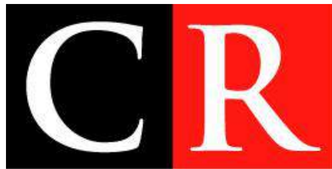

CARDERO RESOURCE CORP.

(An Exploration Stage Company)

Audited Consolidated Financial Statements

(Expressed in Canadian Dollars)

October 31, 2015 and 2014

Corporate Head Office

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Financial Statements
(Expressed in Canadian Dollars)
October 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CARDERO RESOURCE CORP.

We have audited the accompanying consolidated financial statements of Cardero Resource Corp., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cardero Resource Corp. as at October 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 27, 2016

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CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at October 31

		2015		2014
ASSETS				
Current				
Cash	$	316,431	$	91,047
Accounts receivable		490,917		35,644
Due from related parties (note 9)		46,864		117,298
Prepaid financing costs (note 7)		-		1,216,597
Prepaid expenses		52,279		186,989
Total Current Assets		906,491		1,647,575
Property, Plant and Equipment (note 3)		145,161		227,687
Investments (note 4)		256,846		127,870
Exploration and Evaluation Assets (note 5)		1,049,789		8,800,000
Deposits (note 6)		94,714		375,886
Total Assets	$	2,453,001	$	11,179,018
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 12)	$	928,363	$	1,278,280
Credit facility (note 7(b))		248,435		-
Convertible promissory note (note 15)		39,225		-
Short-term loan (note 7(a))		-		1,888,751
Total Current Liabilities		1,216,023		3,167,031
Credit Facility (note 7(b))		-		2,722,425
Liability Portion of Preferred Shares (note 7)		2,400,000		-
Total Liabilities		3,616,023		5,889,456
SHAREHOLDERS' EQUITY				
Share Capital (note 8)		130,354,063		126,163,632
Contributed Surplus		30,714,150		30,510,807
Accumulated Other Comprehensive Income		175,798		-
Deficit		(162,815,162)		(151,384,877)
		(1,571,151)		5,289,562
Non-Controlling Interest		408,129		-
		(1,163,022)		5,289,562
Total Liabilities and Shareholders' Equity	$	2,453,001	$	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)
Consolidated Statements of Loss
(Expressed in Canadian Dollars)
Years Ended October 31

	2015	2014
Expenses		
Accounts receivable write-off	$ -	$ 113,772
Consulting fees (note 9)	99,827	225,363
Corporate development	44,079	60,836
Depreciation	35,130	114,696
Insurance	53,555	98,178
Investor relations	5,385	11,056
Impairment losses on due from related parties (note 9)	-	61,677
Impairment loss on deposit (note 6)	-	4,500,000
Impairment loss on exploration and evaluation assets (note 5)	-	69,753,529
Gain on sale of exploration and evaluation asset (note 5)	-	(57,779)
Impairment recovery on accounts receivable	-	(26,876)
Loss on sale of property, plant and equipment	-	76,493
Office costs	191,340	435,112
Professional fees (note 9)	618,557	501,457
Exploration property evaluations	41,890	37,595
Regulatory and transfer agent fees	105,692	89,917
Salaries and benefits (note 9)	1,032,817	1,020,565
Travel	41,658	59,791
	(2,269,930)	(77,075,382)
Other income (expense)	45,475	(27,290)
Foreign exchange loss	(1,274,248)	(597,898)
Interest expense (note 7)	(4,942,532)	(4,229,134)
Realized loss on available-for-sale investments (note 4)	-	(1,788)
Realized loss on derivative investment (note 4)	-	(87,470)
Impairment loss on available-for-sale investments (note 4)	(36,072)	(231,427)
Loss on sale of subsidiary (note 7)	(3,708,583)	(81,537)
Gain on acquisition (note 15)	647,168	-
Facilitation fee (note 5(a))	-	670,080
Flow-through Part XIII penalty and interest (note 12)	-	(166,152)
Flow-through renunciation deduction (note 12)	-	(227,500)
Gain (loss) on settlement of accounts payable (note 12)	-	2,153,078
Loss Before Income Taxes	(11,538,722)	(79,902,420)
Income Taxes		
Deferred recovery (note 12)	-	233,213
Net Loss for Year	$ (11,538,722)	$ (79,669,207)
Attributed to:		
Equity holders of the Company	$ (11,430,285)	$ (79,669,207)
Non-controlling interests	(108,437)	-
	$ (11,538,722)	$ (79,669,207)
Basic and Diluted Loss Per Share	$ (0.93)	$ (6.80)
Weighted Average Number of Common Shares Outstanding	12,372,031	11,691,952

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
Years Ended October 31

		2015		2014
Net Loss for Year	$	(11,538,722)	$	(79,669,207)
Other comprehensive income (loss)				
Items that will be subsequently recycled through profit or loss				
Exchange differences on translation of foreign operations		-		(17,035)
Other comprehensive income on available-for-sale securities		175,798		4,200
Other Comprehensive Income (Loss) for the Year		175,798		(12,835)
Comprehensive Loss for the Year	$	(11,362,924)	$	(79,682,042)
Attributed to:				
Equity holders of the Company	$	(11,254,487)	$	(79,682,042)
Non-controlling interests		(108,437)		-
Comprehensive Loss for the Year	$	(11,362,924)	$	(79,682,042)

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital						
	Shares	**Amount**	**Deficit**	**Contributed Surplus**	**Functional Currency Translation**	**Available-for-Sale Investments**	**Total Shareholders' Equity**
Balance, October 31, 2013	**11,343,634**	**$ 125,528,040**	**$ (71,715,670)**	**$ 23,847,997**	**$ 17,035**	**$ (4,200)**	**$ 77,673,202**
Net loss for the year	-	-	(79,669,207)	-	-	-	(79,669,207)
Other comprehensive income							
Unrealized loss on available-for-sale investments	-	-	-	-	-	4,200	4,200
Functional currency translation	-	-	-	-	(17,035)	-	(17,035)
Shares issued for cash							
Exercise of options	71,100	78,210	-	-	-	-	78,210
Share issue 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	321,962	515,139	-	-	-	-	515,139
Short-term loan warrants	-	-	-	986,464	-	-	986,464
Credit facility warrants	-	-	-	5,521,436	-	-	5,521,436
Share-based payments	-	-	-	197,468	-	-	197,468
Balance, October 31, 2014	**11,736,696**	**$ 126,163,632**	**$ (151,384,877)**	**$ 30,510,807**	**$ -**	**$ -**	**$ 5,289,562**

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital							
	Preferred Shares	**Common Shares**	**Amount**	**Deficit**	**Contributed Surplus**	**Non-Controlling Interest**	**Available-for-Sale Investments**	**Total Shareholders' Equity**
Balance, October 31, 2014	**-**	**11,736,696**	**$ 126,163,632**	**$ (151,384,877)**	**$ 30,510,807**	**$ -**	**$ -**	**$ 5,289,562**
Net loss for the year	-	-	-	(11,430,285)	-	(108,437)	-	(11,538,722)
Other comprehensive income								
Unrealized gain on available-for-sale investments	-	-	-	-	-	-	175,798	175,798
Shares issued for cash								
Private placement	-	3,550,001	532,500	-	-	-	-	532,500
Share issue costs	-	-	(32,069)	-	-	-	-	(32,069)
Shares issued for non-cash	-							
Property acquisition	-	1,000,000	210,000	-	-	-	-	210,000
Shares issued in settlement of debt	-	17,400,000	3,480,000	-	-	-	-	3,480,000
Preferred shares issued in settlement of debt	12,000,000	-	-	-	-	-	-	-
Non-controlling interest on acquisition	-	-	-	-	-	516,566	-	516,566
Modification of warrants	-				51,475	-	-	51,475
Credit facility warrants allocated to management	-	-	-	-	118,910	-	-	118,910
Agent warrants	-	-	-	-	5,810	-	-	5,810
Options issued	-	-	-	-	27,148	-	-	27,148
Balance, October 31, 2015	**12,000,000**	**33,686,697**	**$ 130,354,063**	**$ (162,815,162)**	**$ 30,714,150**	**$ 408,129**	**$ 175,798**	**$ (1,163,022)**

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended October 31

	2015	2014
Operating Activities		
Net loss for the year	$ (11,538,722)	$ (79,669,207)
Items not involving cash		
Accounts receivable write-off	-	113,772
Depreciation	35,130	114,696
Share-based payments (note 8)	197,533	197,468
Interest expense	4,038,147	3,522,050
Realized loss on sale of available-for-sale investments (note 4)	-	1,788
Impairment loss on deposits	-	4,500,000
Impairment loss on available-for-sale investments (note 4)	36,072	231,427
Impairment loss on due from related parties (note 9(b))	-	61,677
Impairment loss on exploration and evaluation assets	-	69,753,529
Loss (gain) on settlement of trade payables	-	(2,153,078)
Realized loss on derivative investments (note 4)	-	87,470
Loss on sale of property, plant and equipment	-	76,493
Loss on sale of subsidiary	3,708,583	-
Gain on acquisition (note 15)	(647,168)	-
Income taxes recovery	-	(233,213)
Unrealized foreign exchange loss	1,294,211	667,269
Changes in non-cash working capital items		
Accounts receivable	19,187	4,097,267
Prepaid expenses	208,816	38,380
Accounts payable and accrued liabilities	(126,526)	(1,141,057)
Convertible promissory note (note 15)	39,225	-
Interest payable	916,664	245,436
Cash Provided by (Used in) Operating Activities	(1,818,848)	512,167
Investing Activities		
Expenditures on exploration and evaluation assets	(330,549)	(1,128,575)
Decrease in deposits (note 6)	-	30,750
Proceeds from sale of investments (note 4)	-	160,211
Purchase of investments	-	(107,221)
Proceeds from sale of property, plant and equipment	-	125,131
Cash Provided by (Used in) Investing Activities	(330,549)	(919,704)
Financing Activities		
Proceeds from shares issued	532,500	78,210
Share issuance costs	(26,259)	(315)
Cash acquired on acquisition (note 15)	563,591	-
Credit facility (note 7)	1,304,949	4,428,245
Short-term loan repayment (note 7)	-	(4,298,833)
Cash Provided by Financing Activities	2,374,781	207,307
Increase (Decrease) in Cash	225,384	(200,230)
Cash Beginning of the Year	91,047	291,277
Cash End of the Year	$ 316,431	$ 91,047

Supplemental cash flow information (note 13)

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, Argentina and the United States. 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.

During the year ended October 31, 2015, all of the issued common shares and equity instruments of the Company were consolidated on the basis of 10 pre-consolidation common shares/equity instruments for 1 post-consolidation common share/equity instrument. As a result of the consolidation, all share and per-share information in these financial statements has been restated to reflect the consolidation.

Going concern

While these 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 significant doubt on the validity of that assumption:

- During the year ended October 31, 2015, the Company incurred a net loss of $11,538,722 (2014 - $79,669,207), and as at October 31, 2015 had an accumulated deficit of $162,815,162 (2014 - $151,384,877) and a working capital (deficit) of ($309,532) (2014 – ($1,519,456));
- Additional sources of financing are required to enable the Company to meet its existing obligations; and
- Subsequent to the year end the Company amended the Credit Facility Letter and completed the second tranche of financing for gross proceeds of $201,250 (note 17 (a)).

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, iron ore and metallurgical coal markets. There can be no assurance the Company will be successful in its endeavor to obtain additional financing. These consolidated financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the consolidated 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

These consolidated financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded at fair value, and include the accounts of the Company and its wholly-owned subsidiaries (note 2(b)). Intercompany balances and transactions are eliminated on consolidation. The presentation and functional currency of the Company is the Canadian dollar.

The Board of Directors approved the consolidated financial statements on January 27, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

These consolidated financial statements include the accounts of Cardero and its wholly-owned integrated subsidiaries, Cardero Iron Ore Company Ltd., Cardero Hierro Del Peru S.A.C., Cerro Colorado Development Ltd., Compania Minera Cardero Chile Limitada, Cardero Iron Ore (USA) Inc. (“Cardero Iron US”), Cardero Iron Ore Management (USA) Inc., Cardero Iron Ore Company (BVI) Ltd., Cardero Hierro Peru (BVI) Ltd.,

Cardero Ghana Ltd. (“Cardero Ghana”), Cardero Iron Ore Ghana (BVI) Ltd., Cardero Technologies Ltd., Cardero Intellectual Property Corp., Cardero Licensing Ltd., Cardero Materials Testing Laboratory Ltd. and Centenera Mining Corporation (“Centenera”) of which the Company owns 54% (collectively, the “Company”). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. The Company reassessed the control conclusions previously made for its subsidiaries. The conclusions did not change, and accordingly, no adjustments were determined necessary. All significant intercompany transactions and balances have been eliminated.

(c) Critical accounting estimates and judgments

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

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

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Critical accounting estimates and judgments (continued)

Functional currency determination

The functional and presentation currencies of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries is the Canadian dollar, based on management's assessment of whether a specific subsidiary is a standalone operation or integrated with the operations of the parent company. Should management's judgment about the nature of a subsidiary differ from its actual nature, a material difference in the cumulative translation adjustment and or foreign exchange gain could result.

Valuation of debt

Carrying value at amortized cost of the short-term loan and credit facility is estimated using the effective interest rate method. 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.

(d) Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less from the date of purchase, that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value.

(e) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

Deprecation

Depreciation is recognized in profit or loss at the following annual rates:

Computer software	-	100% declining balance basis
Computers and office equipment	-	20% to 30% declining balance basis
Metallurgy lab	-	over 5 years on a straight-line basis
Leasehold improvements	-	over the term of the lease on a straight-line basis

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Exploration and evaluation assets

All of the Company's projects are currently in the exploration and evaluation phase.

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, exploration and evaluation assets in respect of that project are deemed to be impaired. As a result, those exploration and evaluation asset costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for indicators of impairment in accordance with IFRS 6 *Exploration and Evaluation of Mineral Resources*. If indicators of impairment are identified, the Company assess whether the exploration and evaluation assets are impaired in accordance with the criteria set out in IAS 36 *Impairment of Assets* to determine whether the carrying amount of an asset exceeds its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and the capitalized costs associated with that mine are reclassified from exploration and evaluation assets as mines under construction. Exploration and evaluation assets are also tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

(g) Impairment of non-current assets

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of non-current assets (continued)

Impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is subsequently reversed, the amount of such reversal is limited such that the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in the prior years. A reversal of an impairment loss is recognized in profit or loss.

(h) Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

The functional currency of Cardero and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the Company and the other consolidated entities is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Loss per share

Basic earnings or loss per share is calculated on the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the loss per common share calculation would be anti-dilutive.

(k) Share capital

The proceeds from the exercise of stock options and warrants are recorded as share capital. The Company's shares are classified as equity instruments. Share issue costs on the issue of the Company's shares are charged directly to share capital.

Flow-through shares

The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through share premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. As the related exploration expenditures are incurred, the Company derecognizes the liability and recognizes a related income tax recovery.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures.

Valuation of warrants

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as part of units or debt agreements. The residual value method first allocates value to common shares issued in the private placements at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded in shareholders' equity. For warrants issued as part of debt agreements, the residual method first allocates value to the debt at its fair value, as determined using a discounted cash flow analysis. The balance, if any, is allocated to the warrants.

(l) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income (loss), except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories based on the purpose for which the asset was acquired. Management determines the classification of financial assets at recognition.

Fair Value through Profit or Loss

This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Share purchase warrants included in investments are derivative financial instruments and are classified as fair value through profit or loss ("FVTPL"), and accordingly, unrealized gains or losses, net of applicable income taxes, are included in operations.

The Company has classified its cash as fair value through profit or loss.

Available for Sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. Investments in shares (note 4) are classified as AFS financial assets.

Management assesses the carrying value of AFS financial assets for objective evidence that impairment exists each reporting period and any impairment charges are recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in accumulated other comprehensive income are included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of accounts receivable and due from related parties.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is "significant" or "prolonged" based on indicators such as significant adverse changes in the market, economic or legal environment.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments (continued)

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities short-term loan, credit facility, and convertible promissory note are classified as other financial liabilities.

Convertible promissory note

When the Company issues convertible promissory note with or without additional warrants attached, the proceeds are allocated first to the debt component, based on its discounted cash flows using a discount rate appropriate for similar debts without conversion features or attached warrants. The residual value is allocated to all equity components, and is included in shareholders' equity. The debt component is accreted over its contractual life using the effective interest method, which includes other costs, such as finders' fees. The accretion expense is included in profit or loss as interest expense. On settlement of the debt, the equity components are transferred to deficit.

Preferred shares

Preferred shares issued by the Company contain provisions that allow the holders of the preferred shares to put those shares to the Company for redemption ("right of retraction"). Where the holder of the preferred shares has waived their right of retraction, the associated preferred shares are recorded as equity of the Company. In cases where the holder of the preferred shares has retained their right of retraction or where dividends are perpetual, the associated preferred shares are recorded as a liability.

(n) New accounting pronouncements

Certain pronouncements have been issued by the IASB that are mandatory for accounting years beginning on or after November 1, 2015. The Company has not assessed the impact from adopting these standards.

IFRS 9 *Financial Instruments (Revised)* (2014)

IFRS 9 incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after November 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) New accounting pronouncements (continued)

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to annual periods beginning on November 1, 2016.

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
IAS 34 — Clarify the meaning of "elsewhere in the interim report" and require a cross-reference
Applicable to annual periods beginning on November 1, 2016.

Other accounting pronouncements with future effective dates are not expected to have an impact on the Company's consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Metallurgy Lab	Leasehold Improvements	Other	Total
Cost				
Balance, October 31, 2013	$ 619,722	$ 378,184	$ 611,114	$ 1,609,020
Disposals	(619,722)	-	(11,563)	(631,285)
Balance, October 31, 2014	-	378,184	599,551	977,735
Disposal (Cardero Coal) (note 7)	-	(33,116)	(198,254)	(231,370)
Balance, October 31, 2015	$ -	$ 345,068	$ 401,297	$ 746,365
Accumulated depreciation				
Balance, October 31, 2013	$ 344,090	$ 246,845	$ 457,044	$ 1,047,979
Depreciation for the year	61,629	17,133	35,934	114,696
Disposal	(405,719)	-	(6,908)	(412,627)
Balance, October 31, 2014	-	263,978	486,070	750,048
Depreciation for the year	-	13,454	21,676	35,130
Disposal (Cardero Coal) (note 7)	-	(7,357)	(176,617)	(183,974)
Balance, October 31, 2015	$ -	$ 270,075	$ 331,129	$ 601,204
Carrying amounts				
At October 31, 2014	$ -	$ 114,206	$ 113,481	$ 227,687
At October 31, 2015	$ -	$ 74,993	$ 70,168	$ 145,161

4. INVESTMENTS

October 31, 2015	Shares Number	Fair Value
Wealth Minerals Ltd. (“Wealth”)	1,255,701	$ 251,140
Xiana Mining Inc. (“Xiana”)	126,800	5,706
Abzu Gold Inc. (“Abzu Gold”)	787,500	-
		$ 256,846

October 31, 2014	Shares Number	Fair Value
Wealth Minerals Ltd. (“Wealth”)	1,255,701	$ 75,342
Xiana Mining Inc .(“Xiana”)	126,800	6,340
Abzu Gold	787,500	35,438
Centenera	2,150,000	10,750
		$ 127,870

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.

During the year ended October 31, 2015, the Company sold investments for gross proceeds of $Nil (2014 - $160,211) with a carrying value of $Nil (2014 - $158,423) for net gain (loss) on sale of $Nil (2014 - $(1,788)). Impairment losses on investments amounted to $36,072 (2014 - $231,427).

During the year ended October 31, 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.

These consolidated financial statements include the consolidated financial statements of Centenera as a result of a RTO completed by Centenera (note 16). At October 31, 2015, as a result of the RTO, the investment in Centenera has been eliminated on consolidation.

5. 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))	Argentina (note 5(a))	Canada (note 5(c))	Total
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	-	-	8,800,000	8,800,000
Acquisition costs				
Acquisition costs – RTO	-	535,000	-	535,000
Acquisition costs – shares	210,000	-	-	210,000
Acquisition costs – cash	263,929	-	25,760	289,689
Total acquisition costs	473,929	535,000	25,760	1,034,689
Deferred exploration costs				
Report preparation	7,919	-	-	7,919
Claim maintenance	-	32,941	-	32,941
Total exploration costs	7,919	32,941	-	40,860
Total expenditures for the year	481,848	567,941	25,760	1,075,549
Disposition (note 5(c))	-	-	(8,825,760)	(8,825,760)
Total write-offs	-	-	(8,825,760)	(8,825,760)
Balance, October 31, 2015	$ 481,848	$ 567,941	$ -	$ 1,049,789

(a) Argentina

These consolidated financial statements include the consolidated financial statements of Centenera as a result of a Reverse Takeover Transaction ("RTO") (note 16) completed by Centenera. On June 18, 2015, Centenera completed the acquisition of all of the issued and outstanding shares of Cardero Argentina SA ("Cardero Argentina"). Cardero Argentina was a wholly owned subsidiary of the Company and is a mineral exploration company with properties located in Argentina.

Crosby Property – Argentina

Pursuant to a property option agreement (the "Option Agreement") made September 18, 2009 (the "Acceptance Date"), the Company obtained an option to acquire certain exploration properties, located in the Province of Jujuy in Argentina, including certain exploration permits, licenses and applications comprising the Crosby property (the "Crosby Property"), from Davcha Resources International Limited ("DRI",) a private British Columbia company.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Argentina (continued)

Crosby Property – Argentina (continued)

To exercise the option the Company must issue and allot to DRI 950,000 common shares of which 850,000 have been issued to date. The remaining 100,000 common shares must be issued upon the Company receiving a bankable feasibility report ("BFR") on one of the Properties within eight years of the Acceptance Date. Provided that if the BFR is not received within the said eight years, the total consideration will be reduced to 850,000 shares (issued) of the Company.

The Company assumed and subsequently earned DRI's option to acquire a 94% interest in the Crosby Property, subject to a 2% net smelter royalty, in consideration for assuming DRI's obligation to pay the underlying property owner US$215,000 (paid), agreeing to reimburse approximately AU$169,105 (paid) in exploration costs and advances incurred by the property optionor, and the assumption of certain other obligations of DRI under the Option Agreement. The Company acquired the remaining 6%, from a third party, immediately prior to the RTO for a cash payment of $35,000.

Organullo Property – Argentina

Pursuant to an agreement dated October 1, 2004 between the Company and an Argentinean individual, the Company purchased a 100% interest in eight mines in Salta Province, Argentina, in consideration of the issuance of 70,000 common shares. The Organullo property is in good standing.

At October 31, 2014, the cost of the property was $nil because the Company did not have a basis with which to value the property and did not have any plan or budget to explore the property further.

Mina Angela Property - Argentina

The Company entered into an acquisition agreement in April 2004, pursuant to which, the Company acquired a 100% interest in 44 mineral concessions in Chubut Province, Argentina, subject to a 1% NSR to the vendor, in consideration of aggregate cash payments to the vendor of US$ 400,000 (paid). The Company now owns the property 100%.

At October 31, 2014, the cost of the property was $nil because the Company did not have a basis with which to value the property and did not have any plan or budget to explore the property further.

Trigal Property – Argentina

During the year ended October 31, 2015 the Company acquired the property through staking.

Minas Pirquita - Argentina

During the year ended October 31, 2014, Cardero Argentina, disposed of the Minas Pirquita property in Argentina for a gain of $57,779 (US$ 50,000). The Company received a facilitation fee of $926,755 (US$ 850,000) for services rendered in connection with the termination of an option agreement with Centenera, thereby permitting the disposition to proceed. The Company paid a finder's fee of $24,480 (US$ 22,500) to an arm's length individual, $230,558 (US$ 212,942) to Centenera in consideration of Centenera terminating its existing option agreement with respect to the Minas Pirquitas property, and other miscellaneous costs of $1,637, resulting in a net facilitation fee of $670,080.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) United States - Zonia – Arizona

Pursuant to an option agreement dated August 27, 2015 and amended on September 21, 2015 between the Company and Redstone Resources Corporation, the Company acquired a 100% interest in the Zonia copper project. In order to exercise the option agreement, the Company must make aggregate cash payments of US$2,225,000 and issue an aggregate of 16,500,000 common shares as follows:

Date	USD$	Cardero Shares
Within 2 business days of execution of the Letter Agreement	$25,000 (paid)	-
On or before August 30, 2015	26,350 (paid)	-
October 27, 2015(the Effective Date)	150,000 (paid)	1,000,000 (issued)
January 31, 2016 (*)	75,000	1,500,000
July 31, 2016	75,000	-
January 31, 2017	450,000	2,500,000
July 31, 2017	450,000	2,500,000
October 31, 2017	$973,650	4,000,000
October 31, 2018	-	5,000,000
Total	**$2,225,000**	**16,500,000**

(*) Subsequent to year end the Company amended the payment terms on the Zonia option agreement (note 17(c))

(c) Canada – Carbon Creek Property, British Columbia

During the year ended October 31, 2015 the Company sold its interest in Cardero Coal Ltd. ("Cardero Coal"), owner of the Carbon Creek Property, through its 75% interest in the Carbon Creek Joint Venture with a private Alberta Partnership, through a debt restructuring (note 7) process with the Kopple Family Partnership LP and E.L. II Properties Trust ("Kopple Lenders"). The Company received an independent valuation of the Carbon Creek property at $4,708,808 (US$3,600,000) which was determined as its fair value by using comparable market transactions.

Retained Participation Right

As part of the debt restructuring the Company retained a Participation Right on a sliding scale such that the Company will receive maximum benefit if the asset is sold. For example, if Carbon Creek was sold in 2015, the Kopple Lenders would retain the first US$15 million in net proceeds and Cardero would receive 95% of the remaining sale price. The time at which the asset can be monetized, if at all, will be dependent on recovery of the metallurgical coal market.

Retained Participation Right

Year of Sale	Initial Amount Retained by the Kopple Lenders	Percentage of Remaining Sale Proceeds Retained by Cardero
2015	US$15,000,000	95%
2016	$20,000,000	80%
2017	$25,000,000	50%
2018	$30,000,000	35%
2019	$30,000,000	30%
2020-24	$30,000,000	25%
2025	$30,000,000	0%

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(c) Canada – Carbon Creek Property, British Columbia (continued)

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 $69,753,529 write-down. This write-down was calculated in accordance with level 3 of the fair value hierarchy.

(d) 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.

6. DEPOSITS

Deposits consist of $Nil (2014- $267,500) paid in the event that the Company would have incurred future reclamation expenditures on the Carbon Creek project, and $Nil (2014 - $108,386) for other security deposits.

The Company paid $4,500,000 as a non-refundable commitment deposit to Ridley Terminals Inc. (the “Terminal”), pursuant to a terminal services agreement dated May 14, 2012 (the “Terminal Agreement”). As at October 31, 2014, the Company wrote-down the deposit by $4,500,000 to a value of $Nil as a result of the uncertainties being experienced with the Carbon Creek property and the write-down to fair value of that property, which were viewed as indicators of impairment. The write-down was completed in accordance with IAS 36, and was for the full value of the deposit, as it was not practicable to estimate a value in use of the deposit as at October 31, 2014. Further, as the deposit is not assignable, fair value less costs to sell was estimated to be $nil in accordance with level 3 of the fair value hierarchy.

7. DEBT RESTRUCTURING

Effective July 23, 2015, the Kopple Lenders agreed to the restructuring of $10.5 million (US$8.5 million) of debt owed by the Company. The restructuring is achieved through a number of mechanisms, including sale of Cardero Coal to the Kopple Lenders for $4.6 million (US$3.6 million). The valuation attributed to Cardero Coal was subject to an independent valuation.

The remainder of the restructuring was via issuance of preferred shares, valued at $2.4 million (US$2.0 million) and issuance of units, valued at $3.5 million (US$2.9 million). The preferred shares and units (1 common share and ½ warrant) were priced at $0.20. The preferred shares will have voting rights equivalent to the Company's common shares, priority over the common shares in relation to the payment of dividends, a right of conversion into common shares and a fixed cumulate dividend rate of 8.0% of par value (being equal to the price) per annum payable yearly. Should any annual dividend not be paid, the cumulative dividend rate will increase to 10%. The Company will retain a right to redeem the preferred shares at price equal to their par value, plus any accrued and unpaid dividends, for a period of five years.

Using a level 3 fair value hierarchy, 2,400,000 of the preferred shares has been allocated as liability portion of the preferred shares.

Credit Facility Letter

The balance of debt, $247,349 (US$ 189,174) will remain outstanding, pursuant to the terms of a Credit Facility Letter (the "Credit Facility") provided by the Kopple Lenders. Subsequent to October 31, 2015 (note 17) the Company amended the Credit Facility which provides for a US$1,000,000 credit facility to US$989,174. It has been acknowledged between the Kopple Lenders and Cardero that US$189,174 is outstanding on the Credit Facility ("Convertible Amount") and US$800,000 is available to the Company under subsequent draws on the terms set forth ("Draw Amount"). The "Outstanding Balance" of the Credit Facility at any time shall include (i) the amount outstanding as of the date of this Facility Letter, plus (ii) all subsequent advances made hereunder, plus (iii) all accrued interest on this Credit Facility, less (iv) any amounts repaid hereunder. Once the Outstanding Balance reaches $989,174, no further advances need be made by the Kopple Lenders to the Company under this Credit Facility.

For the purposes of this Credit Facility, the "Convertible Outstanding Balance" shall refer to and include (i) the Convertible Amount, plus (ii) all accrued interest relating to the Convertible Amount, less (iii) any amounts repaid hereunder. The "Draw Outstanding Balance" shall refer to (i) any subsequent advances made hereunder, plus (ii) all accrued interest on such subsequent advances, less (iii) any amounts repaid hereunder. For additional clarity, it is expressly provided that any amounts repaid hereunder shall be first allocated to any outstanding amounts relating to the Draw Amount and then any outstanding amounts relating to the Convertible Amount."

The Convertible Outstanding Balance shall be repaid by the Borrower within 12 months following the Closing Date ("Maturity Date"). The Draw Outstanding Balance shall be repaid by the Borrower on or before June 30, 2016 (the "Draw Maturity Date"). Interest is calculated on the applicable balance at the end of each day, compounded quarterly and is payable in arrears, both before and after the Maturity Date or the Draw Maturity Date, as the case may be, firstly on December 31, 2015, and quarterly thereafter on the last day of March, June, September and December of each year.

7. DEBT RESTRUCTURING (Continued)

(a) Short term loan

On August 9, 2013, the Company completed a private placement of senior secured notes (the "Notes") in the aggregate principal amount of US$ 5.7 million with entities controlled by Robert C. Kopple of Los Angeles, California, US (the "Lenders").

Notes in the amount of US$ 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 US$ 3,920,986 (representing the US$ 3,700,000 principal amount plus US$ 220,986 in interest, of which US$ 3,360,957 was paid in cash and US$ 560,029 was paid from the Company's line of credit) towards the Notes due on or before March 14, 2014. The remaining US$ 2.0 million of the Notes plus interest of US$ 0.2 million due August 8, 2014 was amended with an extension of the maturity date to August 8, 2015. Interest accrued at the rate of 10% per annum payable quarterly. The 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. The Notes may be redeemed by the Company at any time at 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 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 will issue 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 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, plus additional restrictions under United States securities laws. 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.

As part of the debt restructuring the Company eliminated the short term loan and interest in the amount of $3,078,558.

7. DEBT RESTRUCTURING (Continued)

(a) Short-term loan (continued)

At October 31, 2015 and 2014, short-term loan is as follows:

	2015	2014
Short-term loan	**$ 2,826,340**	**$ 2,479,620**
Warrant	(762,196)	(762,196)
Interest payable	335,289	62,168
Professional fees	(83,071)	(83,071)
Accretion expenses	762,196	192,230
Debt restructuring	(3,078,558)	-
Balance at October 31, 2015 and 2014	**$ -**	**$ 1,888,751**

(b) 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. 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 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 had a term of seven years, and were 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"). 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, plus additional restrictions under United States securities laws.

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 was recognized as a deferred financing cost. Of this amount, $4,938,933 was recognized as a transaction cost during the year ended October 31, 2015 as the Credit Line was drawn down.

As part of the debt restructuring the Company eliminated all but $248,435 (US$ - 189,174) of the credit facility which will remain outstanding, pursuant to the terms of the Credit Facility.

7. DEBT RESTRUCTURING (Continued)

Short term loan (continued)

(b) Credit facility (continued)

At October 31, 2015 and 2014, Credit Facility is as follows:

	October 31, 2015	October 31, 2014
Credit Facility	**$ 6,946,145**	**$ 4,649,048**
Transaction costs	(4,938,932)	(3,722,336)
Interest payable	1,060,610	324,961
Accretion expenses	4,938,932	1,470,752
Debt restructuring	(7,758,320)	-
Balance at October 31, 2015 and October 31, 2014	**$ 248,435**	**$ 2,722,425**
Less current portion	248,435	-
Non - current portion	$ -	$ 2,722,425

8. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Share issuances

During the year ended October 31, 2015:

i) On October 21, 2015, the Company issued 17,400,000 units at a price of $0.20 per unit as part of the Company's debt restructuring with the Kopple Lenders (valued at US$2,900,000).

ii) On October 21, 2015, the Company issued 12,000,000 preferred shares at a price of $0.20 per share as part of the Company's debt restructuring with the Kopple Lenders (valued at US$2,000,000).

iii) On October 22, 2015, 3,550,001 shares were issued as part of a private placement for gross proceeds of $532,500.

iv) On October 27, 2015, 1,000,000 common shares were issued for the Zonia property acquisition, at a price of $0.21 per share.

During the year ended October 31, 2014:

i) On November 8, 2013, 400,000 stock options were exercised at a price of $0.11 for proceeds of $44,000.

ii) On December 12, 2013, the Company completed debt settlements with a number of arm's length creditors. The Company settled $1,652,105 of outstanding trade debts by issuing 3,219,617 common shares at a fair value of $0.16 per share.

iii) On January 7, 2014, 75,000 stock options were exercised at a price of $0.11 for proceeds of $8,250.

iv) On January 27, 2014, 136,000 stock options were exercised at a price of $0.11 for proceeds of $14,960.

v) On February 26, 2014, 100,000 stock options were exercised at a price of $0.11 for proceeds of $11,000.

8. SHARE CAPITAL (Continued)

(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:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	11,037,646	$ 0.50	2,894,832	$ 0.50
Issued	8,758,567	$ 0.20	8,201,739	$ 0.50
Expired	(6,037,646)	$ (0.50)	(58,925)	$ (5.30)
Warrants outstanding, end of the year	13,758,567	$ 0.31	11,037,646	$ 0.50

The weighted average remaining contractual life of warrants outstanding at October 31, 2015 was 4.25 (2014 - 6.30) years.

Warrants outstanding are as follows:

	October 31, 2015		October 31, 2014	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
August 8, 2020	$ -	-	$ 0.50	2,835,906
December 5, 2020	$ -	-	$ 0.50	2,835,906
May 6, 2022	$ 0.50	5,000,000	$ 0.50	5,365,834
October 23, 2016	$ 0.15	58,567	$ -	-
October 15, 2018	$ 0.20	8,700,000	$ -	-
	$ 0.31	13,758,567	$ 0.50	11,037,646

(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:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	1,071,500	$ 1.38	1,116,500	$ 2.20
Granted	-	$ -	243,600	$ 1.60
Expired	(1,071,500)	$ 1.38	(217,500)	$ 5.80
Exercised	-	$ -	(71,100)	$ 1.10
Options outstanding, end of the year	-	$ -	1,071,500	$ 1.38

8. SHARE CAPITAL (Continued)

(d) Stock options (continued)

The weighted average remaining contractual life of options outstanding at October 31, 2015 was Nil (2014 – 3.79) years.

Stock options outstanding are as follows:

	2015			2014		
Expiry Date	Exercise Price	Number of Options	Exercisable at Year-End	Exercise Price	Number of Options	Exercisable at Year-End
May 28, 2015	$ -	-	-	$ 2.00	192,500	192,500
July 3, 2020	$ -	-	-	$ 1.10	635,400	635,400
February 7, 2016	$ -	-	-	$ 1.80	203,600	203,600
October 22, 2016	$ -	-	-	$ 0.60	40,000	40,000
		-	-		1,071,500	1,071,500

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 based on the following weighted average assumptions:

	2015	2014
Expected life (years)	0.39%	2.0
Interest rate	1.00	0.98%
Volatility	94.6%	97.51%
Dividend yield	0.00%	0.00%

Share-based payment charges for the year ended October 31, 2015 totalled $197,533 (2014 - $197,468) allocated as follows:

	2015	2014
Salaries and benefits	$ 170,385	$ 197,468
Share-based payments	27,148	-
	$ 197,533	$ 197,468

The weighted average fair value of options granted during the year was $Nil (2014 - $0.08).

9. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the years ended October 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	$ 66,666	$ 27,015
Exploration and evaluation assets	$ -	$ -
Professional fees	$ 5,885	$ 88,272

9. RELATED PARTY TRANSACTIONS (Continued)

(b) Due from related parties

Amounts due from related parties are comprised as follows:

		2015		2014
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date, if applicable:				
Wealth	$	32,055	$	52,736
Others		14,809		64,562
	$	46,864	$	117,298

The Company recovered $194,682 during the year ended October 31, 2015 (2014 - $574,608) in rent and administration costs from Marvel Office Management, Wealth, Indico, and Centenera, companies with common officers or directors.

Due to the current equity market condition, during the year ended October 31, 2015, the Company assessed the collectability of amounts due from related parties. The Company has concluded the amounts due from Indico are unlikely to be collected in the foreseeable future and has recognized an impairment loss of $nil (2014- $61,677).

(c) Management compensation

Key management personnel compensation consists of paid to senior management and the directors of the Company is comprised of:

		2015		2014
Wages and benefits	$	381,166	$	487,367
Share-based payments		-		165,530
	$	381,166	$	652,897

10. COMMITMENTS

The Company entered into a lease dated November 18, 2010 for office space located at 2300 – 1177 West Hastings Street, Vancouver, British Columbia, for a term commencing April 1, 2011 for a period of ten years to March 31, 2021 (subject to renewal for an additional five years). The current rent and to March 31, 2018 is $335,733 per annum, plus operating costs and $358,884 per annum, plus operating costs to March 31, 2021.

Other commitments are disclosed elsewhere in these consolidated financial statements.

11. 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 year ended October 31, 2015. The Company is not subject to externally imposed capital requirements.

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

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 accounts receivable, due from related parties and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The short-term loan and credit facility are initially valued at fair value, and subsequently measured using effective interest rate method.

The Company's short-term loan was initially recognized at fair value with the residual value attributed to the associated warrants. After initial recognition, the short-term loan is subsequently measured at amortized cost using the effective interest method.

The Company's credit facility was initially recognized at fair value. Instruments issued with respect to the Credit Facility are fair valued using the Black-Scholes option pricing model. As amounts are drawn down from the Credit Facility, amounts are reallocated from prepaid financing costs to the Credit Facility, and the Credit Facility is subsequently measured at amortized cost using the effective interest 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.

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

October 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ 256,846	$ -	$ -	$ 256,846
Short-term loan	$ -	$ -	$ -	$ -
Credit facility	$ -	$ -	$ (248,435)	$ (248,435)
Liability portion of preferred shares	$ -	$ -	$ (2,400,000)	$ (2,400,000)

October 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
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.

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

(a) Credit risk

The Company manages credit risk, in respect of cash 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 accounts receivable, the Company is exposed to significant credit risk as the majority of the receivable is with an independent third party.

	Oct 31, 2015	Oct 31, 2014
Accounts receivable	$ 490,917	$ 35,644
Bank accounts - Canada	$ 304,656	$ 83,752
Bank accounts - Others	11,775	7,295
	$ 316,431	$ 91,047

The credit risk associated with cash 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 $46,864 (2014 - $117,298) due from related parties at October 31, 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 October 31, 2015, the cash balance of $316,431 (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 2016 (note 1). At October 31, 2015 and 2014, the Company had accounts payable and accrued liabilities of $928,363 (2014 - $1,278,280), which are due within 30 days and credit facility of $248,435 (2014- $2,722,425) and short term loan of $nil (2014- $1,888,751), which are due on demand.

During the years ended October 31, 2015 and 2014, the Company managed liquidity risk by working with creditors to settle trade accounts payable, short-term loan and credit facility in exchange for shares of the Company (note 8(b)) and reduced cash payments. During the year ended October 31, 2014 the Company settled outstanding trade payables in the amount of $4,575,538 by paying cash of $1,907,323 and exchanging for shares $515,139, which resulted in a gain for accounting purposes of $2,153,078. During the years ended October 31, 2015 and 2014, the Company settled short-term loan in the amount of $3,078,558 (2014- $nil) and credit facility in the amount of $7,758,320 (2014- $nil) by issuing preferred shares valued at $2,400,000 (2014- $nil), issuance of units valued at $3,500,000 (2014- $nil) and sale of Cardero Coal for $4,600,000 (2014- $nil), which resulted in a loss of $3,708,583 (2014- $nil).

The Company has provided security against both the Credit Facility. The security provides the debt holders a call against the assets of the Company to satisfy the debt should the Company be unable to meet their payment requirements at maturity of those instruments.

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

(c) 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 October 31, 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 $20,000 (2014 - $352,000).

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 $2,568 (2014 - $1,278).

12. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2015	2014
Loss before income taxes	$ (11,538,722)	$ (79,902,420)
Canadian federal and provincial income tax rates	26.00%	26.00%
Income tax recovery	(3,000,068)	(20,774,629)
Increase (decrease) due to:		
Non-deductible expenses	1,392,317	6,607
Stock-based compensation	-	51,342
Non-taxable portion of capital gains	-	(766,410)
Loss on disposal of subsidiary	13,091,500	-
Write-off of exploration and evaluation assets	-	18,135,919
Losses for which no tax benefit has been recorded	(11,707,760)	1,664,956
Change in enacted tax rates	132,183	-
Flow-through share premium reversal	-	(232,613)
Foreign exchange and other translation adjustments	120,434	1,695,205
Difference between Canadian and foreign tax rates	(28,606)	(13,590)
Income tax expense	$ -	$ (233,213)

Effective April 30, 2013, the Canadian Federal corporate tax rate remained the same as 15% and the British Columbia provincial tax increased from 10% to 11%. The overall increase in tax rates has resulted in an increase in the Company's statutory tax rate from 25.57% to 26.00%.

The components of unrecognized net deferred tax assets (liabilities) are as follows:

	2015	2014
Non-capital loss carry-forwards	$ 38,819,669	$ 13,492,386
Property and equipment	819,587	213,231
Share issue costs	245,539	86,062
Exploration and evaluation assets	13,311,369	20,117,005
Resource related investments	3,532,927	936,725
Other	2,947,731	766,410
	$ 59,676,822	$ 35,611,819

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

12. INCOME TAXES (Continued)

Available to	Canada	Foreign	Total
2016	$ -	$ 17,517	$ 17,517
2017	608,134	16,526	624,660
2018	119,017	72,286	191,303
2019	131,618	440,912	572,530
2020	-	268,942	268,942
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	2,126,516	-	2,126,516
2027	3,086,818	8,817	3,095,635
2028	3,824,078	354,519	4,178,597
2029	2,043,646	230,673	2,274,319
2030	5,693,426	563,418	6,256,844
2031	62,189	659,878	722,067
2032	135,905	240,354	376,259
2033	6,187,708	169,989	6,357,697
2034	1,446,078	290,356	1,736,434
2035	2,480,264	264,399	2,744,663
Deferred expiry	-	6,593,362	6,593,362
	$ 27,945,397	$ 10,191,948	$ 38,137,345

During the year ended October 31, 2013, the Company recorded a flow-through premium liability in the amount of $420,056 pursuant to a private placement with a balance of $232,613. The Company had $1,661,521 of exploration expenditures to be incurred for flow-through purposes by December 31, 2013. The Company did not incur these expenditures and recorded a flow-through Part XII.6 interest and penalty in the amount of $166,152 and recorded a deferred tax recovery of $232,613 as at October 31, 2014. The Company entered into an agreement with one of the flow-through investors to absorb all of the reduction and accept a reduced renunciation, in consideration of the payment by the Company of the sum of $227,500 (paid).

13. SUPPLEMENTAL CASH FLOW INFORMATION

	2015	2014
Accounts payable related to property expenditure	$ -	$ 193,478
Interest payable	$ 1,086	$ 387,129
Shares issued for exploration and evaluation assets	$ 210,000	$ -
Preferred shares issued for debt restructuring	$ 2,400,000	$ -
Common shares issued for debt restructuring	$ 3,480,000	$ -
Sale of Cardero Coal as part of debt restructuring	$ 3,708,583	$ -
Shares issued for settlement of trade payable	$ -	$ 515,139

14. SEGMENTED INFORMATION

The business of the Company is the acquisition, exploration and development of mineral properties which is considered one business segment.

Geographic information is as follows:

	October 31, 2015		
	North America	South America	Total
Exploration and evaluation assets	$ 481,848	$ 567,941	$ 1,049,789
Cash	306,409	10,022	316,431
Resource related investments	256,846	-	256,846
Others	766,435	63,500	829,935
Total Assets	$ 1,811,538	$ 641,463	$ 2,453,001

	October 31, 2014		
	North America	South America	Total
Exploration and evaluation assets	$ 8,800,000	$ -	$ 8,800,000
Cash	85,262	5,785	91,047
Resource related investments	127,870	-	127,870
Others	2,148,850	11,251	2,160,101
Total Assets	$ 11,161,982	$ 17,036	$ 11,179,018

15. ACQUISITION OF CENTENERA AND NON-CONTROLLING INTEREST

These consolidated financial statements include the consolidated financial statements of Centenera as a result of a RTO completed by Centenera, a mineral exploration company incorporated in Canada with properties located in Argentina. On June 18, 2015, Centenera completed the acquisition of all of the issued and outstanding shares of Cardero Argentina. Cardero Argentina was a wholly owned subsidiary of the Company and is a mineral exploration company with properties located in Argentina. As consideration for the acquisition, as well as for services provided by the Company relating to the RTO, Centenera paid to the Company US $50,000 cash and issued 23,743,781 common shares, which resulted in the Company owning a controlling interest in Centenera. The acquisition of Centenera was accounted for as an asset acquisition, as Centenera did not qualify as a business under the definition of such in IFRS 3, *Business combinations*. As of October 31, 2015 the Company owns 55.01% of Centenera. Centenera was consolidated as a subsidiary from the date of acquisition. The consolidated financial statements of Centenera are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full.

As at June 18, 2015, Centenera's net assets acquired totalled $1,235,177, of which the Company's 55.01% share totalled $679,347. As compensation for the acquisition, the Company gave up 44.99% of Cardero Argentina's net assets or $32,179. The net assets acquired primarily were cash of $563,591 and the Crosby Property (note 5) of $535,000. The Company also recognized a gain of $647,168 on the acquisition of Centenera as the excess of net assets acquired on the acquisition date. The gain was a result of the Company obtaining control of Centenera for nominal consideration (the net assets of Cardero Argentina). As Centenera was not a shareholder of the Company, contributing control of their net assets to the Company could not be viewed as a contribution to equity, and was therefore recorded as a gain in profit and loss.

As at October 31, 2015, Centenera had assets of $1,122,162 and total liabilities of $190,739. Centenera earned a loss and comprehensive loss for the year ended October 31, 2015 of $1,323,571. Centenera experienced an increase in cash of $80,122 as a result of net cash outflows from operations ($446,281) and investing ($19,417), offset by net cash inflows from financing of $545,820.

15. ACQUISITION OF CENTENERA AND NON-CONTROLLING INTEREST (Continued)

As at October 31, 2015, the non-controlling interest ("NCI") of Centenera held 44.99% of the common shares of that entity. During the year ended October 31, 2015, the NCI was allocated $108,437 (2014 - $Nil) of the net loss of Centenera, resulting in a cumulative NCI recognized on the Company's consolidated statement of financial position as at October 31, 2015 of $408,129 (2014 - $Nil).

Convertible Promissory Note

Centenera's predecessor signed an option agreement with Teck Argentina Ltd. ("Teck") to acquire a 100% interest in the Aguilar property located in Jujuy Province, Argentina. The option agreement had certain firm expenditure commitments that the Company had not been met.

On April 23, 2015, Teck agreed to terminate the Aguilar option agreement. The termination eliminated any liability relating to prior and future expenditure commitments. As consideration, Centenera's predecessor paid Teck US$10,000, issued a convertible promissory note (the "Note") for $39,225 (US$30,000) and issued to Teck 1,500,000 predecessor units (the "Settlement Units").

Each Settlement Unit consists of one common share of Centenera and one-half of one common share-purchase warrant, with each whole warrant entitling Teck to purchase one pre rollback common share of Centenera at a price of $0.18 per share for a period of 24 months from the date of issuance.

The Note has a maturity date of June 18, 2017 and bears simple interest at 5% per annum. Centenera shall pay Teck at least 2% of the gross proceeds of any financing, up to US$30,000, in the interim period as payment towards the outstanding indebtedness as well as interest.

Centenera may prepay the Note in whole or in part at any time and from time to time, without notice, bonus or penalty; provided that with any partial prepayment of the Note, Centenera shall then pay all interest which has accrued on the Note and remains unpaid. The conversion terms of the Note are as follows:

- "Conversion Price" means the price per security at which the Financing Securities are offered pursuant to a Financing;
- "Financing" means each private placement of Financing Securities of Centenera conducted by Centenera in Canada or the United States prior to the earlier of the Maturity Date and the repayment of the Indebtedness in full; and
- "Financing Securities" means the equity securities being offered and issued by Centenera pursuant to a Financing.

Any conversion made will be made on the same terms and conditions as that offered to the subscribers under the Financing.

16. EVENTS AFTER THE REPORTING DATE

Subsequent to October 31, 2015:

(a) On November 19, 2015 the Company amended the Credit Facility Letter which provided for a credit facility to US$989,174. It has been acknowledged between the Kopple Lenders and Cardero that the credit facility is composed of the outstanding balance of US$189,174 and US$800,000 is available to the Company under subsequent draws on the terms set forth ("Draw Amount"). The "Outstanding Balance" of the Credit Facility at any time shall include (i) the amount outstanding as of the date of the Facility Letter, plus (ii) all subsequent advances made hereunder, plus (iii) all accrued interest on this Credit Facility, less (iv) any amounts repaid. Once the Outstanding Balance reaches US$989,174, no further advances need be made by the Kopple Lenders to the Company under this Credit Facility.

16. EVENTS AFTER THE REPORTING DATE (Continued)

(a) (continued)

The Convertible Outstanding Balance shall be repaid by the Borrower within 12 months following the Closing Date ("Maturity Date"). The Draw Outstanding Balance shall be repaid by the Borrower on or before June 30, 2016 (the "Draw Maturity Date"). Interest is calculated on the applicable balance at the end of each day, compounded quarterly and is payable in arrears, both before and after the Maturity Date or the Draw Maturity Date, as the case may be, firstly on December 31, 2015, and quarterly thereafter on the last day of March, June, September and December of each year.

(b) On November 18, 2015 the Company closed the second tranche of a non-brokered private placement by issuing 1,341,667 common shares for gross proceeds of $201,250. All shares issued will have a four-month hold expiring March 18, 2016.

(c) On January 15, 2016 the Company amended the Zonia option agreement. The US$150,000 payment due January 31, 2016 has been amended to US$75,000(paid) and US$75,000 on the earlier of three business days after the Company closes a financing of not less than $500,000, or July 31, 2016.The Company has also issued the 1,500,000 shares due January 31, 2016.

(d) On December 29, 2015 the Company granted 2,500,000 options at a price of $0.10 per share for a period of 2 years.

CARDERO RESOURCE CORP.
Form 51-102F1
Management's Discussion and Analysis
For the year ended October 31, 2015

INTRODUCTION

This Management Discussion and Analysis ("MD&A") for Cardero Resource Corp. ("Cardero" or the "Company") for the year ended October 31, 2015 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of January 27, 2016, and compares its financial results for the year and three months ended October 31, 2015 to the year and three months ended October 31, 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, 2015 and October 31, 2014. 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 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 the Zonia Copper Project ("Zonia"), including with respect to the preparation of future technical studies 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

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 ability 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 ability 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 copper 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 Zonia;
- 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 when completed (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, and indigenous groups ; 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. 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.

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 January 27, 2016.

RESULTS OF OPERATIONS

Background

Cardero is a junior resource mineral exploration and development 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").

COMPREHENSIVE RESTRUCTURING PLAN (the "Plan")

The Company had negotiated and announced a plan for which the Company obtained shareholder approval at an Annual Special and General Meeting on August 26, 2015. At the Meeting, shareholders voted in favour of all motions outlined in the information circular.

On Closing, the Company completed restructuring of US$8.5 million of debt to The Kopple Family Partnership LP and E.L. II Properties Trust (the "**Kopple Lenders**"), sale of the Company's wholly-owned subsidiary Cardero Coal Ltd. ("**Cardero Coal**"), retention of a participation right with respect to the Carbon Creek metallurgical coal project, acquisition of an advanced copper oxide project in Arizona, USA, and consolidation of the Company's stock at a rate of 1 new share for 10 old shares (the "**Consolidation**"). Post-Consolidation, a concurrent non-brokered $0.73 million private placement was completed at $0.15 per unit. As of the date of the MD&A the Koppel Lenders, on a fully diluted bases, would own 55.6% of the Company.

After the implementation of the Plan the mining assets of the Company will be the Zonia copper oxide deposit ("Zonia") in Arizona, a participation right in Cardero Coal and a 55.01% ownership in Centenera

Mining Corporation (Centenera") a precious and base metal exploration/development Company active in Argentina.

DEBT RESTRUCTURED

The Kopple Lenders have agreed to the restructuring of US$8.5 million of debt owed by the Company. The restructuring is achieved through a number of mechanisms, including sale of Cardero Coal to the Kopple Lenders for US$3.6 million. The valuation attributed to Cardero Coal was subject to an independent valuation completed by an industry expert which was attached to the Company's information circular in relation to the August 26, 2015 annual and special meeting.

The remainder of the restructuring was via issuance of preferred shares (valued at US$2.0 million) and issuance of units (valued at US$2.9 million). The preferred shares and units (shares and warrants) were priced at the lesser of $0.02 or the 15-day VWAP of the Company's common shares on the TSX immediately prior to the closing of the settlement transactions. The preferred shares have voting rights equivalent to the Company's common shares, priority over the common shares in relation to the payment of dividends, a right of conversion into common shares and a fixed cumulate dividend rate of 8.0% of par value (being equal to the price) per annum payable yearly. Should any annual dividend not be paid, the cumulative dividend rate will increase to 10%. The Company retains a right to redeem the preferred shares at price equal to their par value, plus any accrued and unpaid dividends, for a period of five years.

Retained Participation Right

The Company's wholly owned subsidiary Cardero Coal was sold to the Kopple Lenders (US$3.6 million as described above) as part of the process of debt restructuring.

The Retained Right has been negotiated on a sliding scale such that the Company will receive maximum benefit if the asset is sold faster. For example, if Carbon Creek was sold in 2015, the Kopple Lenders would retain the first US$15 million in net proceeds and Cardero would receive 95% of the remaining sale price. The time at which the asset can be monetized, if at all, will be dependent on recovery of the metallurgical coal market. Cardero will remain as manager of the Carbon Creek Joint Venture for a minimum of four years and the Retained Right will be in force while Cardero is the manager.

Retained Participation Right

Year of Sale	Initial Amount Retained by the Kopple Lenders	Percentage of Remaining Sale Proceeds Retained by Cardero
2015	US$15,000,000	95%
2016	$20,000,000	80%
2017	$25,000,000	50%
2018	$30,000,000	35%
2019	$30,000,000	30%
2020-24	$30,000,000	25%
2025	$30,000,000	0%

New Credit Facility

The balance of debt, $247,349 (US$ 189,174) will remain outstanding, pursuant to the terms of a Credit Facility Letter (the "Credit Facility") provided by the Kopple Lenders. The Company amended the Credit Facility which provides for a US$1,000,000 credit facility to US$989,174. It has been acknowledged between the Kopple Lenders and Cardero that US$189,174 is outstanding on the Credit Facility ("Convertible Amount") and US$800,000 is available to the Company under subsequent draws on the terms set forth.

Kopple Warrants

The Kopple Lenders hold 110.4 million warrants priced at $0.05. Of these, 60.4 million warrants will be cancelled. The remaining 50 million warrants were transferred to management of Cardero as part of an incentive package, which post-consolidation were 5 million warrants priced at $0.50. The allocation of warrants among management was approved by the Kopple Lenders, are non-transferrable, can not be re-priced, and will vest either over 5 years in equal annual installments or upon satisfaction by the Company of certain market conditions defined in the warrant certificates.

ACQUISITION OF CENTENERA AND NON-CONTROLLING INTEREST

The Companies consolidated financial statements for the year ended October 31, 2015 include the consolidated financial statements of Centenera as a result of a Reverse Takeover Transaction ("RTO") completed by Centenera. On June 18, 2015, Centenera completed the acquisition of all of the issued and outstanding shares of Cardero Argentina S A ("Cardero Argentina"). Cardero Argentina was a wholly owned subsidiary of the Company and is a mineral exploration company with properties located in Argentina. As consideration for the acquisition, as well as for services provided by the Company relating to the RTO, Centenera paid to the Company US $50,000 cash and issued 23,743,781 common shares, which resulted in the Company owning a controlling interest in Centenera. The acquisition of Centenera was accounted for as an asset acquisition, as Centenera did not qualify as a business under the definition of such in IFRS 3, Business combinations. As of October 31, 2015 the Company owns 55.01% of Centenera. Centenera was consolidated as a subsidiary from the date of acquisition. The consolidated financial statements of Centenera are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full.

As at June 18, 2015, Centenera's net assets acquired totalled $1,235,177, of which the Company's 55.01% share totalled $679,347. As compensation for the acquisition, the Company gave up 44.99% of Cardero Argentina's net assets or $32,179. The net assets acquired primarily were cash of $563,591 and the Crosby Property (note 5) of $535,000. The Company also recognized a gain of $647,168 on the acquisition of Centenera as the excess of net assets acquired on the acquisition date. The gain was a result of the Company obtaining control of Centenera for nominal consideration (the net assets of Cardero Argentina). As Centenera was not a shareholder of the Company, contributing control of their net assets to the Company could not be viewed as a contribution to equity, and was therefore recorded as a gain in profit and loss.

As at October 31, 2015, Centenera had assets of $1,122,162 and total liabilities of $190,739. Centenera earned a loss and comprehensive loss for the year ended October 31, 2015 of $1,323,571. Centenera experienced an increase in cash of $80,122 as a result of net cash outflows from operations ($446,281) and investing ($19,417), offset by net cash inflows from financing of $545,820.

As at October 31, 2015, the non-controlling interest ("NCI") of Centenera held 44.99% of the common shares of that entity. During the year ended October 31, 2015, the NCI was allocated $108,437 (2014 -

$Nil) of the net loss of Centenera, resulting in a cumulative NCI recognized on the Company's consolidated statement of financial position as at October 31, 2015 of $408,129 (2014 - $Nil).

EXPLORATION ACTIVITIES

General

Cardero is a resource company focussed on the development of the Zonia copper-oxide deposit in Arizona, USA. The Zonia deposit is an advanced stage near-surface copper-oxide resource on which scoping, feasibility and permitting activities are planned over the coming 3 to 4 years.

The Company also retains certain participation rights with respect to the assets of Cardero Coal Limited, which was sold in 2015 as part of a comprehensive restructuring of the Company discussed above.

Property	Total Costs Capitalized at October 31, 2014	Total Costs Capitalized at October 31, 2015	Proposed Fiscal 2016 Expenditures(1)
Zonia Copper Project Arizona USA	-	-	$500,000

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 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 Interests

Zonia , Arizona, USA

The Zonia Copper Oxide Project is an advanced discovery-stage property, amenable to low-cost recovery techniques including open pit mining and SX/EW processing. Zonia is located in Yavapai County, Arizona, 130 kilometers to the northwest of Phoenix and is easily accessible with a network of roads to the project site. The Zonia property was discovered in the 1890's with the first single stack smelter built in 1900. From 1900 to present Zonia has been explored for copper by several operators. The property has been drill tested with almost 700 drill holes (60,000 meters). This high density drilling covers 30% of the property and defines the historical resources and reduces technical risk on the deposit. Mineralization is open to the southwest and northeast, providing considerable opportunity to grow the resource.

The deposit has undergone deep oxidation from surface and metallurgical studies demonstrate that it is amenable to heap-leaching and SX-EW to produce cathode copper, with an expected recovery of 73% overall based on extensive metallurgical testing.

In Q4 2015, Tetra Tech ("Tt") completed a resource estimate for Zonia and a NI 43-101 Technical Report was filed on SEDAR in Q1 2016. All dollar amounts in this report are in US dollars unless otherwise stated. The project is located in Yavapai County, Arizona, USA. The nearest major city is Phoenix, Arizona approximately 81 miles to the southeast. The Zonia Property can be reached from Phoenix, Arizona by traveling 81 miles north on US Highway 89 (paved) to Kirkland Junction, then east on the Walnut Grove gravel road for 3.5 miles to the Zonia road, and then south on the Zonia road 2.5 miles to the mine office. Kirkland Junction is 20 miles south of Prescott, Arizona on US Highway 89.

The Zonia Property consists of 261 patented (96) and unpatented (185) mineral claims and 566.85 acres of surface rights acquired from the State of Arizona; comprising 4,279.55 acres total. These claims include

lode mining claims and millsite claims and are located in the Walnut Grove Mining District. Each mineral claim has a survey description and each patented claim was surveyed by a registered surveyor.

The Zonia property was discovered in the 1880's most likely in the interest of developing gold bearing veins. Prospecting for copper began in the 1890's and a single stack smelter was built in 1900. From 1900 to present the Zonia property has been extensively explored for copper by several holders and lessees. The property was mined by open pit from 1966 to March 1975 by McAlester Fuel Company (McAlester). Most recently, the property was explored by Copper Mesa Mining Corporation from 2008 to 2009, Redstone from 2009 to 2015, and currently Cardero from 2015.

Historical drilling prior to Redstone and Copper Mesa Mining Corporation (Copper Mesa) involvement in 2008, totals some 553 drillholes on the property. Total historical drilling footage for the property is known to be greater than 139,000 feet (ft); the drilled footage from 27 of the historical holes is unknown. Through the work of Tetra Tech and other independent consultants, a total of 443 of the historical drillholes were able to be verified and were used in the development of the resource estimate in this report.

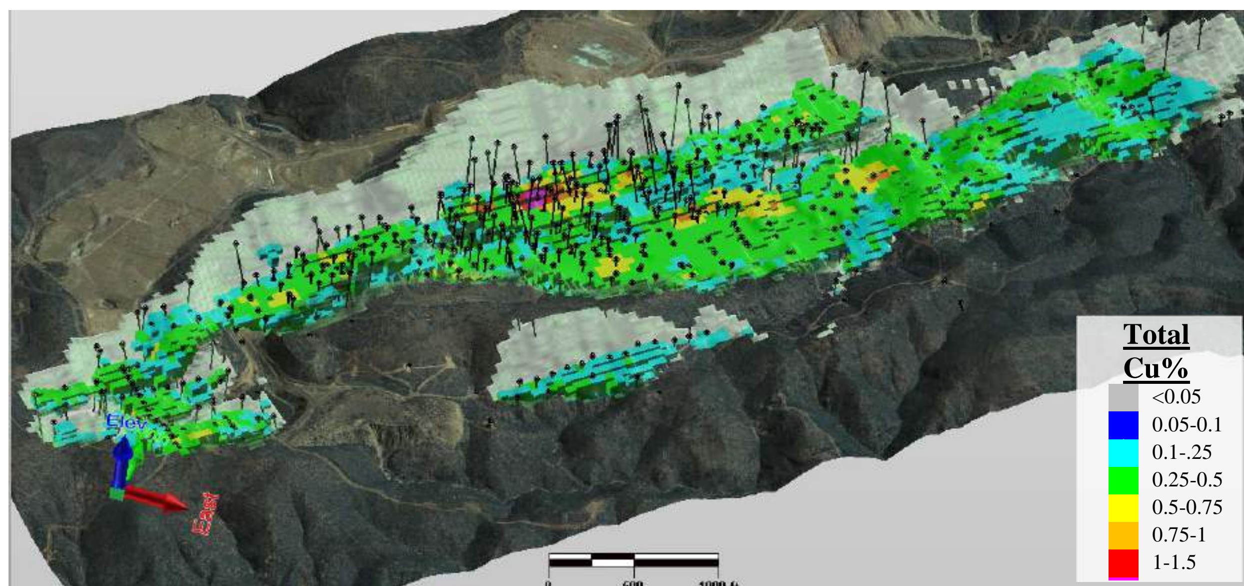
The Zonia property is located in the southern part of the Basin and Range Transition province of the North American Cordillera immediately south of the Colorado Plateau and north of the Basin and Range province. This section of the Basin and Range province in Arizona and New Mexico hosts a large number of base and precious metal mines and mineral occurrences. The Zonia deposit is hosted by the steeply dipping Precambrian Yavapai Series, which consists of metamorphosed volcanic, tuffaceous, sedimentary and igneous sill rocks. Portions of the area are covered by much younger basalts, fanglomerates, and alluvial material.

Rocks at the Zonia Property consist of Proterozoic age rhyolitic pyroclastic rocks, intercalated andesitic rocks, and quartz-sericite schists. These units are intruded by rhyodacite to diorite to quartz-eye porphyry sills and minor diabase dikes. Zonia is the highly oxidized portion of a volcanogenic massive sulfide (VMS) deposit. Chrysocolla, malachite, azurite, melaconite, and cuprite are the most common copper minerals. Quartz and jasper accompany the ore minerals; oxides are ubiquitous in the mineralized zones. Oxidation has been pervasive and deep.

The Zonia copper deposit has a northeasterly strike length of about 8,000 ft and horizontal width varies from 200 ft to 1,500 ft. The deposit consists of multiple mineralized zones that dip at various angles to the northwest. The zones are generally in the order of 200 ft wide and commonly occur in sub-parallel groups of three or more. Most of the deposit has been drilled to depths of 400 ft or less.

From 2008 to 2010, exploration drilling by Copper Mesa and Redstone has totaled 54,211 ft. The drilling consists of 131 drillholes, 77 HQ size core holes totaling 25,227 ft and 54 reverse circulation holes totaling 28,984 ft. Thirty-nine of the holes were designed to twin previous historical drilling for verification purposes. The remaining holes were drilled for exploration and resource development purposes. Tetra Tech reviewed the geologic logging, sample selection, sample preparation, assaying, standards, duplicates, and blanks protocols and believes that the work is consistent with current standard practice and meets the requirements for calculating mineral resource estimations of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards and is compliant with NI 43-101.

Tt completed an independent mineral resource and reserve estimate of the contained copper in the Zonia deposit. Geostatistics and resource estimation was done with MicroModel®. Additional statistical analysis was done with Statistica® and Excel®. Three-dimensional wireframes and model visualization was done with GemCom® software. A three-dimensional (3D) view (below)looking northwest from above that shows resource blocks greater than 0.15 Cu% that are constrained within an optimized shell.



3D View of Block Model

Geologic interpretation of lithology, extent of oxidation, and mineralized zones was completed by Redstone geologic staff and checked by Tetra Tech. Interpretation was done in vertical section as the basis for wire-framing using GemCom®. A numerical code system was established based on lithology and mineral zone. For a particular location, a total-value was established based on summation of the block codes. For instance, if a particular location was within a mineral zone 400 (the greater than 0.45 percent total copper (%TCu) mineralized envelope code) within a quartz sericite schist lithology (code 42), the combined code would have a value of 442. A resource estimation was then completed by compositing drill hole assay data and estimating grades in each individual geologic domain using values from that domain.

Log transformed statistics and a histogram analysis was performed %TCu on 25,690 original five-foot assays with values noted to be above zero in the assay database. The data includes assays from rock that has been previously mined and was originally located above the current topography. Assay data from previously mined rock was used for statistical analysis and modeling but is not included in final resource values. The histogram generated for %TCu, follows a lognormal distribution with a mean of 0.274 %TCu. The coefficient of variability (CV) for this distribution is 1.42.

Log transformed statistics and histogram analysis for percent acid soluble copper (%AsCu) was completed on 4,879 assays representing approximately 20 %TCu data. The statistical distribution is more complex than for %TCu, with a mean of 0.244 %AsCu and the CV of 1.48.

The original 28,813 nominal five-foot assays were composited into 20-foot composites. Statistics for the 8,265 composites of %TCu indicate that an individual assay maximum of 11.12 %TCu is reduced by averaging over a 20-foot composite to a value of 9.51 %TCu. The CV is also reduced to 1.24. The mean copper grades contained within the composites identified by codes 100 to 400 (samples within the mineral zone) are generally greater than in adjacent zones. The code of 9999 is used to designate composite data that is outside of the geologically modeled zone. The code 0 is used to designate composite data that is above the current topography and below the historical pre-mining topography. The 9999 composites will not be used to estimate present material.

Tetra Tech completed geostatistical analysis on total copper using the simplified coded data. The geostatistics of acid soluble copper (based on sequential copper leach tests) and the ratio of acid soluble to total copper was also explored and it was determined that there is currently insufficient data to warrant further analysis.

A general relative variogram for %TCu in the combined codes 100 to 400 and 0 was analyzed using three nested spherical models. The 100-400 simplified composite codes have a nugget value of 0.20, with incremental sills. The variogram has its maximum range in the NE-SW direction, with an anisotropy of 2 horizontally and 4 vertically. A second variogram looks in the SE direction with a dip of 45° and shows nested ranges that are shorter by a half. A vertical variogram (not shown) indicates that the vertical range is shorter by one half again. Inspection of other directions indicates further complexities. There is the possibility that the anisotropies have additional dip and tilt components as well.

Kriging Search and Variogram Parameters by Consolidated Zone

			Search Parameters (CuT%)						Variogram Parameters (CuT%)							
Composite Codes	Block Codes	Zone Name	Direction	Search Range	Direction	Preliminary Resource Code **	Times Indicated Range	#Points NearestSearch:Max/DH:Min Points	Nugget	Rotation	Range (1)	Sill (1)	Range (2)	Sill (2)	Range (3)	Sill (3)
A	A'	Within Mineralized Zone	Along Strike	320	Measured	1	0.50	16:99:8	0.20	45	60	0.30	350	0.14	600	0.07
			Along Dip	160	Indicated	3	1.00	8:99:8		0	30		175		300	
			Across Dip	80	Inferred	5	2.00	8:99:4		0	15		87.5		150	
B	B'	Within Mineralized Zone	Along Strike	320	Measured	1	0.50	16:99:8	0.20	45	60	0.30	350	0.14	600	0.07
			Along Dip	160	Indicated	3	1.00	8:99:8		0	30		175		300	
			Across Dip	80	Inferred	5	2.00	8:99:4		0	15		87.5		150	
C	C'	Within Mineralized Zone	Along Strike	320	Measured	1	0.50	16:99:8	0.20	45	70	0.10	175	0.14	600	0.10
			Along Dip	160	Indicated	3	1.00	8:99:8		0	35		87.5		300	
			Across Dip	80	Inferred	5	2.00	8:99:4		0	17.5		43.8		150	
D	D'	Within Mineralized Zone	Along Strike	320	Measured	1	0.50	16:99:8	0.20	45	140	0.30	300	0.40	600	0.30
			Along Dip	160	Indicated	3	1.00	8:99:8		0	70		150		300	
			Across Dip	80	Inferred	5	2.00	8:99:4		0	35		75		150	
Cmp	A	0,420,422,424,426,430,432,434,440,442				Blk	A'	420,422,424,426,430,432,434,440,442								
Cmp	B	0,320,322,324,326,330,432,334,340,342				Blk	B'	320,322,324,326,330,332,334,340,342								
Cmp	C	0,220,222,224,226,230,232,234,240,242				Blk	C'	220,222,224,226,230,232,234,240,242								
Cmp	D	0,120,122,124,426,130,132,134,140,142				Blk	D'	120,122,124,126,130,132,134,140,142								
	*	Unitize General Relative (All variogram structures are transformed to relative variograms from log variograms)														
	**	Kriging Error is used to adjust final resource class														

In development of the block model classifications, a kriging error value was produced which represents a measure of the quality of each estimate. The cumulative frequency plot of the kriging error indicates a break in a linear fit at a kriging error value of 1.07, at the transition from one lognormal distribution of errors to another lognormal distribution of errors.

After Kriging, each block is assigned a block code of 1, 3 or 5, corresponding to a preliminary resource classification of measured, indicated or inferred. Each estimated block also has a kriging error. If the kriging error is greater than 1.07, the initial resource code is incremented by one. For example, if a block with resource class code of 1 and also has a kriging error above 0.62, its resource code class becomes a 2, and it is re-classified as indicated. Each block is looked at in turn and adjusted in this manner. The last code of 6, generated by a block of code 5 with a kriging error greater than 1.07 was excluded from the inferred classification after extensive review. After adjusting for kriging error the possible block codes and classifications have expanded to 1 for measured, 2-3 indicated, and 4-5 for inferred. This method has produced minor amounts of isolated blocks of each category that future estimates will need to address.

The Zonia classified mineral resources at a base case cut-off of 0.2 %TCu are included below. Mineral resources have been reported within a shell generated using the Lerch-Grossman algorithm. Mineral resources within an optimized shell are not mineral reserves and do not have demonstrated economic viability. It is Tetra Tech's opinion that the reported mineral resource classifications comply with current

CIM definitions for each mineral class. The classified resources at various cut offs above and below the base case are also included.The grade and tonnage relationship of measured and indicated mineral resources and as well as inferred mineral resources are represented graphically on the chart below.

Zonia Classified Mineral Resources Base Case

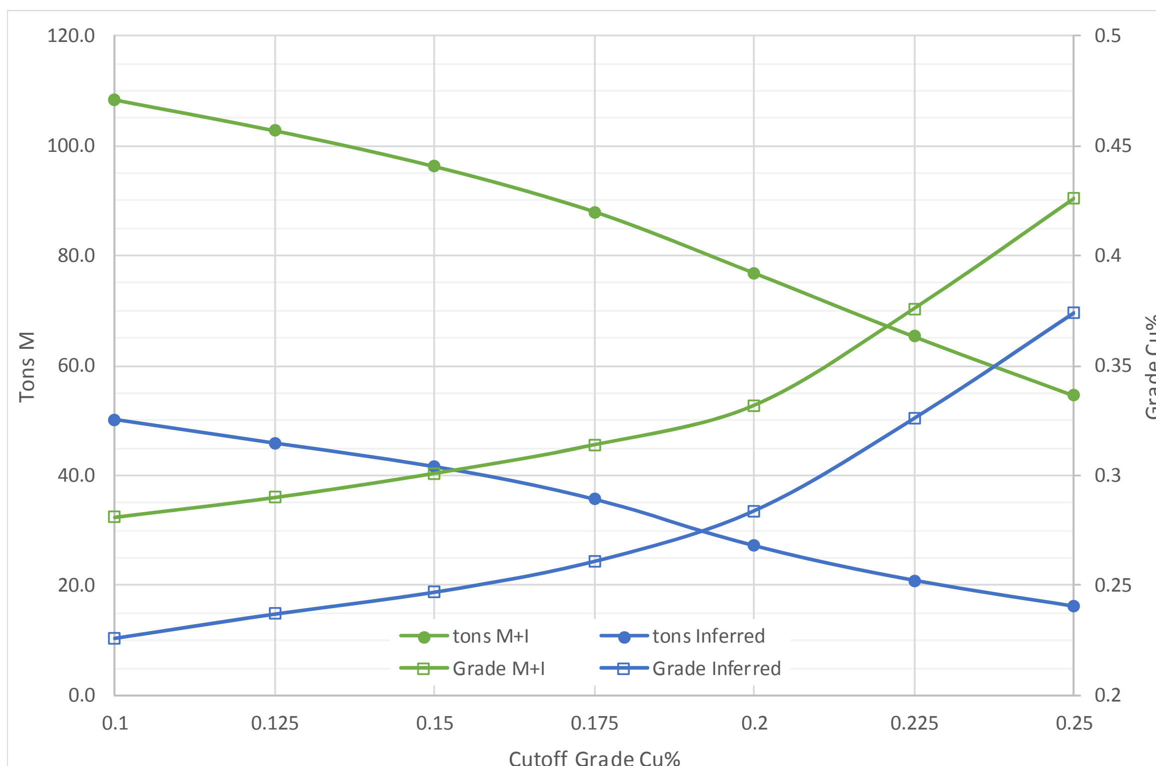
CLASSIFICATION	CUT-OFF GRADE CU%	TONS M	GRADE CU%	CU LBS M
Measured	0.2	15.4	0.42	129.3
Indicated	0.2	61.4	0.31	380.6
Measured + Indicated	**0.2**	**76.8**	**0.33**	**510.0**
Inferred	0.2	27.2	0.28	154.6

Notes:
(1) Resources are stated within a Lerch-Grossman optimized shell using the following parameters:
Mining (ore and waste) $1.5/ton, processing $3.4/ton, General and Administrative $0.45/ton, oxide recovery 73%, transition recovery 70%, and Cu price $2.50/lbs
(2) Columns may not total due to rounding, and
(3) One Ton is equal to 2,000 lbs or 0.9071847 Tonnes.

Zonia Classified Mineral Resources at Various Cutoffs

CUT-OFF GRADE CU%	RATIO RESOURCE: WASTE	MEASURED + INDICATED			INFERRED		
		TONS M	GRADE CU%	CU LBS M	TONS M	GRADE CU%	CU LBS M
0.25	1.96	54.5	0.426	312.6	16.2	0.374	63.2
0.225	1.43	65.2	0.376	410.1	21.0	0.326	105.8
0.20	**1.01**	**76.8**	**0.33**	**510**	**27.2**	**0.28**	**154.6**
0.175	0.69	88.0	0.314	551.9	35.7	0.261	186.4
0.15	0.52	96.2	0.301	578.6	41.6	0.247	205.5

Notes:
(1) Resources are stated within a Lerch-Grossman optimized shell using the following parameters:
Mining (ore and waste) $1.5/ton, processing $3.4/ton, General and Administrative $0.45/ton, oxide recovery 73%, transition recovery 70%, and Cu price $2.50/lbs
(2) Columns may not total due to rounding, and
(3) One Ton is equal to 2,000 lbs or 0.9071847 Tonnes.



Mineral Resource Grade Tonnage Curves

Resources are stated within a Lerch-Grossman optimized pit shell using the following parameters; a metal price of $2.50/lb copper, mining costs of $1.50/ton, processing costs of $3.40/ton, general and administrative costs of $0.45/ton, oxide recovery of 73%, transition zone recovery of 70%, and an average pit slope of 45 degrees. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves. Inferred resources have a great deal of uncertainty as to their existence and whether they can be mined economically. It cannot be assumed that any part of the Inferred resource will ever be upgraded to Measured or Indicated categories.

Redstone undertook metallurgical testwork on trenches and fresh core samples drilled in 2009 and 2010. The primary objectives of the testwork were to confirm earlier findings that the mineralized material is heap leachable and to confirm extraction and reagent consumptions. The samples used for metallurgical testwork were selected from across the whole deposit. Composite samples were prepared representing varying feed grades, different depths, and high secondary copper content.

The copper extraction for the master composite sample on a nominal 1 inch crush size was 77.8%. The copper extraction for the other samples ranged from 47.6% to 81.3%. In general, the column tests recovered ±95% of the leachable copper. The overall copper extraction based on contained %TCu for the deposit is estimated to be between 71% and 75%. However, 73% copper recovery has been used as a parameter for pit optimization.

Drillhole samples have been collected and analyzed using current industry standard methods and practices. Comparisons of twin holes to historical drilling support previous data collection efforts and historical drilling along with recent drilling is sufficient to characterize grade and tonnage of mineral resources. Given the grade and tonnage of the mineral resources estimated as part of this report, and previous investigations at a scoping level that have already been conducted (unpublished), it is recommended the project be studied at a preliminary economic assessment level (PEA).

The project has a number of positive attributes that justify study advancement:

- Politically stable jurisdiction and regional familiarity with mining and associated community economic benefits;
- Scoping-level analysis historically completed for many aspects of the project;
- Plan to optimize an initial plan of operations restricted to private land, with positive implications for permitting time;
- Oxide mineral resources exposed at the surface, with a low waste to mineralized material ratio; and
- The potential for discovery of additional oxide and sulfide resources.

It is recommended that Cardero advance the Project by completing a PEA using existing data collected by previous operators, with the intent of collecting additional data following positive results of a PEA. Producing a PEA with no additional data collection or trade-offs, is estimated to be $157,000. The costs are shown below.

Proposed Budget for PEA Using Current Data

TASK AREA	ESTIMATED COST
Geology and Resources	$1,000
Mine Design and Planning	$36,000
Metallurgy and Process Design	$11,000
Infrastructure	$10,000
Heap Leach Geotechnical Design	$18,000
Water Management	$14,000
Environmental/Reclamation and Closure	$19,000
Economic Modeling	$16,000
Project Management, Peer Review, and Document Assembly	$32,000
Total:	**$157,000**

Cardero has the exclusive option to acquire a 100% interest in the Zonia project. Cardero will pay US$2,225,000 (US$ 276,350 paid) and issue 16,500,000 shares (2,500,000 issued) over 36 months as follows:

Date	Cash to Redstone (USD$)	Cardero Shares
Initial Payment	$25,000 (Paid)	-
On or before August 30, 2015	$26,350 (Paid)	-
October 15, 2015	$150,000 (Paid	1,000,000 (issued)
January 31, 2016	$75,000 (Paid)	1,500,000 (issued)
July 31, 2016*	$75,000	-
January 31, 2017	$450,000	2,500,000
July 31, 2017	$450,000	2,500,000
October 31, 2017	$973,650	4,000,000
October 31, 2018	-	5,000,000
Total	**$2,225,000**	**16,500,000**

* On the earlier of three business days after the Company closes a financing of not less than $250,000, or July 31, 2016

Non-Material Mineral Property Interests

Retained Participation Right on Carbon Creek Metallurgical Coal Deposit, British Columbia, Canada

In connection with the disposition of Cardero Coal to the Kopple Lenders, the Company and Cardero Coal entered into a management agreement pursuant to which the Company will continue to manage Cardero Coal's interests in and activities under the Carbon Creek joint venture agreement between Cardero Coal and the Carbon Creek Partnership dated June 15, 2010, as amended. Under the terms of the management agreement, the Company will act as Cardero Coal's representatives on the management committee for the joint venture, under the direction of Cardero Coal, and will undertake all activities reasonably required to be performed by Cardero Coal under the Joint Venture so as to keep Cardero Coal's interests therein in good standing and to maintain Cardero Coal as the manager thereunder.

The Carbon Creek Property is located in the Peace River Coalfield. Cardero Coal 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. The joint venture agreement provides that the CCP interest is a carried interest which requires Cardero Coal 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 Coal 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 Coal recovering its investment, the CCP is entitled to 25% of the net proceeds of production from the Property. Cardero Coal is the manager of the Carbon Creek JV.

A summary of coal quality is listed below composited as either hard coking coal (HCC) or semi-soft coking coal (SSCC).

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

[1]Coke Strength after Reaction (SSCC represents Seam 40 only)
[2]Vitrinite Reflectance
[3]Phosphorus Content

A resource estimation of the coal on the Carbon Creek property was completed by Norwest Corporation in 2014, 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 1.2. 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.

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**

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.

Until recently, the Carbon Creek Property consisted 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. In January 2016, Cardero Coal received notice from the Ministry of Energy and Mines that the 23 of the 25 Applications had been rejected following the establishment of a Coal Land Reserve ("Reserve") by the Chief Gold Commissioner. Within the new Reserve area, coal mining activities are now prohibited. The four Licenses and two of the Applications remain valid. The resources quoted above are contained within the four Licenses.

RTO - Centenera Mining Corporation

Cardero currently holds a 55.1% interest in Centenera Mining Corporation ("Centenera") which was consolidated in Cardero from the date of acquisition. A description of the mineral exploration assets of Centenera (Mine Angela, Organullo, Crosby and Trigal properties) is included in this disclosure.

Mina Angela Project, Argentina

Mina Angela is located in Chubut province in southern Argentina. The property was explored by several companies between 1951 and 1978 and production commenced in 1978. The underground mine was operated by Cerro Castillo SA until 1992 producing more than 150,000 ounces of gold. The mineralized system remains open at depth. Government records from 1983 until the mine closed in 1992 show mining production was 1.04 million tonnes for this period with average grades of: 4.0 g/t gold; 48.4 g/t silver; 2.0% lead; 0.4% copper; 4.6% zinc.

Despite past production, the property remains largely under-explored. There is high potential for extension of ore reserves along the down-dip extensions of the vein systems at Mina Angela, Mina Camila and the Sahuel Prospects. There are several additional identified targets, with the opportunity for new discoveries. The property is ideally located, with proximity to national transportation infrastructure.

In 1996 Lonrho Mining acquired equity in Cerro Castillo and conducted a detailed exploration program in 1997 and 1998 including 3,500 meters of drilling which targeted anomalies identified using geophysics and soil geochemistry. Exploration by Lonrho in 1998 discovered a new vein system, the Sahuel Prospect. Geophysics indicates the vein has a potential strike length of 1.6km. Significant drill intercepts include 1.36m @ 40.65g/t gold and 2m @ 6.69g/t gold. Lonrho estimated the down-dip extension of ore at Mina Angela to extend for another 150m; at Mina Camila, for about 250m; and, at Sahuel, for 400m. In 1998 Lonrho withdrew from South American mineral activities.

Cardero entered into an acquisition agreement in April 2004, pursuant to which, the Company acquired a 100% interest in 44 mineral concessions in Chubut Province, Argentina, subject to a 1% NSR to the vendor,

in consideration of aggregate cash payments to the vendor of USD 400,000 (paid). Following completion of the RTO transaction, Centenera owns a 100% interest in the project.

Organullo Project, Argentina

The Organullo property is located in Salta province, which is a mining-friendly jurisdiction in northern Argentina. The property has an exploration history of almost a century. It was initially explored and mined on a small scale at the Julio Verne Mine in the 1930's, producing copper, bismuth and gold. Mining activity involved excavation of more than 450 meters of workings on 3 levels. Few details of production are available, but concentrates were reported to average 12.5% bismuth and 8.2% copper with gold ranging between 10-20 g/t and sampling on several subsequent exploration programs confirmed the high gold grades found underground. Previous explorers include Fabricaciones Militares (in Partnership with United Nations), Triton Mining Corporation, Northern Orion Exploration, Newmont Overseas Exploration (Chile), Newmont Peru, Artha and Cardero. Cardero, through its wholly owned subsidiary Cardero Argentina, acquired Organullo in 2004.

Organullo is a large property with widespread and intense alteration indicative of a productive high sulphidation epithermal gold deposit. This property lies along a regional northerly-trending fault linear that controls the localization of mineralization and volcanoes in the region. The Julio Verne Mine is characterized by structure-controlled Cu-Bi mineralization. Associated argillic to advanced argillic alteration extends from the mine eastwards to the Organullo Ridge. Mineralization on the ridge is associated with faulting, quartz veins and silicified rock. The geological relationships suggest that this is near the top of the system with large volumes of underlying rock yet to be explored. The system appears to be large with more than 7 kilometers exposed in a north-south direction. Width is unknown and while some previous workers assumed a long, narrow system, it could extend to the east and west where recent cover hides all the potential. Historical drilling results support the interpretation of a potential bulk-mineable epithermal gold deposit. Reverse circulation drilling returned 200 meters grading 0.47 g/t gold and 189 meters grading 0.66 g/t gold, both from surface. Diamond drilling supports this with an intersection grading 0.66 g/t gold from 19 to 110 meters.

In 2012, a report completed by GeoRes (an Australian consulting firm) entitled; "Organullo Exploration Targets & Pit Optimization", dated June 6, 2012, is authored by Robin Rankin. The work resulted in potential exploration target tonnages and grades of gold at Organullo which were reported at lower and upper ranges in southern and northern areas and in total. GeoRes determined two common strike and dip directions, each characteristic of a specific exploration target area. Block models were built for the two target areas (north area and south area). Block sizes were defined to emphasise the narrow vein orientation and were consequently much narrower in the X (east-west) directions than in the Y (north-south) and Z (vertical) directions. Gold grades were estimated into each model's blocks using parameters adapted to the common vein direction in each area. Raw drillhole data was composited to exactly 2.0 meters downhole. No limits were applied to either input data or output estimates and the estimation was unconstrained by geology. Block estimation was done using an inverse distance squared algorithm. Grade estimation search distances of up to 100 meters in the plane of the veins adequately fills the blocks between drill holes and extended beyond them. Following this evidence, increasing the scan distances by simple multiples produced reasonable figures for ranges of exploration targets. Scan distances of 200 meters and 300 meters were used for lower and upper ranges of exploration targets.

Targets were reported for a variety of gold grade lower cut-off values. Tonnages assumed a constant density of 2.6 t/m3. At a lower gold cut-off of 0.5 g/t the total exploration targets ranged from a lower 19.8 Mt at 0.94 g/t gold (600,000 ounces gold) to an upper 31.6 Mt at 0.92 g/t gold (940,000 ounces gold).

It should be noted that these potential exploration target quantities and grades are conceptual in nature, that insufficient exploration and geological modelling has been done to define mineral resources, and that it is uncertain if further exploration will result in the determination of a mineral resource.

Despite a long history of exploration, the extent of gold-mineralization at Organullo is not known. Many of the historic drill holes are thought to have been drilled in the wrong orientation due to misinterpretation of the structural setting. Generally insufficient drill testing, low drill recoveries and poorly defined alteration geometries leave significant questions as to the nature, distribution and volume of gold bearing rocks on the property. Much of the property outside the central zone near Julio Verne Mine is underexplored. Further work on outlining property-scale alteration and background geochemistry will assist in determining whether the currently outlined mineralization is the main potential resource on the property or may be peripheral to a larger porphyry style system. The historical Julio Verne Mine is small and is of less immediate interest to modern operators. The drilled area likely represents less than 20% of the defined area of alteration and in itself could be of interest to a serious explorer or mid-tier producer. With alteration in the remainder of the property extending at least 7 kilometers along strike and otherwise obscured under recent cover, the exploration target could be much larger.

Pursuant to an agreement dated October 1, 2004 between the Company and an Argentinean individual, the Company purchased a 100% interest in eight minas in Salta Province, Argentina, in consideration of the issuance of 70,000 common shares. Following completion of the RTO transaction, Centenera owns a 100% interest in the project.

In conjunction with the RTO described above and the resulting acquisition of the Organullo property as Centenera's material mineral exploration property, a technical report prepared under National Instrument 43-101 entitled "2015 Technical Report on the Organullo Property" with an effective date of April 17, 2015 was prepared for Centenera by Equity Exploration Consultants Ltd. The report recommends a two-phase exploration program, focusing on the Organullo Ridge area and the west side of the Organullo valley areas of the property. Phase I of the program comprises a review of data, prioritization of targets, followed by a 1,200 meter drill program split equally between exploration targets and confirmatory infill drilling. The recommended budget for Phase I is $342,000. The technical report does identify actual drill targets, which are expected to be generated from the Phase I program. Phase II, if warranted by favorable results from Phase I of the program, comprises a more intensive 3,300 meter drill program, focused on infill drilling and resource definition. A budget of $1,154,000 has been estimated for Phase II recommended work.

Phase I work began in Q3 2015 and has been ongoing through Q4 2015. The work done by Centenera to the end of Q4 2015 on Phase I included taking possession in July 2015 of Cardero's extensive Organullo dataset and beginning the complex process of detailed data review and project planning. Review of Aster satellite imagery and interpretations from consultants and Newmont Mining Corporation in the Cardero dataset revealed 4 clear target areas where anomalous alteration signatures were observed in conjunction with surface geochemistry, geological mapping and historical drill data.

In Q4 2015 Geological Resources (GeoRes) of Bowral, Australia was contracted to complete a drill targeting exercise in 3 of the 4 target areas, where drill data and surface sampling were deemed sufficient to provide meaningful targets. The drill targets defined are split between resource definition and exploration. Target area 1, having only one historical drillhole and very limited surface sampling was ignored in the drill targeting process. Targets 2, 3 and 4 were examined in detail by GeoRes and a total of 30 drill targets were generated. Of these, 9 targets are classified as very high priority and 8 and high priority, with the remainder medium and low priority.

In addition to these target areas, four additional target areas (Targets 5 to 8) have been identified where there has been no historical drill testing, but where Aster-interpreted alteration and/or surface rock sample

anomalies highlight the need for additional surface sampling. The drill targeting work completed by GeoRes demonstrates that the generation of drill targets in this geological setting requires historical drill data if available and substantial surface geochemistry and mapping at a minimum. The next phase of work in the Phase I program will include surface rock sampling within Targets 1, 5,6 7, and 8 and in other sparsely sampled areas as appropriate. This will allow all drill targets to be more fully assessed and prioritized before the Phase 1 drill program is commenced. If the targeting and assessment of the drill targets is completed as currently scheduled, Centenera expects to commence Phase I drilling on the property in Q3, 2016. Thereafter, Centenera expects to complete Phase I of the exploration program recommended by the technical report in Q1 2017. Readers are cautioned that the timing for the completion of the Phase I drill program is dependent on various risk factors, which may cause the completion of Phase I of the program to be delayed. These risk factors include the ability of Centenera and its consultants to obtain all licenses and permits necessary to conduct the required surface rock sampling on the property, unforeseen delays in the assessment and prioritizing of the drill targets, the lead time needed to schedule the consultants and the contractors and equipment needed to complete the generation and prioritization of drill targets on the property, and then complete the exploration target drilling and confirmatory infill drilling, as well as those risks factors set out elsewhere in this annual management’s discussion and analysis and other periodic reports filed by Centenera with the Canadian Securities Authorities on the SEDAR website at www.sedar.com.

Crosby Property, Argentina

Centenera entered into an option agreement to acquire the Crosby Property in 2009 from Davcha Resources International Ltd. The Crosby Property is transected by the same northwest trending anticlinal structure that hosts Silver Standard's producing Pirquitas Mine, which is expected to produce 9.0-10.0 million ounces of silver and 10-12 million pounds of zinc in 2015. Located in northern Jujuy Province, the property is strategically positioned contiguous with the Pirquitas Mine.

Regional Exploration Data, Argentina

Centenera owns an extensive northwest Argentina exploration dataset, including results of a proprietary Bulk Leach Extractable Gold ("BLEG") survey conducted in 2007 and 2008 by Cardero Resource Corp. ("Cardero") in partnership with Newmont Mining Corporation ("Newmont"). The BLEG data covers prospective areas of Jujuy and Salta Provinces, covering an area of 300km by 90km and comprising nearly 1,200 sample locations.

Newmont's proprietary BLEG technology is a cornerstone of regional exploration programs, and a continuous program of laboratory comparisons has consistently demonstrated that no commercial alternative can provide its precision and accuracy. BLEG techniques provide a competitive advantage in reconnaissance gold exploration leading to property acquisitions. Newmont credits BLEG with the discovery of its large Batu Hijau porphyry copper-gold deposit in Indonesia and many projects in its exploration pipeline are the direct result of BLEG anomalies.

Trigal Property, Argentina

The Trigal project, comprising 6,049 hectares, was selected for acquisition following review of the Company's regional exploration datasets, including BLEG sampling results, which cover prospective areas throughout northwest Argentina. The project is located in Salta Province and Trigal is located approximately 30 km west of San Antonio de los Cobres, the largest town in the area.

Salta's epithermal precious metals district (measuring approximately 70km x 40km) includes Centenera's Organullo gold project (30km to the south east) and Golden Minerals' El Quevar silver project less than

10km to the southwest. BLEG samples are used to 'screen' for anomalies within large drainage basins and a total of 20 BLEG samples were taken within the Trigal claim block. Results are positive and identify the Trigal claim block as a priority for gold exploration. The ultra-low detection BLEG identified samples ranging from below detection to 5ppb gold, plus anomalous levels of other elements like bismuth. The identification of three anomalous samples (all ranging 2 to 5ppb) from two neighbouring drainages is unusual and positive. The BLEG technique more typically identifies just a single point anomaly for follow up.

The next steps at Trigal will include detailed surface geochemical sampling and mapping which will focus on the large 4km by 2km priority target identified. Field work is expected to be completed in Q1 2016. The Company will provide updates as they are received from Centenera.

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. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties, the following risk factors, among others, will apply:

Lack of Operating Funds: In the recent past, the Company has experiencing significant difficulty in raising additional capital to continue its operations. As a result the Company took steps to conserve cash by reducing staffing, halting/delaying further work on its properties 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 at Zonia.

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.

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 2013/14, 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 subscribers 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 Zonia, 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 a majority shareholding in Centenera, which owns 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 Argentinian pesos. Such fluctuations are out of its control and may materially adversely affect the Company's financial position and results. The Company does not engage in any hedging programs with respect to currencies.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies 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 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 rateably 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

These financial results of operations include the results of operations of Centenera as a result of a RTO completed by Centenera completed on June 11, 2015. As of October 31, 2015 the Company owns 55.01% of Centenera. Centenera was consolidated from the date of acquisition. The consolidated financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances and transactions are eliminated in full.

During the year ended October 31, 2015, the Company incurred a net loss of $11,538,722 (2014 – $79,669,207) of which $108,437 (2014 - $Nil) was attributed to Non-controlling interests.

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.

Year ended October 31, 2015 compared to year ended October 31, 2014

The Company's operating costs were $2,269,930 (2014- $77,075,382), and reviews of the major items are as follows:

- Consulting fees decreased to $99,827 (2014 - $225,363), 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 $53,555 (2014 - $98,178), primarily due to a reduction in insurance needs in subsidiaries;

- Office costs of $191,340 (2014 - $435,112), 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 $618,557 (2014 - $501,457), incresed due to Company's RTO transaction with Centenera;

- Salaries and benefits of $1,032,817 (2014 - $1,020,565), which includes share-based payments of $170,385 (2014 - $197,468), remained relatively the same as prior year as all salary reductions had been implemented;

- Impairment losses on exploration and evaluation assets of $Nil (2014 - $69,753,529). During Fiscal 2014 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. 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 is in addition to the Burns Lease impairment of $21,004,470, resulting from the aforementioned withdrawal from the Burns Lease; and

- Impairment losses on deposits of $Nil (2014 - $4,500,000). During the year ended October 31, 2014 the Company wrote-down the deposit by $4,500,000 to a value of $Nil as a result of the uncertainties being experienced with the Carbon Creek property and the write-down to fair value of that property, which were viewed as indicators of impairment. The write-down was completed in accordance with IAS 36, Impairment of assets, and was for the full value of the deposit, as it was not practicable to estimate a value in use of the deposit as at October 31, 2014. Further, as the deposit is not assignable, fair value less costs to sell was estimated to be $nil in accordance with level 3 of the fair value hierarchy.

Other items showed a loss of $9,268,792 (2014 - $2,827,038). 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 $1,274,248 (2014 - $597,898). The Companies Short Term Loan and Credit Facility are in USD and with the increase in the Credit Facility and the decline of the CDN$ vs the USD the increase was significant;

- Interest expenses increased to ($4,942,532) (2014 - $4,229,134), representing the interest on the USD 2.0M secured notes and on the USD 6.0M line of credit;

- The realized loss on Trevali warrants in the current period of $Nil (2014 - $87,470). These warrants expired, unexercised, on January 16, 2014;

- Due to a, other-than-temporary, decrease in the fair value of available-for-sale investments the Company recorded a loss of $36,072 (2014 – $231,427). These changes are due to market fluctuations which are entirely outside of the Company's control;

- The Company realized a loss on sale of Cardero Coal, of $3,708,583 (2014 – $81,537) as a result of its debt restructuring with the Kopple lenders. In fiscal 2014 the Company sold its subsidiary in Mexico.

- The Company recognized a gain of $647,168 (2014 - $Nil) on the acquisition of Centenera as the excess of net assets on the acquisition date.
- The Company recognized a gain of $Nil (2014 - $2,153,078) on the settlement of certain debts to trade creditors. In the year ended October 31, 2014 the Company settled outstanding trade payables in the amount of $4,575,323 by paying cash of $1,907,323 and exchanging for shares of $515,139, which resulted in the gain of $2,153,078;

- The Company received a facilitation fee of $Nil (2014 - $670,080) in connection with services rendered by the Company so as to enable Cardero Argentina to proceed with the sale of its interest in the Minas Pirquitas property in Argentina;

- As a consequence of a flow-through share private placement completed in December, 2012 ("Placement"), the Company was required to incur certain exploration expenditures for flow-through purposes on or before December 31, 2013. The Company did not incur $Nil ($2014 - $1,661,521) of these expenditures and was therefore required to pay to the Canada Revenue Agency Flow-Through Part XII.6 interest and penalties in the amount of $Nil (2014 $166,152); and

- The Company entered into an agreement with one of the investors in the Placement to absorb all of the reduction in required expenditures and thereby accept a reduced renunciation, in consideration of the payment by the Company of the sum of $Nil (2014 - $227,500).

Three Months ended October 31, 2015 compared to three months ended October 31, 2014

The Company's general and administrative costs were $3,089,237 (2014- $53,757,367), and reviews of the major items are as follows:

- Office costs of $54,326 (2014 - $73,141), 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 $443,326 (2014 - $192,591), increased slightly due to Company's overall activities;

- Consulting fees of $75,750 (2014 -$5,989) increased as result of increased activities in Centenera, sale of Cardero Coal and business development;

- Salaries and benefits of $390,165 (2014 - $219,958) which includes share-based payments from Cardero of $203,343 (2014 - $11,682), remained relatively the same as prior year as all salary reductions had been implemented; and

- Impairment losses on deposits of $Nil (2014 - $4,500,000). During the year ended October 31, 2014 the Company wrote-down the deposit by $4,500,000 to a value of $Nil as a result of the uncertainties being experienced with the Carbon Creek property and the write-down to fair value of that property, which were viewed as indicators of impairment. The write-down was completed in accordance with IAS 36, Impairment of assets, and was for the full value of the deposit, as it was not practicable to estimate a value in use of the deposit as at October 31, 2014. Further, as the deposit is not assignable, fair value less costs to sell was estimated to be $nil in accordance with level 3 of the fair value hierarchy.

Other items showed a loss of $5,600,603 (2014 - $1,101,922). 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:

- Interest expenses increased to $2,142,525 (2014 - $1,098,645), representing the interest on the USD 2.0M secured notes and on the USD 6.0M line of credit;

- Due to a decrease in the fair value of available-for-sale investments the Company recorded a loss of $36,072 (2014 -$100,766). These changes are due to market fluctuations which are entirely outside of the Company's control; and

- The Company realized a loss on sale of Cardero Coal, of $3,708,583 (2014 – $Nil) as a result of its debt restructuring with the Kopple lenders.

SELECTED ANNUAL INFORMATION

The Company's consolidated financial statements for the year ended October 31, 2015 have been prepared in accordance with IFRS. The following selected financial information for the year ended October 31, 2015 is taken from the Company's audited consolidated financial statements for the year ended October 31, 2015. The information for the years ended October 31, 2014 and 2013 are taken from the audited consolidated financial statements for the years ended October 31, 2014 and 2013. This information should be read in conjunction with those statements. Selected annual financial information appears below.

	October 31, 2015	October 31, 2014	October 31, 2013
Interest (expense)	$(4,942,532)	$(4,229,134)	$(1,389,964)
Loss for the year	$(11,538,722)	$(79,669,207)	$(29,759,663)
Net loss per share	$(0.93)	$(6.80)	$(2.70)
Total assets	$2,453,001	$11,179,018	$89,114,381

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 (expense) revenue	$ (804,352)	$ (946,228)	$ (1,049,427)	$ (2,142,525)
Impairment (losses) on available-for-sale investments	-	-	-	(36,072)
Net loss	(2,285,686)	(892,914)	(5,848,756)	(2,511,366)
Net loss per share	(0.20)	(0.10)	(0.50)	(0.13)
Comprehensive loss	$ (2,195,656)	$ (695,382)	$ (5,930,418)	$ (2,533,079)

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	(1.00)	(20.00)	(1.00)	(46.00)
Comprehensive loss	$ (1,419,290)	$ (23,089,013)	$ (307,027)	$ (54,866,712)

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.

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 a short term loan, a credit facility, 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 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.

DEBT RESTRUCTURING

The Kopple Lenders have agreed to the restructuring of $10.5 million (US$8.5 million) of debt owed by the Company. The restructuring is achieved through a number of mechanisms, including sale of Cardero Coal to the Kopple Lenders for $4.6 million (US$3.6 million). The valuation attributed to Cardero Coal was subject to an independent valuation.

The remainder of the restructuring was via issuance of preferred shares, valued at $2.4 million (US$2.0 million) and issuance of units, valued at $3.5 million (US$2.9 million). The preferred shares and units (1 common share and ½ warrant) were priced at $0.20. The preferred shares will have voting rights equivalent to the Company's common shares, priority over the common shares in relation to the payment of dividends, a right of conversion into common shares and a fixed cumulate dividend rate of 8.0% of par value (being equal to the price) per annum payable yearly. Should any annual dividend not be paid, the cumulative dividend rate will increase to 10%. The Company will retain a right to redeem the preferred shares at price equal to their par value, plus any accrued and unpaid dividends, for a period of five years.

Credit Facility Letter

The balance of debt, $247,349 (US$ 189,174) will remain outstanding, pursuant to the terms of a Credit Facility Letter (the "Credit Facility") provided by the Kopple Lenders. Subsequent to October 31, 2015

(Note 17) the Company amended the Credit Facility which provides for a credit facility of US$989,174. It has been acknowledged between the Kopple Lenders and Cardero that US$189,174 is outstanding on the Credit Facility ("Convertible Amount") and US$800,000 is available to the Company under subsequent draws on the terms set forth ("Draw Amount"). The "Outstanding Balance" of the Credit Facility at any time shall include (i) the amount outstanding as of the date of this Facility Letter, plus (ii) all subsequent advances made hereunder, plus (iii) all accrued interest on this Credit Facility, less (iv) any amounts repaid hereunder. Once the Outstanding Balance reaches $989,174, no further advances need be made by the Kopple Lenders to the Company under this Credit Facility.

Short term loan

On August 9, 2013, the Company completed a private placement of senior secured notes (the "Notes") in the aggregate principal amount of US$ 5.7 million with entities controlled by Robert C. Kopple of Los Angeles, California, US (the "Lenders").

Notes in the amount of US$ 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 US$ 3,920,986 (representing the US$ 3,700,000 principal amount plus US$ 220,986 in interest, of which US$ 3,360,957 was paid in cash and US$ 560,029 was paid from the Company's line of credit) towards the Notes due on or before March 14, 2014. The remaining US$ 2.0 million of the Notes plus interest of US$ 0.2 million due August 8, 2014 was amended with an extension of the maturity date to August 8, 2015. Interest accrued at the rate of 10% per annum payable quarterly. The 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. The Notes may be redeemed by the Company at any time at 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 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 will issue 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 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, plus additional restrictions under United States securities laws. 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.

As part of the debt restructuring the Company eliminated the short term loan and interest in the amount of $3,078,558.

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. 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 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 had a term of seven years, and were 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"). 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, plus additional restrictions under United States securities laws.

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.

As part of the debt restructuring the Company eliminated all but $249,348 of the credit facility which will remain outstanding, pursuant to the terms of the Credit Facility.

On October 22, 2015, 3,550,001 shares were issued as part of a private placement for gross proceeds of $532,500.

The Company expects that it will operate at a loss for the foreseeable future. The Company requires additional funding in order to carry on business and meet its objectives of advancing the Zonia project.

As at October 31, 2015, the Company reported cash of $316,431 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 $(234,355), ($1,913,547) from operations, and $2,373,287 provided by financing activities due to drawdowns under the Credit Line, proceeds on acquisition of Centenera and proceeds from shares issued. As at October 31, 2015, the Company had working capital of $270,307 compared to a working capital deficit of $1,519,456 at October 31, 2014.

The Company anticipates that its monthly burn rate for general and administrative expenses is approximately $44,900. In order to move the Zonia project forward and to continue as a going concern, the Company will be required to raise additional funds. If commodity markets, in particular copper markets, continue to be depressed and volatile, the Company may opt to raise $500,000 and minimize spending on the project and general and administrative costs. However, if the Company is able to raise a more substantial amount of cash, it will make sense to move the Zonia project forward in anticipation of a copper market recovery in the next 2 to 3 years. The Company is investigating a number of potential sources of capital including but not limited to an equity placement and a royalty and/or streaming deal. There can be no assurances that it will be successful in doing so. If the Company is not successful in raising funds it may be forced to curtail or cease operations.

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.

	Payments Due by Period				
Contractual Obligations	***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)***	***November 1, 2021 to October 31, 2024 (36 months***
Operating Lease Obligations	$1,888,007	$335,724	$1,043,860	$508,423	-

OFF BALANCE-SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and twelve months ended October 31, 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	Twelve Months Ended
Hendrik van Alphen	CEO, President & a Director of the Company	Wages and Salaries	$ 26,000	$ 138,667
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	$ 51,000	$ 196,500
Blaine Bailey	CFO of the Company	Wages and Salaries	$ 16,000	$ 86,500
Marla Ritchie	Corporate Secretary of the Company	Wages and Salaries	$ 9,000	$ 51,000
Stephan Fitch	Director of the Company	Director's fees	$ 3,000	$ 12,000

Name	Relationship	Purpose of transaction	Three Months Ended	Twelve Months Ended
Robert Van Doorn	Director of the Company	Director's fees	$ 3,000	$ 12,000
Leonard Harris	Director of the Company	Director's fees	$ 3,000	$ 12,000
Promaid Services Ltd	Company controlled by the CFO of the Company	Consulting	$ 13,500	$ 20,250
Marvel Office Management	Company controlled by the Corporate Secretary of the Company	Consulting	$ 6,000	$ 9,000
Lawrence W. Talbot Law Corporation	Company controlled by an officer of the Company	Professional fees	$ -	$ 5,885

During the three and twelve months ended October 31, 2015, there were no stock options granted to related parties of Cardero.

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. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. During the year ended October 31, 2015 the Company determined that no indicators of impairment existed.

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 October 31, 2015 was $316,431.

The Company's receivables and payables at October 31, 2015 were normal course business items. The accounts receivable are settled on a regular basis and includes share subscription receivable of $400,000 included on consolidation of Centenera. The Company's investments in Abzu, Wealth, 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 twelve months ended October 31, 2015 except as a result of the debt restructuring as described above. 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, 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 October 31, 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 October 31, 2015, that the disclosure controls and procedures were not effective as of October 31, 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 October 31, 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 October 31, 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 October 31, 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 October 31, 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 October 31, 2015:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	33,686,697	$130,354,063

As at January 27, 2015:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	36,528,364	$130,570,313

During the year ended October 31, 2015, all of the issued common shares and equity instruments of the Company were consolidated on the basis of 10 pre-consolidation common shares/equity instruments for 1 post-consolidation common share/equity instrument. As a result of the consolidation, all share and per-share information in the financial statements has been restated to reflect the consolidation.

2. Options Outstanding:

As at October 31, 2015 the Company has no options outstanding.

As at January 27, 2016:

Number	Exercise Price	Expiry Date
2,500,000	$ 0.10	December 29, 2017
2,500,000		

3. Warrants Outstanding:

As at October 31, 2015:

Number	Exercise Price	Expiry Date
5,000,000	$ 0.50	May 6, 2022
56,567	$ 0.15	October 23, 2016
8,700,000	$ 0.20	October 15, 2018
13,758,567		

As at January 27, 2016:

Number	Exercise Price	Expiry Date
5,000,000	$ 0.50	May 6, 2022
56,567	$ 0.15	October 23, 2016
8,700,000	$ 0.20	October 15, 2018
13,758,567		

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.