for the balance of the fiscal year ending October 31, 2015. However to carry out any work on any of its properties, including Carbon Creek, the Company will be required to raise additional funding. If the Company is unsuccessful in doing so, then it will not be able to proceed with any meaningful activities at Carbon Creek.

Other than cash held by its subsidiaries for their immediate operating needs in Argentina all of the Company's cash reserves are on deposit with major financial institutions or invested in Government of Canada Treasury Bills or Banker's Acceptances issued by major Canadian chartered banks. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

The following table discloses the Company's contractual obligations.

Contractual Obligations	Payments Due by Period				November 1, 2021 to October 31, 2024 (36 months)
	Total	Prior to October 31, 2015 (9 months)	November 1, 2015 to October 31, 2018 (36 months)	November 1, 2018 to October 31, 2021 (36 months)	
<i>Carbon Creek Mineral Property Volume commitment (*)</i>	\$60,200,000	\$3,500,000	\$18,900,000	\$18,900,000	\$18,900,000
<i>Operating Lease Obligations</i>	\$2,223,740	\$479,896	\$1,468,669	\$1,237,609	-
Total Contractual Obligations	\$63,386,174	\$3,979,896	\$20,368,669	\$20,137,609	\$18,900,000

(*) The Company's agreement with Ridley Terminals Inc. subjects the Company to annual minimum volume commitments for shipping coal through the port facility. As a result of various delays on obtaining the necessary regulatory approvals, licenses and permits for the Carbon Creek property the Company declared force majeure due to government inaction as of October 27, 2014 as defined in sections 14.2 of the Terminal Agreement. Specifically, the force majeure event constitutes "acts or refusals to act of any government or government agency in.. its sovereign... capacity". By virtue of the delays and refusal to issue the relevant approvals, licenses and permits the Company has been required to defer the opening of its planned new mine. The Company cannot reasonably expect to have any further Coal Licenses nor work permits until at least 2016. As a result the Company cannot expect to be in a position to ship coal until 2020, at the earliest. The force majeure declaration is expected to mitigate from 2015 until 2020, payments the Company would have otherwise had to pay. Ridley has advised it disputes the Company's declaration of Force Majeure. At this time no further action has been taken by Ridley other than sending a commitment invoice for 2014.

OFF BALANCE-SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and six months ended April 30, 2015, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship	Purpose of transaction	Three Months Ended	Six Months Ended
Hendrik van Alphen	CEO, President & a Director of the Company	Wages and Salaries	\$ 34,666	\$ 86,666
Lawrence W Talbot	VP & General Counsel of the Company	Wages and Salaries	\$ -	\$ 6,666
Keith Henderson	Executive Vice President of the Company	Wages and Salaries	\$ 48,000	\$ 96,000
Blaine Bailey	CFO of the Company	Wages and Salaries	\$ 25,000	\$ 50,000
Marla Ritchie	Corporate Secretary of the Company	Wages and Salaries	\$ 15,000	\$ 30,000
Stephan Fitch	Director of the Company	Director's fees	\$ 3,000	\$ 6,000
Robert Van Doorn	Director of the Company	Director's fees	\$ 3,000	\$ 6,000
Leonard Harris	Director of the Company	Director's fees	\$ 3,000	\$ 6,000
Lawrence W. Talbot Law Corporation	Company controlled by an officer of the Company	Professional fees	\$ 28,118	\$ 39,609

During the period ended April 30, 2015, there were no stock options granted to related parties.

PROPOSED TRANSACTIONS

As at the date of this MD&A, except as disclosed in Exploration Activities - General, there are no other proposed transactions where the Board of Directors or senior management believes that confirmation of the decision by the Board is probable or with which the Board and senior management have decided to proceed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements.

Mineral property impairment

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned and results of exploration and evaluation activities on the exploration and evaluation assets. The Company concluded that as of April 30, 2015 there was no additional impairment on the Carbon Creek property.

Valuation of debt

Carrying value at amortized cost of the short-term loan and credit facility is estimated using an effective interest rate. Estimation of the effective interest rate includes uncertainties such as: the discount rate used and the fair value of common share purchase warrants issued as consideration. These estimates are subject

to management judgments in setting the Company's discount rate. These uncertainties may result in the actual value of the obligations differing from the carrying value.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option/warrant. Changes in these input assumptions can significantly affect the fair value estimate.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's cash at April 30, 2015 was \$73,073 of which \$8,087 was held in US, Argentinean, Ghanaian and Peruvian currencies.

The Company's receivables and payables at April 30, 2015 were normal course business items. The accounts receivable are settled on a regular basis. The Company's investments in Abzu, Wealth, Artha, and Xiana are carried at quoted market value or an estimate thereof, and are classified as "available-for-sale" for accounting purposes. The Company intends to dispose of its resource-related investments as necessary to fund ongoing operations, although the current market prices and lack of liquidity for certain of such investments seriously affects the Company's ability to so dispose of those investments.

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 and debt. 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 six month ended April 30, 2015. The Company is not subject to externally imposed capital requirements.

The Company classified its accounts receivable and due from related parties as loans and receivables; and accounts payable and accrued liabilities, as other financial liabilities. The classification of investments is set out in note 4. The carrying values of cash and cash equivalents, accounts receivable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due 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 short-term loan and credit facility are initially valued at fair value, and subsequently measured using effective interest rate method.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such input exists. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at April 30, 2015 as required by Canadian and US securities laws. Based on that evaluation and as a result of the material weakness in the Company's internal control over financial reporting discussed below, the Chief Executive Officer and the Chief Financial Officer also concluded that, as of April 30, 2015, that the disclosure controls and procedures were not effective as of April 30, 2015.

EVALUATION OF 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 accounting policies 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 accounting policies, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management, including the CEO and CFO, have evaluated the effectiveness of the Company's internal control over financial reporting as of April 30, 2015. This evaluation was based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on that assessment, management concluded that the Company's internal control over financial reporting was not effective as of April 30, 2015.

Material Weakness

A material weakness is a deficiency or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

As of April 30, 2015, the Company identified the following material weakness that applies to both disclosure controls and procedures and internal controls over financial reporting;

Due to the significantly reduced number of employees over prior years the Company does not have sufficient resources for reviewing the financial statements and cannot maintain adequate segregation of duties as is necessary to ensure complete and accurate financial reporting. Specifically, the Company's Chief Financial Officer is responsible for preparing, authorizing and reviewing information that is integral to the preparation of financial reports. He is also responsible for preparing and reviewing the resulting financial reports. The weakness has the potential to result in material misstatements in the Company's consolidated financial statements that would not be prevented or detected, and as such has been determined to be a material weakness in internal controls over financial reporting which also impacts the Company's disclosure controls and procedures.

As of the date of this report, management has not yet developed a plan to remediate the material weakness. Management has concluded that, taking into account the present stage of the Company's development and the significant difficulty in securing ongoing operating funding, the Company does not have sufficient size and scale to warrant, and cannot realistically afford, the hiring of the additional staff that would be required to correct the weakness at this time.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have concluded that there has been a change in the Company's internal control over financial reporting during the period beginning on November 1, 2014 and ended on April 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The change is a result of a lack of segregation of duties due to the significant staff reductions during the year and has been noted above.

DISCLOSURE OF OUTSTANDING SHARE DATA

1. Authorized and Issued capital stock:

As at April 30, 2015:

	Authorized	Issued	Book Value
An unlimited number of common shares without par value		117,366,887	\$126,163,632

As at June 9, 2015:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	117,366,887	\$126,163,632

2. Options Outstanding:

As at April 30, 2015:

Number	Exercise Price	Expiry Date
1,925,000	\$ 0.20	May 28, 2015
6,354,000	\$ 0.11	July 3, 2020
2,036,000	\$ 0.18	February 6, 2016
400,000	\$ 0.06	October 22, 2016
10,715,000		

As June 9, 2015:

Number	Exercise Price	Expiry Date
2,754,000	\$ 0.11	July 3, 2020
2,036,000	\$ 0.18	February 6, 2016
400,000	\$ 0.06	October 22, 2016
5,190,000		

3. Warrants Outstanding:

As at April 30, 2015:

Number	Exercise Price	Expiry Date
28,359,066	\$ 0.05	August 9, 2020
28,359,066	\$ 0.05	December 5, 2020
53,658,330	\$ 0.05	May 6, 2022
110,376,462		

As at June 9, 2015:

Number	Exercise Price	Expiry Date
28,359,066	\$ 0.05	August 9, 2020
28,359,066	\$ 0.05	December 5, 2020
53,658,330	\$ 0.05	May 6, 2022
110,376,462		

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.