



CARDERO RESOURCE CORP.
(An Exploration Stage Company)

Unaudited Consolidated Financial Statements
Prepared by Management

April 30, 2011

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

April 30, 2011

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

	April 30, 2011	October 31, 2010 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 6,728,737	\$ 52,264,003
Accounts receivable	582,944	267,431
Due from related parties (note 8)	868,798	1,361,550
Loan receivable (note 8)	8,254,885	-
Prepaid expenses	282,770	335,493
Total Current Assets	16,718,134	54,228,477
Fixed Assets (note 3)	950,309	197,737
Resource Related Investments (note 4)	77,392,075	60,685,650
Equity Investments (note 5)	7,659,619	5,236,540
Resource Properties (note 6)	19,458,245	15,856,750
Total Assets	\$ 122,178,382	\$ 136,205,154
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 894,319	\$ 832,087
Income taxes payable	-	26,847,314
Total Current Liabilities	894,319	27,679,401
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	71,473,503	69,890,947
Contributed Surplus	14,775,562	14,726,585
Accumulated Other Comprehensive Income	39,864,056	30,227,593
Retained Earnings (Deficit)	(4,829,058)	(6,319,372)
Total Shareholders' Equity	121,284,063	108,525,753
Total Liabilities and Shareholders' Equity	\$ 122,178,382	\$ 136,205,154

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

Approved on behalf of the Board:

“Hendrik Van Alphen”
Hendrik Van Alphen, Director

“Lawrence W. Talbot”
Lawrence W. Talbot, Director

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

	Three Months Ended April 30		Six Months Ended April 30	
	2011	2010	2011	2010
Administrative Expenses				
Amortization	\$ 23,963	\$ 16,857	\$ 42,082	\$ 33,580
Bad debts	-	-	-	104,835
Consulting fees (notes 7 and 8)	337,717	494,071	590,206	732,436
Corporate development	227,512	109,416	409,132	191,042
Insurance	26,995	44,699	55,128	89,834
Investor relations (note 7)	82,960	287,266	400,207	339,654
Office costs	179,880	150,959	420,980	429,091
Professional fees (notes 7 and 8)	326,313	333,128	436,594	465,497
Property evaluations	45,698	29,778	326,255	80,832
Regulatory and transfer agent fees	49,857	34,353	67,832	57,556
Salaries and benefits	347,062	492,499	1,148,355	1,049,278
Travel	39,648	12,878	95,542	49,602
Loss Before Other Items and Income Taxes	(1,687,605)	(2,005,904)	(3,992,313)	(3,623,237)
Other Gain (Loss) Items				
Foreign exchange loss	(1,614,056)	(3,957,437)	(1,631,590)	(4,198,449)
Interest income (loss)	149,111	(993)	191,269	(582)
Realized gain on sale of available-for-sale investment	312,096	162,517	2,508,994	298,609
Unrealized gain (loss) on derivative investment (note 4)	(1,961,714)	13,361	1,741,109	132,898
Unrealized gain (loss) on held-for-trading investment (note 4)	42,500	(31,000)	65,500	15,000
Gain (adjustment) on sale of resource property (note 6(c)(ii))	-	(780,415)	-	88,625,601
Write-off of resource properties	-	(8,180,742)	-	(8,180,742)
Loss on equity investment	(155,965)	-	(338,887)	-
	(3,228,028)	(12,774,709)	2,536,395	76,692,335
Income (Loss) Before Income Taxes	(4,915,633)	(14,780,613)	(1,455,918)	73,069,098
Income Taxes				
Current recovery (expense)	3,372,740	269,234	1,245,680	(26,522,369)
Future recovery (expense) (note 10)	(1,316,286)	458,284	1,700,552	1,661,751
	2,056,454	727,518	2,946,232	(24,860,618)
Net Income (Loss) for Period	\$ (2,859,179)	\$ (14,053,095)	\$ 1,490,314	\$ 48,208,480
Basic Income (Loss) Per Share	\$ (0.05)	\$ (0.24)	\$ 0.03	\$ 0.82
Diluted Income (Loss) Per Share	\$ (0.05)	\$ (0.24)	\$ 0.02	\$ 0.82
Weighted Average Number of Shares Outstanding	59,099,426	58,666,747	58,818,744	58,638,483
Plus incremental shares from assumed conversions	-	-	1,288,382	157,192
Adjusted weighted average shares	59,099,426	58,666,747	60,107,126	58,795,675

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

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

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Consolidated Statements of Shareholders' Equity (cont'd)

	Capital Stock		Obligation to Issue Shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount					
Balance, October 31, 2009 (carried forward)	58,543,477	\$ 70,034,895	\$ 111,500	\$ (51,270,342)	\$ 13,058,271	\$ 13,003,496	\$ 44,937,820
Net income for the year	-	-	-	44,950,970	-	-	44,950,970
Other comprehensive income							
Unrealized gain on available-for-sale investments	-	-	-	-	-	17,686,472	17,686,472
Transfer to income of realized gain on sale of resource related investments	-	-	-	-	-	(462,375)	(462,375)
Comprehensive income for the year							62,175,067
Shares issued for cash							
Exercise warrants	67,125	90,619	-	-	-	-	90,619
Shares purchased pending return to treasury	(312,300)	(374,760)	-	-	1,066	-	(373,694)
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of warrants	-	28,693	-	-	(28,693)	-	-
Property acquisition	75,000	111,500	(111,500)	-	-	-	-
Stock-based compensation	-	-	-	-	1,695,941	-	1,695,941
Balance, October 31, 2010	58,373,302	69,890,947	-	(6,319,372)	14,726,585	30,227,593	108,525,753
Net income for the period	-	-	-	1,490,314	-	-	1,490,314
Other comprehensive income							
Unrealized gain on available-for-sale investments	-	-	-	-	-	10,992,697	10,992,697
Transfer to income of realized gain on sale of resource related investments	-	-	-	-	-	(1,356,234)	(1,356,234)
Comprehensive income for the period							11,126,777
Shares issued for cash							
Exercise options	840,000	1,026,150	-	-	-	-	1,026,150
Exercise warrants	-	-	-	-	-	-	-
Shares issued for non-cash							
Reclassification of contributed surplus on exercise of options	-	556,406	-	-	(556,406)	-	-
Property acquisition	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	605,383	-	605,383
Balance, April 30, 2011	59,213,302	\$ 71,473,503	\$ -	\$ (4,829,058)	\$ 14,775,562	\$ 39,864,056	\$ 121,284,063

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

	Three Months Ended		Six Months Ended	
	April 30		April 30	
	2011	2010	2011	2010
Operating Activities				
Net income (loss) for period	\$ (2,859,179)	\$ (14,053,095)	\$ 1,490,314	\$ 48,208,480
Items not involving cash				
Amortization	23,963	16,857	42,082	33,580
Bad debts	-	-	-	104,835
Stock-based compensation	-	348,983	605,383	610,862
Write-off resource properties	-	8,180,742	-	8,180,742
Realized gain on sale of available-for-sale investments	(312,096)	(162,517)	(2,508,994)	(298,609)
Unrealized (gain)loss on held-for-trading investment	(42,500)	31,000	(65,500)	(15,000)
Loss on equity investment	155,965	-	338,887	-
Unrealized (gain)loss on derivative investment (note 4)	1,961,714	(13,361)	(1,741,109)	(132,898)
Gain on sale of resource property	-	780,415	-	(88,625,601)
Future income tax (recovery) expense	1,316,286	(458,284)	(1,700,552)	(1,661,751)
Unrealized foreign exchange (gain) loss	55,846	2,865,596	121,750	2,976,096
Changes in Non-Cash Working Capital Items				
Accounts receivable	(104,863)	(16,010)	(315,734)	(48,090)
Accounts receivable – related parties	49,486	(2,193)	492,752	136,358
Loan receivable	(148,908)		(8,254,885)	-
Prepaid expenses	47,235	(36,399)	52,723	(18,670)
Accounts payable and accrued liabilities	209,726	(2,572,664)	165,655	285,253
Income taxes payable	(25,601,634)	(2,305,120)	(25,601,634)	24,486,483
Cash Used in Operating Activities	(25,248,959)	(7,396,050)	(36,878,641)	(5,777,930)
Investing Activities				
Investment in and expenditures on resource properties	(954,178)	(1,726,796)	(3,851,919)	(4,031,135)
Proceeds from resource property transactions, net of costs	-	(785,189)	-	89,261,496
Proceeds from sale of resource related investments	381,984	291,417	3,241,792	447,909
Purchase of resource related investments	(396,062)	(7,685,194)	(3,028,125)	(8,502,176)
Purchase of equity investment	-	(650,000)	(3,882,443)	(650,000)
Purchase of fixed assets	(690,678)	(5,373)	(794,654)	(7,972)
Cash Provided by (Used in) Investing Activities	(1,658,934)	(10,561,135)	(8,315,349)	76,518,122
Financing Activities				
Proceeds from shares issued	359,150	90,619	1,026,150	90,619
Cash Provided by Financing Activities	359,150	90,619	1,026,150	90,619
Effect of foreign exchange on cash	(801,909)	(2,865,596)	(1,367,427)	(2,976,096)
Increase (Decrease) in Cash and Cash Equivalents	(27,350,652)	(20,732,162)	(45,535,267)	67,854,715
Cash and Cash Equivalents, Beginning of Period	34,079,389	94,410,073	52,264,004	5,823,196
Cash and Cash Equivalents, End of Period	\$ 6,728,737	\$ 73,677,911	\$ 6,728,737	\$ 73,677,911
Supplemental Cash Flow Information				
Accounts payable related to property expenditure	\$ 189,555	\$ 163,781	\$ 189,555	\$ 163,781
Shares issued for property option payments	\$ -	\$ -	\$ -	\$ -
Shares issued for debt settlement	\$ -	\$ -	\$ -	\$ -
Shares issued for brokers' commission	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ 25,601,634	\$ 2,035,886	\$ 25,601,634	\$ 2,035,886

CARDERO RESOURCE CORP.
(AN EXPLORATION STAGE COMPANY)
Notes to Consolidated Financial Statements
(Unaudited – Prepared by management)
For the six months ended April 30, 2011 and 2010

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company had a net income of \$1,490,314 for the six months ended April 30, 2011 (April 30, 2010 - \$48,208,480). The Company has working capital as at April 30, 2011 of \$15,823,815 (October 31, 2010 - \$26,549,076), has a deficit of \$4,829,058 (October 31, 2010 - \$6,319,372).

As the equity market improving, with the fair value of the Company's investments, Management believes it has sufficient funding for operations in the near future, which results in the going concern assumption being an appropriate underlying concept for the preparation of these consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars. As described in note 15, accounting principles generally accepted in Canada differ in certain material respects from accounting principles generally accepted in the United States ("US GAAP").

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

(b) Cash and cash equivalents

Cash and cash equivalents includes cash and highly liquid investments, with 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. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Use of estimates

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

(d) Amortization

Amortization of equipment is recorded at the following annual rates:

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

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

(e) Investments

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

(f) Resource properties

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Resource properties (Continued)

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

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

(g) Foreign currency translation

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

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

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

(h) Stock-based compensation

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

(i) Basic and diluted loss per share

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

(j) Revenue recognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Asset retirement obligations (“ARO”)

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

(l) Income taxes

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

(m) Financial instruments

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

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

(n) Future accounting changes

i. International Financial Reporting Standards (“IFRS”)

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its January 31, 2012 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended October 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future accounting changes (Continued)

ii. Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

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

iii. Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, “Consolidated Financial Statements”, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

iv. Non-Controlling Interests

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

The preceding three new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. FIXED ASSETS

	April 30, 2011			October 31, 2010 (audited)		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$ 198,068	\$ 130,544	\$ 67,524	\$ 171,624	\$ 122,128	\$ 49,496
Office equipment	146,031	54,702	91,329	99,853	48,402	51,451
Metallurgy lab	278,153	-	278,153	-	-	-
Leasehold improvements	654,410	141,107	513,303	210,530	113,740	96,790
	\$ 1,276,662	\$ 326,353	\$ 950,309	\$ 482,007	\$ 284,270	\$ 197,737

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4. RESOURCE RELATED INVESTMENTS

April 30, 2011	Shares		Warrants		Total
	Number	Fair Value	Number	Fair Value	
International Tower Hill Mines Ltd.	4,427,323	\$ 40,510,005	-	\$ -	\$ 40,510,005
Trevali Mining Corporation	10,534,432	19,488,699	5,893,866	4,513,744	24,002,443
Wealth Minerals Ltd.	5,022,806	3,566,192	-	-	3,566,192
Dorato Resources Inc.	2,536,000	1,001,720	-	-	1,001,720
Indico Resources Ltd.	50,000	25,000	-	-	25,000
Balmoral Resources Ltd.	240,000	408,000	-	-	408,000
Corvus Gold Inc.	1,880,711	1,617,411	-	-	1,617,411
Abzu Gold Inc.	8,934,007	5,628,424	3,782,000	340,380	5,968,804
Ethos Capital Corp.	250,000	292,500	-	-	292,500
		\$ 72,537,951		\$ 4,854,124	\$ 77,392,075

October 31, 2010 (audited)	Shares		Warrants		Total
	Number	Fair Value	Number	Fair Value	
International Tower Hill Mines Ltd.	4,591,223	\$ 34,847,383	-	\$ -	\$ 34,847,383
Trevali Mining Corporation	7,032,432	9,986,053	2,855,866	1,243,942	11,229,995
Wealth Minerals Ltd.	5,022,806	3,164,368	-	-	3,164,368
Dorato Resources Inc.	2,416,000	3,020,000	-	-	3,020,000
Indico Resources Ltd.	50,000	31,000	-	-	31,000
Kria Resources Ltd.	15,000,000	3,150,000	15,000,000	2,400,000	5,550,000
Corvus Gold Inc.	880,711	871,904	-	-	871,904
Totem Minerals Inc.	3,782,000	1,891,000	-	-	1,891,000
Ethos Capital Corp.	100,000	80,000	-	-	80,000
		\$ 57,041,708		\$ 3,643,942	\$ 60,685,650

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

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

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

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

During the year ended October 31, 2010, the Company sold 99,000 shares of ITH for net proceeds of \$640,244 resulting in a gain on sale of \$460,094. Meanwhile, the Company acquired 1,207,423 shares of ITH at a cost of \$7,328,514.

During the period ended April 30, 2011, the Company sold 163,900 shares of ITH for net proceeds of \$1,644,552, resulting in a gain on sale of \$1,346,254.

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4. RESOURCE RELATED INVESTMENTS (Continued)

(a) International Tower Hill Mines Ltd. (Continued)

At April 30, 2011, the quoted market value of ITH common shares was \$9.15 (October 31, 2010 - \$7.59) per share, or a total market value for the Company's ITH shares of \$40,510,005 (October 31, 2010 - \$34,847,383). The Company held 4,427,323 common shares (October 31, 2010 - 4,591,223), or 5.13 % (October 31, 2010 - 6.79%) of the issued and outstanding common shares of ITH as of April 30, 2011. Fair value adjustments for the period ended April 30, 2011 amounted to unrealized gains of \$5,892,531 (October 31, 2010 - \$10,340,676) on the shares, net of tax, as other comprehensive income.

(b) Trevali Mining Corporation ("Trevali")

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

On May 29, 2009, the Company purchased 134,000 units of Trevali from a company related by virtue of common officers and directors at a price of \$0.75 per unit and allocated \$0.57 and \$0.18 to each common share and warrant, respectively. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of Trevali at a price of \$1.20 until December 29, 2010. The Company exercised 67,000 warrants on the expiry day.

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

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

On September 1, 2010, the Company purchased 2,857,144 units of Trevali at a price of \$1.05 per unit and allocated \$0.85 and \$0.20 to each common share and half-warrant, respectively. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of Trevali at a price of \$1.50 until September 1, 2012.

During the period ended April 30, 2011, the Company acquired 117,000 common shares of Trevali, of which 50,000 shares are from the open market at a cost of \$73,566 and 67,000 shares from exercising its warrants at a cost of \$80,400. Meanwhile, the Company sold 790,000 shares of Trevali for net proceeds of \$1,597,240 resulting in a gain on sale of \$1,162,740. During the period, Trevali acquired all of the issued and outstanding common shares of Kria Resources Ltd. (note 4(f)). 20,875,000 Kria common shares owned by the Company were converted on 5:1 basis to 4,175,000 Trevali common shares.

At April 30, 2011, the quoted market value of the Trevali common shares was \$1.85 per share (October 31, 2010 - \$1.42), or a total market value for the Company's shares of \$19,488,699 (October 31, 2010 - \$9,986,053). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain of \$6,020,357 (October 31, 2010 - \$3,927,133), net of tax, recorded as other comprehensive income. The Company held 10,534,432 common shares (October 31, 2010 - 7,032,432), or 12.15 % (October 31, 2010 - 12.44%) of the issued and outstanding common shares of Trevali as of April 30, 2011.

At April 30, 2011, the fair value of 625,000 Trevali warrants (purchased on May 11, 2009) was \$350,000 (October 31, 2010 - \$175,000). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain of \$175,000 (October 31, 2010 - \$(62,500)).

On December 29, 2010, the Company exercised 67,000 Trevali warrants at a cost of \$80,400. Fair value adjustments upon exercise amounted to an unrealized gain of \$38,860 (October 31, 2010 - \$(12,060)).

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4. RESOURCE RELATED INVESTMENTS (Continued)

(b) Trevali Mining Corporation (Continued)

At April 30, 2011, the fair value of 735,294 Trevali warrants (purchased on October 9, 2009) was \$632,353 (October 31, 2010 - \$397,059). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain of \$235,294 (October 31, 2010 - \$73,529).

At April 30, 2011, the fair value of 1,428,572 Trevali warrants (purchased on September 1, 2010) was \$942,858 (October 31, 2010 - \$657,143). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain of \$285,714 (October 31, 2010 - \$85,714).

After the merger of the Trevali and Kria, 9,125,000 Kria warrants the Company previously owned were converted to 1,825,000 Trevali warrants, which were fair valued at \$1,733,750 at April 30, 2011 and amounted to an unrealized gain of \$529,657. Before the merger, the Company received 6,400,000 Kria bonus warrants, which were converted to 1,280,000 Trevali warrants. These bonus warrants were fair valued at \$854,783 at April 30, 2011 and amounted to an unrealized gain of \$854,783.

(c) Wealth Minerals Ltd. (“Wealth”)

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

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

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

On August 25, 2010, the Company exercised 2,380,953 warrants of Wealth at \$0.60 per share, totalling \$1,428,572. A fair value loss of \$537,937 was recognized on exercise of the warrants.

At April 30, 2011, the quoted market value of Wealth common shares was \$0.71 per share (October 31, 2010 - \$0.63), or a total market value for the Company's shares of \$3,566,192 (October 31, 2010 - \$3,164,368). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain of \$341,551 (October 31, 2010 - \$310,586), net of tax, recorded as other comprehensive income. The Company held 5,022,806 shares (October 31, 2010 - \$5,022,806), or 10.04% (October 31, 2010 - 12.08%) of the issued and outstanding common shares of Wealth as of April 30, 2011.

(d) Dorato Resources Inc. (“Dorato”)

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

During the year ended October 31, 2010, the Company purchased 2,045,000 common shares of Dorato at a cost of \$1,702,725. Meanwhile, the Company sold 225,000 shares of Dorato for net proceeds of \$255,671 resulting in a gain on sale of \$89,621.

During the period ended April 30, 2011, the Company purchased 120,000 common shares of Dorato at a cost of \$68,855.

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4. RESOURCE RELATED INVESTMENTS (Continued)

(d) Dorato Resources Ltd. (the “Continued”)

At April 30, 2011, the Company held 2,536,000 common shares (October 31, 2010 - 2,416,000), or 3.34% (October 31, 2010 – 3.49%) of the issued and outstanding common shares of Dorato. The quoted market value of Dorato common shares was \$0.395 (October 31, 2010 - \$1.25), or a total market value for the Company’s shares of \$1,001,720 (October 31, 2010 - \$3,020,000). Fair value adjustment at the period ended April 30, 2011 amounted to an unrealized loss, net of tax, of \$1,774,064 (October 31, 2010 - \$1,015,023).

(e) Indico Resources Ltd. (“Indico”)

During the year ended October 31, 2010, the Company purchased 50,000 common shares of Indico, a related party (note 8), at a cost of \$29,954.

At April 30, 2011, the quoted market value of Indico common shares was \$0.50 (October 31, 2010 - \$0.62), or a total market value for the Company’s shares of \$25,000 (October 31, 2010 - \$31,000). Fair value adjustment at the period ended April 30, 2011 amounted to an unrealized loss, net of tax, of \$5,100 (October 31, 2010 – \$889).

The Company held 50,000 common shares (October 31, 2010 – 50,000), or 0.21% (October 31, 2010 - 0.39%) of issued and outstanding common shares of Indico as of January 31, 2011.

(f) Kria Resources Ltd. (“Kria”)

During the year ended October 31, 2010, the Company acquired 15,000,000 units of Kria at a cost of \$1,500,000 (allocation - \$900,000 and \$600,000 to common shares and warrants, respectively). Each unit consists of one common share and one warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.20 until July 29, 2012

During the period ended January 31, 2011, the Company exercised 5,875,000 Kria warrants at a cost of \$1,175,000.

At January 31, 2011, the quoted market value of Kria common shares was \$0.43 (October 31, 2010 - 0.21), or a total market value for the Company’s shares of \$8,871,875 (October 31, 2010 - \$3,150,000). Fair value adjustment at the period ended January 31, 2011 amounted to an unrealized gain, net of tax, of \$2,848,323 (October 31, 2010 - \$1,912,500). The Company owned 19.91% (October 31, 2010 - 15.23%) of issued and outstanding common shares of Kria. At January 31, 2011, the fair value of 9,125,000 (October 31, 2010 – 15,000,000) Kria warrants was \$2,477,742 (October 31, 2010 - \$2,400,000). Fair value adjustments for the period ended January 31, 2011 amounted to an unrealized gain of \$1,273,649 (October 31, 2010 - \$1,800,000).

On January 17, 2011, Trevali and Kria announced the signing of a definitive agreement whereby Trevali agreed to acquire all of the issued and outstanding common shares of Kria (the “Kria Shares”) on the basis of 0.2 of a common share of Trevali (the “Trevali Share”) for each one (1) Kria Share (the “Exchange Ratio”). Pursuant to completion of the agreement, the Company acquired all of the issued and outstanding common shares of Kria for 20,992,250 common shares of the Company. The acquisition was on the basis of 0.2 of a common share of the Company for each common share of Kria (the “Exchange Ratio”). Kria’s outstanding stock options, warrants and bonus warrants were adjusted to be exercisable for the Company shares on the basis of the Exchange Ratio and granted:

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4. RESOURCE RELATED INVESTMENTS (Continued)

(f) Kria Resources Ltd. (“Kria”) (Continued)

- i) 5,593,097 share purchase warrants exercisable at \$1.05 for one common share with an average expected life of 1.73 years from the acquisition date of April 7, 2011; and
- ii) 1,329,000 share purchase options at an average exercise price of \$1.45 for one common share with an average expected life of 2.21 years from the acquisition date of April 7, 2011.

On completion of the transaction on April 7, 2011, Kria became a wholly-owned subsidiary of Trevali and the combined company continues under the name “TREVALI MINING CORPORATION”. Included in prepaid and other expenses is \$161,300 that the Company has spent related to this transaction.

(g) Corvus Gold Inc. (“Corvus”)

During the year ended October 31, 2010, ITH transferred its non-Livengood Alaska and Nevada assets to Corvus through a plan of arrangement under the *Business Corporations Act* (B.C.) (“Arrangement”). Under the arrangement, each shareholder of ITH received one Corvus common share for every two ITH common shares held as at the effective date of the Arrangement. The Company received 2,295,611 common shares of Corvus upon the completion of the Arrangement. The shares were initially recorded at \$0.75 per share with a corresponding reduction in the carrying value of the ITH shares.

During the year ended October 31, 2010, the Company sold 1,414,900 common shares of Corvus for net proceeds of \$1,281,474 resulting in a gain on sale of \$220,298. At October 31, 2010, the Company held 880,711 common shares, or approximately 2.62% of the issued and outstanding common shares of Corvus.

During the six months ended April 30, 2011, the Company acquired 1,000,000 common shares of Corvus from the open market at a cost of \$880,000.

At April 30, 2011, the quoted market value of Corvus common shares was \$0.86 per share (October 31, 2010 - \$0.99), or a total market value for the Company’s Corvus shares of \$1,617,411 (October 31, 2010 - \$871,904). Fair value adjustments for the period ended April 30, 2011 amounted to unrealized loss of \$114,319 (October 31, 2010 – unrealized gain of \$179,665) on the shares, net of tax, as other comprehensive loss.

(h) Totem Minerals Inc. (“Totem”)

On September 10, 2010, the Company participated in a private placement in Totem and subscribed for 3,782,000 Subscription Receipts of Totem at an aggregate cost of \$1,891,000. The Subscription Receipts were not exercised until the acquisition by Totem of all of the issued shares of Abzu Resources Ltd on December 21, 2010. Upon completion of the Abzu acquisition, Totem changed its name to “Abzu Gold Inc.” (note 4(i), the Company received 3,782,000 common shares and warrants to purchase an additional 3,782,000 common shares. This investment was valued at cost at October 31, 2010.

(i) Abzu Gold Inc. (“Abzu Gold”)

During the period ended January 31, 2011, the Company acquired an aggregate of 8,934,007 common shares of Abzu Gold Ltd. (“Abzu Gold”), of which included 3,782,000 shares of Abzu Gold were issued upon exercise of 3,782,000 previously purchased Totem subscription receipts (note 4(h)), 352,006 shares from debt settlement at a cost of \$105,602, 300,000 shares from open market at a cost of \$ 317,495 and the balance were received upon the purchase by Abzu Gold of the Company’s 9,000,002 shares of Abzu. On December 21, 2010, Totem acquired Abzu and changed its name to “Abzu Gold Inc.” with Abzu being maintained as a subsidiary. Accordingly, Abzu Gold now owns all of the issued shares of Abzu.

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4. RESOURCE RELATED INVESTMENTS (Continued)

(e) Abzu Gold Inc. (“Abzu Gold”) (Continued)

At April 30, 2011, the quoted market value of Abzu Gold common shares was \$0.63 per share, or a total market value for the Company’s shares of \$5,628,424. Fair value adjustment at the period ended April 30, 2011, amounted to an unrealized gain, net of tax, of \$2,475,567.

On December 21, 2010, the Company received 3,782,000 Abzu warrants from previously purchased Totem subscription. At April 30, 2011, the fair value of Abzu warrants was \$340,380. Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized loss of \$378,200.

(j) Ethos Capital Corp. (“Ethos”)

During the year ended October 31, 2009, the Company received 100,000 common shares of Ethos valued at \$17,000 pursuant to a property option agreement (note 6(a)(iv)).

During the period ended April 30, 2011, the Company received another 150,000 common shares of Ehtos valued at \$147,000 pursuant to the same property option agreement above mentioned. This investment is classified as held-for-trading.

At April 30, 2011, the quoted market value of Ethos common shares was \$292,500 (October 31, 2010 - \$80,000). Fair value adjustments for the period ended April 30, 2011 amounted to an unrealized gain, of \$65,500 (October 31, 2010 - \$52,000).

5. EQUITY INVESTMENTS

	April 30, 2011	October 31, 2010 (audited)
Abzu Resources Ltd.	\$ -	\$ 1,131,253
Coalhunter Mining Corporation (ownership interest – 45.50%)	7,659,619	4,105,287
	\$ 7,659,619	\$ 5,236,540

(a) Abzu Resources Ltd. (“Abzu”)

During the year ended October 31, 2010, the Company acquired 9,000,002 shares of Abzu at a gross cost of \$1,350,000. The Company’s proportionate share of the net book value of Abzu’s assets at the acquisition date totaled \$1,220,272. The difference between investment cost and the Company’s share of net assets is attributed to resource properties. The Company accounts for its investment in Abzu using the equity method and recorded the investment at a gross cost of \$1,350,000. For the year ended October 31, 2010, the Company’s share of Abzu’s results of operations amounted to a loss of \$218,748 based upon Abzu’s financial statements as of October 31, 2010. As at October 31, 2010, the Company held approximately 31.36% of the outstanding common shares of Abzu.

On December 21, 2010, Totem acquired Abzu and changed its name to “Abzu Gold Inc.”. Between November 1, 2010 and December 20, 2010, the Company’s share of Abzu’s results of operations amounted to a loss of \$10,775 based upon Abzu’s financial statements as of December 31, 2010.

Upon acquisition, the Company held 16.32% of Abzu Gold and changed this investment classification to “available-for-sale” from the equity method (note 4(i)).

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5. EQUITY INVESTMENTS (Continued)

(b) Coalhunter Mining Corporation (“Coalhunter”)

During the year ended October 31, 2010, the Company acquired 14,200,000 shares of Coalhunter at a gross cost of \$4,370,000. The Company’s proportionate share of the net book value of Coalhunter’s assets (liabilities) at the acquisition dates totaled \$(60,669). The difference between investment cost and the Company’s share of net assets is attributed to resource properties resource properties. The Company accounts for its investment in Coalhunter using the equity method and recorded the investment at a gross cost of \$4,370,000. For the year ended October 31, 2010, the Company’s share of Coalhunter’s results of operations amounted to a loss of \$264,713 based upon Coalhunter’s financial statements as of October 31, 2010. As at October 31, 2010, the Company held approximately 42% of the outstanding common shares of Coalhunter.

During the period ended April 30, 2011, the Company participated in a private placement in Coalhunter and acquired 5,600,000 special warrants of Coalhunter (“Special Warrants”) at a cost of \$2,800,000 on December 16, 2010. Each Special Warrant is exercisable to acquire one common share of Coalhunter, and will be automatically exercised upon the third business day after the issuance of a receipt for a prospectus of Coalhunter qualifying the issuance of the common shares upon the exercise of the Special Warrants. If such receipt has not been issued by June 27, 2011, each Special Warrant will thereafter be exercisable to acquire 1.1 common shares, and if such receipt has not been issued by September 27, 2011, each Special Warrant will thereafter be exercisable to acquire 1.11 common shares.

Pursuant to its “top-up” right, on December 21, 2010, the Company acquired by private placement an additional 3,608,143 common shares of Coalhunter at a cost of \$0.30 per share, for an additional investment of \$1,082,443.

For the six months ended April 30, 2011, the Company’s share of Coalhunter’s results of operations amounted to a loss of \$328,112 based upon Coalhunter’s financial statements as of April 30, 2011. As of April 30, 2011, the Company held approximately 45.5% (October 31, 2010 - 42%) of the outstanding common shares of Coalhunter.

Subsequent to April 30, 2011, the Company’s shareholders voted 97.5% in favour of acquiring Coalhunter through participation in a plan of arrangement involving Coalhunter, the shareholders of Coalhunter and the Company. The plan of arrangement was approved by the shareholders of Coalhunter on May 19, 2011 and by the Supreme Court of British Columbia on May 20, 2011. The participation by the Company was approved by the shareholders of the Company on May 25, 2011.

As set out in the Arrangement Agreement, on the effective date, June 1, 2011, each Coalhunter shareholder holding shares as at the effective date of the Plan of Arrangement (other than the Company) received 0.8 of a common share of the Company for each common share of Coalhunter held. The Company issued 23,397,002 common shares on the effective date, with a further 6,285,543 common shares issued for the exercise of options held by former Coalhunter optionees, the exercise of Coalhunter warrants and pursuant to Coalhunter property acquisition agreements.

(c) IMM Gold Ltd. (“IMMG”)

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

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5. EQUITY INVESTMENTS (Continued)

(a) IMM Gold Ltd. (“IMMG”) (Continued)

The Company acquired a 15% interest in IMMG by issuing to IMM 500,000 common shares upon acceptance for filing of the transaction by the Toronto Stock Exchange (“TSX”) and the NYSE Alternext (formerly the American Stock Exchange) (“NYSE-A”) The shares were issued on November 24, 2008 valued at \$795,000, and the Company received 123,530 ordinary shares of IMMG, representing a 15% interest. The Company may also be required to issue up to an additional 250,000 common shares as consideration for the initial 15% interest in IMMG if, on November 24, 2009, the volume weighted average trading price for the Company’s common shares on the TSX for the five trading days immediately prior to such date (“Final VWAP”) is less than \$1.83. In such case, the Company is then required to issue to IMM such number of additional common shares of the Company (up to a maximum of 250,000 additional shares) as is equal to the difference between the \$1.83 and the Final VWAP, multiplied by 500,000 and divided by the Final VWAP.

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

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

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

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6. RESOURCE PROPERTIES

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

	Mexico			Argentina	Peru	U.S.A.	Africa	Total
	Baja	Other	Total		Iron Sands/ Marcona	Longnose/ TiTac	Ghana Sheinie Iron Ore	
Balance, October 31, 2009	\$ 7,336,527	\$ 231,978	\$ 7,568,505	\$ 894,114	\$ 8,727,626	\$ 309,347	\$ -	\$ 17,499,592
Acquisition costs	302,911	10,966	313,877	4,887	649,772	70,714	-	1,039,250
Deferred exploration costs:								
Camp	111,473	12,075	123,548	298,536	658,584	318,650	-	1,399,318
Drilling and analysis	654,228	-	654,228	784,761	27,097	1,614,088	-	3,080,174
Personnel and geology	92,944	6,108	99,052	489,337	191,016	336,178	220,916	1,336,499
Total exploration costs	858,645	18,183	876,828	1,572,634	876,697	2,268,916	220,916	5,815,991
Total expenditures for the year	1,161,556	29,149	1,190,705	1,577,521	1,526,469	2,339,630	220,916	6,855,241
Total before write-offs	8,498,083	261,127	8,759,210	2,471,635	10,254,095	2,648,977	220,916	24,354,833
Write-offs – Acquisition costs	(3,567,578)	-	(3,567,578)	-	-	-	-	(3,567,578)
Write-offs – Exploration costs	(4,930,505)	-	(4,930,505)	-	-	-	-	(4,930,505)
Total write-offs	(8,498,083)	-	(8,498,083)	-	-	-	-	(8,498,083)
Balance, October 31, 2010	-	261,127	261,127	2,471,635	10,254,095	2,648,977	220,916	15,856,750
Acquisition costs	-	1,087	1,087	2,910	784,409	-	-	788,406
Deferred exploration costs:								
Camp	-	-	-	54,627	405,000	183,228	1,332,527	1,975,382
Drilling and analysis	-	-	-	97,139	65,474	530,526	65,651	758,790
Personnel and geology	-	-	-	62,391	22,510	146,365	145,034	376,300
Total exploration costs	-	-	-	214,157	492,984	860,119	1,543,212	3,110,472
Total expenditures for the period	-	1,087	1,087	217,067	1,277,393	860,119	1,543,212	3,898,878
Costs recovered – Exploration	-	(222,000)	(222,000)	-	-	(75,383)	-	(297,383)
Total	-	(220,913)	(220,913)	217,067	1,277,393	784,736	1,543,212	3,601,495
Balance, April 30, 2011	\$ -	\$ 40,214	\$ 40,214	\$ 2,688,702	\$ 11,531,488	\$ 3,433,713	\$ 1,764,128	\$ 19,458,245
Represented by:								
Acquisition costs	\$ -	\$ 64,546	\$ 64,546	\$ 189,322	\$ 3,471,189	\$ 243,036	\$ -	\$ 3,968,093
Exploration costs	-	(24,332)	(24,332)	2,499,380	8,060,299	3,190,677	1,764,128	15,490,152
Balance, April 30, 2011	\$ -	\$ 40,214	\$ 40,214	\$ 2,688,702	\$ 11,531,488	\$ 3,433,713	\$ 1,764,128	\$ 19,458,245

6. RESOURCE PROPERTIES (Continued)

(a) Mexico

The properties in Mexico consist of the following:

i. Baja IOCG Project, Baja California State, Mexico

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

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

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

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

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

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

Effective May 30, 2006, Anglo elected to terminate the Anglo Agreement and thereby forfeited any interest in, or rights to earn any interest in, the mineral concessions that were the subject of that agreement. Accordingly, the Company is now the owner of a 100% interest in the concessions comprising the Baja IOCG Project.

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

During the year ended October 31, 2010, the Company wrote-off its remaining investment in the property in the amount of \$8,498,084.

ii. Corrales Property, Chihuahua State, Mexico

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

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

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

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

6. RESOURCE PROPERTIES (Continued)

(a) Mexico (Continued)

iii. Santa Teresa Property, Coahuila State

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

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

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

The Company signed a letter of intent (“LOI”) dated June 12, 2008, as amended October 9, 2008 and May 29, 2009, with Ethos Capital Corp., a company listed on the TSX Venture Exchange (“TSXV”), pursuant to which Ethos has been granted an option to earn an interest in the Company’s Corrales and Santa Teresa silver-lead-zinc projects in Mexico (notes 6(a)(ii) and (iii)).

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

- (a) paying to the Company the sum of \$500,000 (subsequently amended to \$300,000), as follows :
 - (i) \$100,000 by July 17, 2009 (the “Acceptance Date”), which is five days after the LOI is accepted for filing by the TSXV (received August 18, 2009);
 - (ii) an additional \$150,000 (subsequently amended to \$75,000) by the day, which is one year after the Acceptance Date (received on December 10, 2010);
 - (iii) an additional \$250,000 (subsequently amended to \$125,000) by the day, which is two years after the Acceptance Date;
- (b) delivering to the Company 1,434,000 (subsequently amended to 1,100,300) Ethos common shares, as follows:
 - (i) 100,000 shares with a fair value of \$17,000 on the Acceptance Date (received);
 - (ii) 266,800 (subsequently amended to 150,000) shares by the day, which is one year after the Acceptance Date (received on December 10, 2010);
 - (iii) an additional 466,900 (subsequently amended to 250,000) shares by the day, which is two years after the Acceptance Date; and
 - (iv) an additional 600,300 shares by the day, which is three years after the Acceptance Date; and
- (c) maintaining the properties (including making all required payments pursuant to the underlying option agreements) in good standing during the option period.

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

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

6. RESOURCE PROPERTIES (Continued)

(b) Argentina

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

- Cavok Property, Jujuy Province, Argentina

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

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

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

ii. Huachi Property, Argentina

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

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

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

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

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

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

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

ii. Huachi Property, Argentina (Continued)

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

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

iii. Other Argentinean Properties

(a) Organullo Property, Salta Province, Argentina

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

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

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

- USD 50,000 on or before April 25, 2005 (paid);
- USD 50,000 on or before April 25, 2006 (renegotiated, with \$10,000 paid on April 25, 2006 and the balance of USD 40,000 paid in October 2006);
- USD 150,000 on or before April 25, 2007 (paid); and
- USD 150,000 on or before April 25, 2008 (paid).

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

Pursuant to a binding LOI dated March 12, 2007, the Company has granted to a public company the option to acquire up to a 70% interest in the property. Pursuant to the LOI, the optionee had a period of 60 days to carry out due diligence. The Company received a payment of USD 40,000 on signing of the LOI, which was refundable to the optionee if it declined to proceed. The optionee elected to proceed. The optionee may earn an initial 60% interest in the property by incurring an aggregate of USD 3,500,000 in expenditures over four years (including making all payments required pursuant to the underlying agreement). Upon the optionee having earned an initial 60% interest, the Company may elect to either participate at its 40% interest level, or request the optionee to fund the preparation of a bankable feasibility study within four years of such request and thereby earn an additional 10% interest in the joint venture. Upon such request being made by the Company, the optionee may elect to fund the bankable feasibility study. If it does so, it will earn the additional 10% interest upon completion of the bankable feasibility

6. RESOURCE PROPERTIES (Continued)

(b) Argentina (Continued)

ii. Other Argentinean Properties (Continued)

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

study. Following the formation of the joint venture and the completion of its earn-in requirements by the optionee, each participant is responsible for funding its share of joint venture expenditures. If it does not do so, its interest will be diluted. Upon the interest of a participant being diluted to less than 10%, such interest will be converted to a 2% NSR.

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

(c) Pirquitas Property, Jujuy Province, Argentina

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

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

(c) Peru

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

Pursuant to option agreements dated October 1, 2003 and October 23, 2003 between the Company and a private Peruvian company, the Company acquired mineral concessions covering approximately 30,000 hectares in Lucanas, Nazca and Caraveli Provinces, Peru. Approximately 10,500 hectares of these concessions are subject to an underlying agreement with Rio Tinto Mining and Exploration Limited (“Rio Tinto”). The private company holds the exclusive right and option to acquire a 100% interest from Rio Tinto, subject to a 0.5% NSR to Rio Tinto, by incurring USD 450,000 in exploration expenditures over three years ending August 22, 2006 and by paying Rio Tinto USD 500,000 (of which USD 50,000 has been paid) on or before January 27, 2008. The Company can earn a 100% interest in all 30,000 hectares by assuming and performing all commitments to Rio Tinto pursuant to the underlying agreement, paying the vendor an aggregate of USD 120,000 (paid) and issuing an aggregate of 650,000 common shares to the vendor, as follows:

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

The Company determined not to exercise the option from Rio Tinto, and terminated the underlying agreement with Rio Tinto. In addition, the Company abandoned all but five of the concessions (3,200 hectares) held by Minera Koripampa del Peru S.A. (“Koripampa”), (which retained concessions form part of the Company’s Iron Sands project (see note 6(c)(iii)).

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

ii. Pampa de Pongo Property, Caraveli Province, Peru

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

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

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

Payments aggregating USD 130,900 as follows:

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

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

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

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

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

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

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

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

and providing ongoing advice in the negotiations. On December 17, 2008, the Company received notification from Rio Tinto that it was declining to exercise its right of first refusal with respect to the October 24, 2008 transaction between the Company and Nanjinzhao.

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

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

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

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

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

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

During the year ended October 31, 2010, payments received of \$93,607,400 (USD 88 million) have been recognized in other income, net of related property costs of \$645,276 and transaction costs of \$5,234,967, for a gain of \$87,727,157 before applicable income taxes.

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

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

6. RESOURCE PROPERTIES (Continued)

(c) Peru (Continued)

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

The Company has assumed, from a private Peruvian company, all rights and obligations under an agreement dated December 16, 2005 between a private Peruvian company and Minera Ataspacac S.A. (“Minera Ataspacac”), an arm’s length private Peruvian company, whereby the private Peruvian company has the option to acquire, from Minera Ataspacac, an initial 70% interest in five mineral sand concessions (3,600 hectares total) surrounded by certain of the Company’s mineral tenures noted above. In order to exercise the option, the Company is required to pay a total of USD 6,830,000 over five years to December 15, 2010 (with an initial payment of USD 20,000 on or before December 16, 2005 (paid)) and incur exploration expenditures of not less than USD 250,000 over the same period, as follows and as amended (see below):

- USD 80,000 on or before December 16, 2006 (paid);
- USD 100,000 on or before December 16, 2007 (paid);
- USD 150,000 on or before December 16, 2008 (paid);
- USD 500,000 on or before December 16, 2009 (paid); and
- USD 6,000,000 on or before December 16, 2011;

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

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

The Company entered into an agreement dated October 20, 2005 with the Peruvian subsidiary of a public B.C. company (the “Optionee”), whereby the Company has granted the Optionee the right to earn a 70% interest in the “hard rock” mineral rights (thereby excluding the unconsolidated and semi-consolidated mineral sands on such claims) accruing to certain of the mineral claims comprising the Iron Sands Project (plus additional claims acquired from Koripampa (note 6(c)(i))).

In order to exercise the option, the Optionee is required to incur an aggregate of USD 3,000,000 in expenditures over four years to November 18, 2009 and perform all of the obligations of the Company under the underlying agreements with respect to the Carbonera and Daniella properties (note 6(c)(i)), including making all payments and incurring all exploration expenditures required thereunder. Upon the Optionee having earned its 70% interest, the Optionee and the Company will incorporate a new Peruvian company to hold such rights, in which the Optionee and the Company will hold a 70% and a 30% interest therein, respectively. Each party will thereafter be required to contribute its *pro rata* share of future expenditures, and a party failing to contribute will have its interest in the joint venture company diluted. At such point as a party’s interest in the joint venture company is reduced to 10%, such interest will be acquired by the joint venture company in exchange for the grant to the diluted party of a 1% NSR. The Optionee terminated the agreement and returned its interest in the applicable concessions on April 16, 2007.

6. RESOURCE PROPERTIES (Continued)

(d) Peru (Continued)

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

In November 2009, the Company entered into agreements with Minera Ataspacas and others regarding its option on certain of the concessions comprised in its Iron Sands Project, Peru. Pursuant to two agreements dated November 13, 2009, the original option agreement of December 16, 2005 with Minera Ataspacas was amended to provide that the Company may now acquire a 100% interest in the shares of a new Peruvian company (into which Minera Ataspacas will transfer a 100% interest in the five concessions subject to the option in favour of the Company) by paying to the shareholders of such new company the sum of USD 500,000 upon execution (paid) and USD 6,150,000 on or before December 16, 2010. The option exercise date was amended in December, 2010, such that the option is now exercisable on or before December 16, 2011 for an option payment of USD 6,000,000. In consideration of the extension, the Company paid USD 800,000, of which USD 150,000 was applied to reduce the final option payment and USD 650,000 was for the extension of the option exercise deadline.

iv. Amable Maria Property, Peru

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

(d) United States of America

i. TiTac Property, Minnesota

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

The option agreement requires an initial payment of USD 5,000 on execution (paid) plus an extension payment of USD 25,000 due on the first anniversary of the agreement in order to extend the option for an additional year (option exercised). There are no work commitments under the option, but the Company is required to comply with all laws and to maintain specified insurance in place during the option term. The Company exercised the option to enter into the mineral lease on July 1, 2009.

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

6. RESOURCE PROPERTIES (Continued)

(d) United States of America (Continued)

i. TiTac Property, Minnesota (Continued)

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

The Company considers this an active property, and plans a work program during the fiscal year ending October 31, 2011.

ii. Longnose Property, Minnesota

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

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

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

During the year ended October 31, 2010, the Company issued 75,000 common shares valued at \$111,500 as a finder's fee in connection with the acquisition of its interests in the TiTac and Longnose properties in Minnesota.

(e) Africa - Ghana

Pursuant to an agreement dated November 22, 2010 between a Ghanaian subsidiary of the Company ("Cardero Ghana") and a private Ghanaian company, the parties entered into an arrangement under which Cardero Ghana will provide the financial resources and exploration expertise for the purpose of permitting the private Ghanaian company to apply to the Minerals Commission of Ghana for a prospecting license in respect of the certain lands in north-eastern Ghana referred to as the Sheini Iron Ore deposit. If the private Ghanaian company is successful in being awarded the prospecting license then, subject to the consent of the Government of Ghana, Cardero Ghana and the private Ghanaian company will enter into a joint venture to explore and, if warranted, develop and mine such deposit.

6. RESOURCE PROPERTIES (Continued)

(e) Africa – Ghana (Continued)

Upon the formation of such joint venture, the participants will be deemed to have the following respective interests:

Cardero Ghana – 100% participating interest
Private Ghanaian Company – 10% net profit interest

Upon the issuance of a mining lease subsequent to the expiry of the term of the prospecting license for the deposit, the Republic of Ghana will hold a ten percent free carried equity interest in the property subject to the mining lease.

Based on the size of the area for which a prospecting license has been applied for, it is anticipated that Cardero Ghana will make the following option payments to the private Ghanaian company in order to acquire its interest in the joint venture:

- \$50,000 on or before September 16, 2010 (paid);
- \$500,000 upon the execution of the agreement (paid);
- \$1,000,000 on or before November 22, 2011;
- \$1,000,000 on or before November 22, 2012;
- \$1,000,000 on or before November 22, 2013;
- \$1,000,000 on or before November 22, 2014; and
- \$1,000,000 on or before November 22, 2015.

Should the area for which the prospecting license is ultimately issued be materially larger than that applied for, the options payments will be increased by a negotiated amount. Following the issuance of the prospecting license and the formation of the joint venture (which requires the consent of the Government of Ghana), Cardero Ghana is responsible for providing 100% of the funding required for the exploration and, if warranted, development and mining of the property subject to the prospecting license and any subsequent mining license.

(f) Title and environmental

Although the Company has taken steps to verify the title to mineral properties in which it has or had a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples. Environmental 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.

(g) Asset retirement obligations

The Company is not aware of any AROs as of April 30, 2011 and October 31, 2010.

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7. CAPITAL STOCK

(a) Authorized

An unlimited number of common shares without par value.

During the year ended October 31, 2010, the Company launched a normal course issuer bid to purchase up to 4,500,000 of its common shares through the facilities of the TSX. During the year ended October 31, 2010, the Company purchased 312,300 common shares for cancellation. At April 30, 2011, these common shares are still pending to return to treasury.

(b) Share purchase warrants

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

	April 30, 2011		October 31, 2010 (audited)	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	-	\$ -	4,303,100	\$1.47
Exercised	-	\$ -	(67,125)	\$1.35
Expired	-	\$ -	(4,235,975)	\$1.48
Warrants outstanding, end of period	-	\$ -	-	\$ -

At April 30, 2011 and October 31, 2010 there were no outstanding warrants.

(c) 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 for grant.

A summary of the status of the stock option plan as of April 30, 2011 and October 31, 2010 and changes during the periods ended on those dates is presented below:

	April 30, 2011		October 31, 2010 (audited)	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,410,000	\$ 1.23	5,500,000	\$ 1.77
Expired and cancelled	-	\$ -	(3,700,000)	\$ (2.01)
Exercised	(840,000)	\$ 1.22	-	\$ -
Granted	1,000,000	\$ 1.83	3,510,000	\$ 1.21
Options outstanding, end of period	5,570,000	\$ 1.34	5,310,000	\$ 1.23

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7. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

The weighted average remaining contractual life of options outstanding at April 30, 2011 was 1.1 year (October 31, 2010 – 1.3 year).

Stock options outstanding are as follows:

Expiry Date	April 30, 2011			October 31, 2010 (audited)		
	Exercise Price	Number of Options	Exercisable at Period-End	Exercise Price	Number of Options	Exercisable at Year-End
December 9, 2010	\$ 1.16	-	-	\$ 1.16	575,000	575,000
April 9, 2011	\$ 1.39	-	-	\$ 1.39	225,000	225,000
September 11, 2011	\$ 1.30	1,000,000	1,000,000	\$ 1.30	1,000,000	1,000,000
December 1, 2011	\$ 1.31	360,000	360,000	\$ 1.31	360,000	360,000
February 2, 2012	\$ 1.41	500,000	500,000	\$ 1.41	500,000	500,000
July 27, 2012	\$ 1.16	1,485,000	1,485,000	\$ 1.16	1,525,000	1,525,000
August 11, 2012	\$ 1.16	1,125,000	1,125,000	\$ 1.16	1,125,000	1,125,000
September 8, 2010	\$1.28	100,000	100,000	-	-	-
January 28, 2013	\$ 1.83	1,000,000	1,000,000	-	-	-
		5,570,000	5,570,000		5,310,000	5,310,000

At April 30, 2011, the aggregate intrinsic value of outstanding and exercisable stock options is \$2,273,600 (October 31, 2010 - \$258,000).

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

	Period ended April 30, 2011	Year ended October 31, 2010 (audited)	Year ended October 31, 2009 (audited)
Expected life (years)	2.0	2.0	2.0
Interest rate	1.84%	1.43%	1.32%
Volatility (average)	59.03%	72.33%	102.04%
Dividend yield	0.00%	0.00%	0.00%

Stock-based compensation charges for the six months ended April 30, 2011 totalled \$605,383 (April 30, 2010 - \$610,862), of which \$348,095 (April 30, 2010 - \$346,914) was allocated to salary expenses, \$15,135 (April 30, 2010 - \$54,558) was allocated to consulting expense, and \$242,153 (April 30, 2010 - \$209,390) was allocated to investor relations expense. The weighted average fair value of options granted during the period was \$0.61 (October 31, 2010 - \$0.48).

(a) Due to related parties

During the periods ended April 30, 2011 and 2010, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	April 30, 2011	April 30, 2010
Consulting fees	\$ 45,000	\$ 45,000
Professional fees	\$ 41,250	\$ 44,363

8. RELATED PARTY TRANSACTIONS

(a) Due to related parties (Continued)

At April 30, 2011, there was \$7,700 (October 31, 2010 - \$7,700) included in accounts payable and accrued liabilities. Professional fees include amounts paid to a law firm of which a director is a shareholder.

(b) Due from related parties

Amounts due from related parties are comprised as follows:

	April 30, 2011	October 31, 2010 (audited)
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date, if applicable:		
Trevali	\$ 186,666	\$ 78,227
Wealth	315,906	305,871
Dorato	109,470	143,193
Indico	50,398	468,819
Abzu	48,034	208,345
IMM	18,805	18,820
ITH	35,047	11,185
Balmoral	36,073	4,207
Corvus	17,385	-
Directors, employees and other	51,014	122,883
	\$ 868,798	\$ 1,361,550

The Company recovered \$597,458 during the period ended April 30, 2011 (April 30, 2010 - \$393,286) in rent and administration costs from Wealth, ITH, Dorato, Indico, Trevali, Balmoral, Abzu, Corvus and Lawrence W. Talbot Law Corporation (“LWTLC”), companies with common officers or directors.

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

(c) Loan receivable

The Company entered into a loan agreement with Kria whereby the Company advanced Kria USD 8,000,000 (the “Loan”) to fund the USD 8,000,000 property payment due by Kria to Xstrata Canada Corporation (“Xstrata”) on or before January 16, 2011 under the terms of the revised Halfmile and Stratmat property purchase agreement dated July 15, 2009, between Kria and Xstrata. The Loan bears interest at 10% per annum, calculated monthly, not in advance and shall be repayable on or before January 14, 2012. As security for the Loan, Kria has granted in favour of the Company a first charge, mortgage and security interest over all its assets and undertakings. In connection with the Loan, Kria has agreed to issue to the Company 6,400,000 common share purchase warrants of Kria (the “Bonus Warrants”). Each Bonus Warrant will entitle the holder to acquire a common share of Kria at an exercise price of \$0.25 until January 14, 2012. On April 7, 2011, Trevali acquired Kria. 6,400,000 Kria bonus warrants were exchanged to 1,280,000 Trevali warrants on 5:1 exchange ratio. The interest rate of the Loan was retroactively reduced to 8% to be calculated monthly, and not in advance (note 4(f)).

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8. RELATED PARTY TRANSACTIONS (Continued)

(d) Related parties

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

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

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

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

9. GEOGRAPHIC SEGMENTED DATA

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

	April 30, 2011				
	Canada/US/ Ghana	Peru	Argentina	Mexico	Total
Resource properties	\$ 5,197,841	\$ 11,531,488	\$ 2,688,702	\$ 40,214	\$ 19,458,245
Cash	6,662,479	26,583	36,625	3,050	6,728,737
Investments	85,051,694	-	-	-	85,051,694
Other	10,786,177	295,726	(130,146)	(12,051)	10,939,706
	\$ 105,934,063	\$ 11,853,797	\$ 2,595,181	\$ 31,213	\$ 122,178,382

	October 31, 2010 (audited)				
	Canada/US/ Ghana	Peru	Argentina	Mexico	Total
Resource properties	\$ 2,869,893	\$ 10,254,095	\$ 2,471,635	\$ 261,127	\$ 15,856,750
Cash	6,192,603	46,042,361	16,496	12,543	52,264,003
Investments	65,922,190	-	-	-	65,922,190
Other	1,027,574	930,802	47,991	155,844	2,162,211
	\$ 76,012,260	\$ 57,227,258	\$ 2,536,122	\$ 429,514	\$ 136,205,154

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10. INCOME TAXES

	Six months ended April 30, 2011	Six months ended April 30, 2010
Income tax expense (benefits)	\$ (385,818)	\$ 22,062,073
Permanent difference	21,133	(180,556)
Stock- based compensation	162,444	175,623
Non-taxable portion of capital gains	(336,624)	(42,925)
Write-down of properties	-	2,351,964
Other temporary differences	(418,419)	1,126,120
Withholding taxes paid	-	-
Effect of tax rates in other jurisdictions	(42,570)	(27,290)
Effect of rate reduction	(49,966)	(197,166)
Unrecognized (utilized) tax losses	3,996,052	(407,225)
	\$ 2,946,232	\$ 24,860,618

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

	April 30, 2011	October 31, 2010 (audited)
Future income tax assets		
Non-capital loss carry-forwards	\$ 11,252,378	\$ 9,584,878
Difference between undepreciated capital cost over net book value of property and equipment	67,148	56,628
Cumulative eligible capital deduction	13,678	13,678
Share issue costs	110,620	154,416
Other	338,098	297,085
Total future income tax assets	11,781,922	10,106,685
Valuation allowance	(665,468)	(586,039)
Net future income tax assets	\$ 11,116,454	\$ 9,520,646
Future income tax liabilities		
Book value of investments in excess of tax values	\$ (6,209,564)	\$ (4,649,040)
Book value of resource properties in excess of tax values	(4,906,890)	(4,871,606)
Total future income tax liabilities	(11,116,454)	(9,520,646)
Net income tax assets (liabilities)	\$ -	\$ -

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

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

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10. INCOME TAXES (Continued)

Available to	Canada	Foreign	Total
2011	\$ -	\$ 599,748	\$ 599,748
2012	-	1,465,295	1,465,295
2013	-	894,185	894,185
2014	-	693,716	693,716
2015	-	511,021	511,021
2016	-	1,642,135	1,642,135
2017	-	356,852	356,852
2018	-	918,397	918,397
2019	-	477,096	477,096
2020	-	1,214,216	1,214,216
2021	-	243,416	243,416
2026	2,245,494	-	2,245,494
2027	3,086,818	69,804	3,156,622
2028	3,824,078	354,362	4,178,440
2029	2,043,413	230,673	2,274,086
2030	5,854,808	559,083	6,413,891
2031	42,743	256,755	299,498
Deferred expiry	-	8,656,020	8,656,020
	\$ 17,097,354	\$ 19,142,774	\$ 36,240,128

11. COMMITMENTS

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

The Company entered into a lease dated November 18, 2010 for office space located on the 23rd floor of 1177 West Hastings Street for a term commencing on April 1, 2011 for a period of ten years to March 31, 2021 (subject to renewal for an additional five years). The rent for the first year is \$312,579, plus operating costs.

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

12. RISK AND CAPITAL MANAGEMENT; FINANCIAL INSTRUMENTS

The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues; as such, the Company is dependent upon external financings or the sale of assets (or an interest therein) to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended April 30, 2011. The Company is not subject to externally imposed capital requirements.

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,728,737	\$ -	\$ -	\$ 6,728,737
Resource related investments	72,537,951	-	-	72,537,951
Resource related investments	-	4,854,124	-	4,854,124
	\$ 79,266,688	\$ 4,854,124	\$ -	\$ 84,120,812

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

(a) Credit risk

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

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

	April 30, 2011	October 31, 2010 (audited)
Bank accounts - Canada	\$ 6,415,976	\$ 6,035,679
Bank accounts - Peru	26,583	46,042,361
Bank accounts - Others	286,178	185,963
	\$ 6,728,737	\$ 52,264,003

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

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

(a) Credit risk (Continued)

With respect to the \$871,834 (October 31, 2010 - \$1,361,550) due from related parties, the credit risk has been assessed as low by management as the Company has strong working relationships with the related parties involved.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in setting its commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at April 30, 2011 of \$6,728,737 (October 31, 2010 - \$52,264,003) in order to meet short-term business requirements. At April 30, 2011, the Company had accounts payable and accrued liabilities of \$894,319 (October 31, 2010 - \$832,087), which are due within 30 days.

(c) Market risk

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

i. Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of April 30, 2011. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

ii. Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in Mexican, Argentinean and Peruvian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk as it believes this risk is minimized by the amount of cash held in these foreign jurisdictions. The Company's sensitivity analysis suggests that a consistent 5% change in the rate of exchange in all foreign jurisdictions where it has assets employed would change mineral properties and foreign exchange gain or loss by \$26,376 (October 31, 2010 - \$2,332,000).

iii. Other price risk

Other price risk is the risk that the fair 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 \$725,380, and the change on resource related investments in warrants cannot be predicted.

13. SUBSEQUENT EVENT

Subsequent to April 30, 2011:

(a) Coalhunter:

At the Company's Special General Meeting held on May 25, 2011, its shareholders voted 97.5% in favour of acquiring Coalhunter Mining Corporation ("Coalhunter") through participation in the previously announced Plan of Arrangement.

The Company has also been advised by Coalhunter that, at its Special General Meeting held on May 19, 2011, the Plan of Arrangement was approved by the shareholders, option holders and special warrant holders of Coalhunter, and that, on May 20, 2011, Coalhunter obtained the final order approving the Plan of Arrangement from the Supreme Court of British Columbia.

As set out in the Arrangement Agreement, on the effective date, June 1, 2011, each Coalhunter shareholder holding shares as at the effective date of the Plan of Arrangement (other than the Company) received 0.8 of a common share of the Company for each common share of Coalhunter held. The Company issued 23,397,002 common shares on the effective date, with a further 6,285,543 common shares reserved for issuance for the exercise of options held by former Coalhunter optionees, the exercise of Coalhunter warrants and pursuant to Coalhunter property acquisition agreements.

(b) Trevali warrants:

The Company exercised 625,000 Trevali warrants at \$1.30 per share.

14. COMPARATIVE FIGURES

Certain of the figures for 2010 have been reclassified to conform to the presentation adopted for the current period.

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP

(a) Differences in accounting principles

i. Exploration expenditures

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

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

CARDERO RESOURCE CORP.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
(Unaudited – Prepared by management)
For the Six Months ended April 30, 2011 and 2010

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP (Continued)

(a) Differences in accounting principles (Continued)

Under US GAAP, mining projects are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property, and their eventual disposition are less than the carrying amount of the mining project or property, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project, property, calculated using estimated mineable reserves, mineral resources, based on engineering reports, projected rates of production over the estimated mine, recovery rates, capital requirements, remediation costs and future prices considering the Company's hedging and marketing plans. At April 30, 2011, all mineral properties considered active under US GAAP had a book value of \$3,968,093 (October 31, 2010 - \$3,179,687) (note 6), after all applicable impairment charges.

ii. Reconciliation of total assets, liabilities and shareholders' equity as of April 30, 2011 and October 31, 2010:

	April 30, 2011	October 31, 2010 (audited)
Total assets per Canadian GAAP	\$ 122,178,382	\$ 136,205,154
Exploration expenditures on resource properties expensed under US GAAP	(15,490,152)	(12,677,063)
Total assets per US GAAP	\$ 106,688,230	\$ 123,528,091
Total liabilities per Canadian and US GAAP	\$ 894,319	\$ 27,679,401
Total shareholders' equity per Canadian GAAP	121,284,063	108,525,753
Exploration expenditures on resource properties expensed under US GAAP	(15,490,152)	(12,677,063)
Total shareholders' equity per US GAAP	105,793,911	95,848,690
Total liabilities and shareholders' equity per US GAAP	\$ 106,688,230	\$ 123,528,091

iii. Reconciliation of net income and comprehensive income reported in Canadian GAAP and US GAAP:

Statements of operations for the six months ended:

	April 30, 2011	April 30, 2010
Reconciliation of net income from Canadian to US GAAP		
Net income per Canadian GAAP	\$ 1,490,314	\$ 48,208,480
Exploration and development costs	(3,110,472)	(2,663,111)
Reverse exploration and developments costs written-off	-	4,769,174
Exploration and development costs recovered	297,383	11,595
Total difference	(2,813,089)	2,117,658
Net income per US GAAP	\$ (1,322,775)	\$ 50,326,138
Weighted average number of common shares outstanding	58,818,744	58,638,483
Basic and diluted income per share in accordance with Canadian GAAP	\$ 0.03	\$ 0.82
Total differences	(0.05)	0.04
Basic and diluted income per share in accordance with US GAAP	\$ (0.02)	\$ 0.86

CARDERO RESOURCE CORP.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
(Unaudited – Prepared by management)
For the Six Months ended April 30, 2011 and 2010

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP (Continued)

(a) Differences in accounting principles (Continued)

Statements of comprehensive income for the six months ended:

	April 30, 2011	April 30, 2010
Comprehensive income in accordance with Canadian GAAP	\$ 11,126,777	\$ 5,7625,071
Total difference in net income between Canadian and US GAAP	(2,813,089)	2,117,658
Total comprehensive income in accordance with US GAAP	\$ 8,313,688	\$ 59,742,729

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

Statements of cash flows for the six months ended:

	April 30, 2011	April 30, 2010
Net cash provided (used) in operating activities of continuing operations in accordance with Canadian GAAP	\$ (36,878,641)	\$ (5,777,930)
Adjustments to net loss involving use of cash		
Write-off of capitalized resource property exploration costs	(3,213,895)	(2,702,882)
Net cash provided (used) in operating activities of continuing operations in accordance with US GAAP	(40,092,536)	(8,480,812)
Net cash provided by (used in) investing activities of continuing operations in accordance with Canadian GAAP	(8,315,349)	76,518,122
Reclassification of capitalized resource property exploration costs	3,213,895	2,702,882
Net cash provided by (used in) investing activities of continuing operations in accordance with US GAAP	(5,101,454)	79,221,004
Net cash flows provided by financing activities of continuing operations in accordance with Canadian and US GAAP	1,026,150	90,619
Effect of foreign exchange on cash in accordance with Canadian and US GAAP	(1,367,427)	(2,976,096)
Net increase in cash and cash equivalents in accordance with Canadian and US GAAP	(45,535,267)	67,854,715
Cash and cash equivalents, beginning of period in accordance with Canadian and US GAAP	52,264,004	5,823,196
Cash and cash equivalents, end of period in accordance with Canadian and US GAAP	\$ 6,728,737	\$ 73,677,911

v. Cumulative Development Stage Reporting

The Company is not required and has opted to not report such information for Canadian reporting and for US GAAP purposes; the Company is considered an exploration stage company. Statement of Financial Accounting Standards No. 7 – “Accounting and Reporting by Development Stage Enterprises” requires the disclosure of cumulative-to-date information for each line item on the statements of operations and cash flow plus annual summaries of each component of shareholders’ equity since inception. Under Canadian GAAP, Accounting Guideline “AcG 11 – Enterprises in the Development Stage”, issued by the Canadian Institute of Chartered Accountants, does not require reporting of this information. Had the consolidated financial statements been prepared in accordance with US GAAP such information would have been disclosed.

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP (Continued)

(a) Differences in accounting principles (Continued)

vi. Income Taxes

Under Canadian GAAP, future tax assets and liabilities are recorded at substantively enacted tax rates. Under US GAAP, deferred tax assets and liabilities are recorded at enacted tax rates. There were no significant differences between enacted and substantively enacted tax rates for any of the periods presented.

In 2006, FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109*. This interpretation prescribes a recognition threshold and measurement criteria for the financial statement recognition of a tax position taken or expected to be taken in a tax return. This interpretation was effective for the company on February 1, 2008. The company is required to determine whether it is more likely than not that a tax position will be sustained upon examination and such positions that meet this threshold will be measured at the most likely amount to be realized upon settlement.

The Company has reviewed its tax positions and determined that the application of FIN 48 does not result in any material adjustment for US GAAP purposes

vii. Derivatives

Under US GAAP the company is required to adopt EITF Issue No. 07-5, *Determining Whether an Instrument (or embedded Feature) is Indexed to an Entity's Own Stock*. The standard provides guidance on when certain contingent and other adjustment features in equity-linked financial instruments are indexed solely to an entity's own stock. Such adjustment features also include strike prices which are denominated in a foreign currency. The adoption of this Statement did not have a material impact on the consolidated financial statements.

viii. Marketable Securities

Prior to June 1, 2007, under Canadian GAAP marketable securities and long-term investments were carried at the lower of cost or market, and adjustments to the carrying value are shown as an expense on the statement of operations. Under US GAAP marketable equity securities are carried at market value, and changes to the market value are shown as a component of shareholder's equity (if the securities are classified as available-for-sale securities) or as gain or loss in the statement of operations (if the securities are classified as trading securities). Effective June 1, 2007, the Company's accounting for financial instruments, equity and comprehensive income under US GAAP is substantially equivalent to the accounting under Canadian GAAP.

(b) Recent US accounting pronouncements

- i. In May 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 855-10, *Subsequent Events* ("ASC 855-10") (formerly Statement of Financial Accounting Standards ("SFAS") Statement No 165), which establishes principles and requirements for subsequent events. In particular, ASC 855-10 sets forth: (a) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. ASC 855-10 also requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. As a result of the adoption of this new standard, the Company evaluated subsequent events to January 26, 2011, the date these consolidated financial statements were available for issue.

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP (Continued)

(b) Recent US accounting pronouncements (Continued)

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

15. DIFFERENCES BETWEEN CANADIAN AND US GAAP (Continued)

(b) Recent US accounting pronouncements (Continued)

- vi. In January 2010, the FASB issued ASU No. 2010-06 (“ASU 2010-06”) applicable to FASB ASC 820-10, *Fair Value Measurements and Disclosures*. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. As this guidance provides only disclosure requirements, the adoption of this standard will not impact the Company’s consolidated results of operations, cash flows or financial positions.
- vii. In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements* (“ASU 2010-09”), which amends ASC Topic 855 (“ASC 855”) to address certain implementation issues related to an entity’s requirement to perform and disclose subsequent events procedures. The amendments in ASU 2010-09 remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. The new guidance did not have an impact on the Company’s consolidated financial statements or results of operations.
- viii. In April 2010, the FASB issued ASU 2010-13, *Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades* (“ASU 2010-13”). ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as liability if it otherwise qualifies as equity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of this ASU to have a material impact on the Company’s consolidated financial statements.



CARDERO RESOURCE CORP.

Form 51-102F1

**Management's Discussion and Analysis
For the six month period ended April 30, 2011**

INTRODUCTION

This Management Discussion and Analysis ("MD&A") for Cardero Resource Corp. ("Cardero" or the "Company") for the three and six month periods ended April 30, 2011 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of June 10, 2011, and compares its financial results for the three and six month periods ended April 30, 2011 to the previous periods. This MD&A provides a detailed analysis of the business of Cardero and should be read in conjunction with the Company's unaudited consolidated financial statements for the period ended April 30, 2011 as well as the audited consolidated financial statements for the year ended October 31, 2010. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash-flows in accordance with Canadian generally accepted accounting principles.

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 estimates also may be deemed to be forward-looking statements in that it reflects a prediction of the mineralization that would be encountered if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and specifically in respect of Pampa el Toro property, the Minnesota Iron/Titanium properties and the Carbon Creek Metallurgical Coal property;
- the potential for the expansion of the estimated resources at Pampa el Toro;
- 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 at its mineral properties;
- the timing and cost of the planned future exploration programs at the Minnesota Iron/Titanium and Carbon Creek Coal properties, and the timing of the receipt of results therefrom;
- the Company's future cash requirements;
- the potential for further upgrading of the concentrate from Pampa el Toro and the potential for the commercial production of pig iron from Pampa el Toro concentrate;
- the potential for the commercial recovery of titanium and vanadium from the slag resulting from the processing of Pampa el Toro concentrate to make pig iron;

- general business and economic conditions; and
- 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.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, 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 level and volatility of the price of commodities, and iron ore, coal, vanadium and titanium 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 planned exploration programs, particularly at the Minnesota Iron/Titanium and Carbon Creek Coal properties;
- conditions in the financial markets generally;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favourable terms in connection with its ongoing and planned exploration programs;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the timing of the ability to commence and complete the planned work at the Minnesota Iron/Titanium and Carbon Creek Coal properties;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs at the Company's properties and the Company's ability to comply with such terms on a safe and cost-effective basis;
- the ongoing relations of the Company with its underlying optionors/lessors and the applicable regulatory agencies;
- that the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties are reflective of the deposit as a whole;

- the Company's ability to negotiate and enter into appropriate off-take agreements for the potential products from any operation at Pampa el Toro, and Carbon Creek; and
- the Company's ability to overcome any potential difficulties in adapting pilot scale operations and testing to commercial scale operations.

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. As the Company meets the definition a "foreign private issuer" under applicable SEC rules and is preparing this MD&A pursuant to Canadian disclosure requirements under the Canada-U.S. Multi-Jurisdictional Disclosure System, this MD&A is not subject to the requirements of SEC Industry Guide 7. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits 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 AIF have been prepared in accordance with NI 43-101 and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resource and Mineral Reserves, adopted by the CIM Council on November 14, 2004 (the "CIM Standards") as they may be amended from time to time by the CIM and, with respect to coal, in the Geological Survey of Canada Paper 88-21 entitled "A Standardized Coal Resource/Reserve Reporting System for Canada" originally published in 1988.

United States investors are cautioned that the requirements and terminology of NI 43-101 and the CIM Standards differ significantly from the requirements and terminology set forth in SEC Industry Guide 7. Accordingly, the Company's disclosures regarding mineralization may not be comparable to similar information disclosed by companies subject to SEC Industry Guide 7. Without limiting the foregoing, while the terms "mineral resources", "inferred mineral resources", "indicated mineral resources" and "measured mineral resources" are recognized and required by NI 43-101 and the CIM Standards, they are not recognized by the SEC and are not permitted to be used in documents filed with the SEC by companies subject to SEC Industry Guide 7. Mineral resources which are not mineral reserves do not have demonstrated economic viability, and US investors are cautioned not to assume that all or any part of a mineral resource will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or prefeasibility study, except in rare cases. The SEC normally only permits issuers

to report mineralization that does not constitute SEC Industry Guide 7 compliant “reserves” as in-place tonnage and grade without reference to unit amounts. The term “contained ounces” is not permitted under the rules of SEC Industry Guide 7. In addition, the NI 43-101 and CIM Standards definition of a “reserve” differs from the definition in SEC Industry Guide 7. In SEC Industry Guide 7, a mineral reserve is defined as a part of a mineral deposit which could be economically and legally extracted or produced at the time the mineral reserve determination is made. The SEC has taken the position that mineral reserves for a mineral property may not be designated unless: (i) competent professional engineers conduct a detailed engineering and economic study, and the “bankable” or “final” feasibility study demonstrates that a mineral deposit can be mined profitably at a commercial rate; (ii) a historic three-year average commodity price is used in any reserve or cash flow analysis used to designate reserves; and (iii) the company has demonstrated that the mineral property will receive its governmental permits, and the primary environmental document has been filed with the appropriate governmental authorities.

Caution Regarding Historical Results

Historical results of operations and trends that may be inferred from the discussion and analysis in this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See “Risk Factors - Share Price Volatility”.

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

DATE

This MD&A reflects information available as at June 10, 2011.

RESULTS OF OPERATIONS

Background

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

Exploration Activities

Through 2011 Cardero will be focussed on migration from high-risk, early-stage grassroots exploration projects and will focus on bulk commodities such as metallurgical coal and iron, add value through identification and acquisition of advanced projects.

In recent years, Cardero's focus has increasingly been on iron ore and iron-making technologies. The sale of Cardero's wholly-owned Pampa de Pongo iron deposit in late 2009 for US\$100 million cash represented an early success in the iron market. Cardero continues to hold significant iron ore resources at the Iron Sands Project in Peru and iron-titanium interests in Minnesota, USA.

In keeping with bulk-commodity focus, Cardero acquired a 45% interest in Coalhunter Mining Corporation, with a right to increase its interest to 51% in certain circumstances. Coalhunter holds a 75% interest in the Carbon Creek Metallurgical Coal Deposit in north-eastern British Columbia. In March 2011, Cardero announced its intention to acquire 100% of Coalhunter and the Carbon Creek metallurgical coal deposit in north-eastern British Columbia, Canada, and this transaction was completed on June 1, 2011. Details of the transaction are outlined below.

Cardero is actively assessing, acquiring interests in and exploring a number of mineral exploration properties. At the present time, it is focusing its activities in Minnesota in the United States and British Columbia, Canada, where it has established subsidiaries and the infrastructure to enable it to actively work in such countries. The Company, through its subsidiaries, holds, or has the right to acquire interests in, mineral properties in these countries. However, at the present time it does not consider all of these to be material as, in many cases, the properties are in the early stages of evaluation, or have not had sufficient work done on them by the Company to determine if they are material.

Cardero presently considers its material properties to be the Pampa el Toro Iron Sands Project in Peru, the Minnesota Iron-Titanium properties in the United States and the Carbon Creek Metallurgical Coal deposit in British Columbia, Canada.

Property	Total Costs to October 31, 2010	Total Costs to April 30, 2011	Estimated Fiscal 2011 Expenditures⁽¹⁾
Pampa el Toro Iron Sands, Marcona, Peru	\$10,254,095	\$11,438,480	\$2,000,000
Minnesota Iron-Titanium Projects, USA	\$2,869,892	\$2,883,413	\$1,000,000
Carbon Creek Metallurgical Coal Project, BC, Canada	\$3,138,691	\$10,096,571	\$5,000,000

Note: 1. This amount represents the estimated exploration expenditures for fiscal year ending October 31, 2011 and does not include property acquisition costs. Estimated expenditures are contingent upon ongoing successful results justifying further expenditures.

During the quarter ended April 30, 2011 and to June 10, 2011, the Company was primarily focussed on promoting the Pampa el Toro Iron Sands program as a viable project for the production of iron ore concentrate and/or pig iron to serve the needs of the People's Republic of China ("PRC"), formulating and commencing the drilling programs for the Longnose and TiTac properties and planning and completing a drill program on the Organullo property in Argentina and completing the acquisition of Coalhunter, together with its ongoing efforts to investigate and evaluate additional potential acquisitions.

Material Mineral Properties

Carbon Creek Metallurgical Coal Deposit, British Columbia

On June 1, 2011, the Company completed the acquisition of all of the issued and outstanding shares of Coalhunter not already owned by the Company. As set out in the plan of arrangement approved by the Coalhunter shareholders on May 19, 2011 and by the Supreme Court of British Columbia on May 20, 2011, on the effective date each holder of Coalhunter shares as at the effective date (other than the Company) received 0.8 of a common share of the Company for each common share of Coalhunter held. In connection with the acquisition of Coalhunter, the Company issued an aggregate of 23,397,002 common shares. Accordingly, the Company now has 82,922,604 common shares issued and outstanding. An additional 6,285,543 common shares are reserved for issuance for incentive stock options and share

purchase warrants and a property share issuance to former Coalhunter optionees and warrant holders and a property vendor.

Coalhunter, now a wholly owned subsidiary of the Company, has successfully negotiated agreements to explore and, if warranted, develop, the Carbon Creek Metallurgical Coal deposits in the Peace River Coal Field located in the northeast region of British Columbia. The property consists of a lease of freehold coal and certain coal licenses issued, or to be issued, by the British Columbia government. Coalhunter will hold a 75% interest in the joint venture and its co-venturer will hold a 25% carried interest. Coalhunter will be required to fund all exploration, development and mining costs, and the co-venturer will receive 25% of the net proceeds (after recovery by Coalhunter of its capital expenditures and ongoing operating costs).

Information in this MD&A regarding the Carbon Creek Metallurgical Coal deposit is based on information provided by a NI 43-101 technical report prepared by Lawrence D. Henchel, PG (Utah) of Norwest Corporation, of Calgary Alberta and Salt Lake City, Utah, an independent contractor. The Norwest report is dated June 3, 2011 and is entitled "Technical Report, Carbon Creek Coal Property, British Columbia, Canada" (the "Carbon Creek Report"). The following summary is from the Carbon Creek Report, and readers are encouraged to review the entire Carbon Creek Report, which is filed on SEDAR at www.sedar.com.

The Carbon Creek property is in the Peace River Coalfield and consists of twelve Coal License Applications and ten Crown Granted District Lots (CGDL), comprising a contiguous tenure parcel of 17,200 ha. The CGDL's, totalling approximately 2,600 ha, are controlled by P. Burns Resources Ltd. (Burns) of Calgary, Alberta, Canada. Cardero has obtained certain rights to the property through its purchase of Coalhunter on June 1, 2011. As a result of this transaction, Cardero has a Coal Option Agreement with Burns for the CGDL's and has entered into a joint venture agreement with them for the Coal License Application areas they control outside of the CDGL's. The area of concern addressed in the Carbon Creek Report has been explored under numerous companies and various configurations of licensing and land and mineral control.

Burns has submitted ten of the twelve current Coal License Applications. Cardero, as Coalhunter, submitted one additional license application and has a purchase agreement in place with Alan A. Johnson, applicant, for control of the final license. Once approved and with fulfillment of the purchase agreement terms, this final license will become the sole property of Cardero. The terms of the joint venture between Cardero and Burns gives Burns a carried interest of 25% of profits after payback to Cardero has been made for development capitalization and purchase of the Johnson license.

The geologic sources of information used in the Carbon Creek Report are coal exploration assessment reports and mining studies kept on file by the BC Ministry of Energy, Mines and Petroleum Resources (MEMPR). Additionally, numerous files containing original logs and drilling data were supplied by Coalhunter, for whom the Carbon Creek Report was initially prepared prior to the Cardero acquisition. The Carbon Creek Report has been addressed to Cardero at the request of and with permission of both Cardero and Coalhunter. The author of the Carbon Creek Report, a qualified person for coal exploration and resource estimation, personally inspected the property during a site visit conducted on July 23, 2010 and again on October 22 and 23, 2010.

The Carbon Creek property lies approximately 60 km northwest of the town of Chetwynd and 40 km west of the town of Hudson's Hope. The property is accessible by road. Improved forest service roads connect the property with British Columbia Highway 29 between the towns of Chetwynd and Hudson Hope. The CN Rail line connecting Fort St John and Tumbler Ridge areas with Prince George passes 30km south of

the property. The CN Rail line provides direct access to the ports of Vancouver and Ridley Terminals in Prince Rupert, BC. No commercial mining has been documented or observed on the property.

The property has been explored for its coal resources since the early 1900's. Utah International (now BHP Billiton) and its subsidiary, Utah Mines Ltd, performed the most substantial and well documented exploration efforts between 1971 and 1981. Nearly annual exploration campaigns during this period consisted of field mapping, core and rotary drilling, trenching, and mechanized adit drives utilizing underground mining equipment. Coal samples were obtained from core, rotary cuttings, surface excavations and in bulk from the adit drives. Estimates of coal tonnage and coal quality were made periodically throughout the Utah exploration campaigns.

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

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

Structural interpretations of the Carbon Creek property portray a rather broad, canoe-shaped syncline lying between two anticlinal belts that straddle the western and eastern boundaries of the property. Dips in the central portion of the property are nearly flat, ranging from 0° to 15°, increasing to up to 30° locally along the synclinal flanks in the east and west portions of the property. The northern half of the property is significantly better understood geologically than the southern half. It is believed that the southwest portion of the property becomes geologically more complex and has proven more difficult to explore due to the thicker covering of glacial till.

Over thirty coal seams occur in the middle and upper portions of the Gething Formation. Sixteen seams have proven to be persistent and correlatable through the northern half of the property. Twelve main seams have figured prominently in historic coal tonnage calculations. Table 1 shows the thickness of the twelve main coal seams occurring within the property.

TABLE 1
AVERAGE SEAM THICKNESS

Seam	Thickness (ft)	Thickness (m)
58	4.12	1.25
55	5.16	1.57
54	4.44	1.35
52	4.93	1.50
51A	4.25	1.30
51	4.51	1.38
47	3.71	1.13
46	5.40	1.65
40	4.94	1.50
31	6.58	2.00
15	6.57	2.00
14	6.25	1.91

For coal deposits, “mineralization” refers to coal development and coal seam stratigraphy. The coals occurring within the Carbon Creek property are thought to occur in the upper to middle sections of the Gething Formation. The coal deposition found on the property is typical of the Gething Formation, consisting of abundant but relatively thin coal seams, some showing favourable metallurgical properties. Although there are numerous seams throughout the property, the twelve listed in Table 3.1 are developed sufficiently to be considered to be of economic significance.

Norwest has created a digital geologic model from hardcopy data provided by Coalhunter and various data available from public sources. Basic validation exercises were conducted on existing data and a validation drilling program was conducted by Coalhunter during October and November 2010. The author assisted with planning and implementing the validation program and observed drilling activities on October 22 and 23, 2010. Other Norwest personnel were onsite for the drilling of the first two core holes and confirmed that the field procedures being employed by Coalhunter for the validation exercise were consistent with current industry standards. The results of the validation drilling proved positive, which leads the author to believe that the base geologic data used in the Norwest model is valid and that current geologic interpretations are a fair representation of the geology of this property, given all data available and reviewed at the time of this report.

Typical analyses of coal within the Carbon Creek resource base area are presented in Table 2. Values shown are for raw, unwashed coal. Processing raw coal using density-specific media (coal washing) is widely used to improve coal quality by reducing ash content and raising its calorific value. Coking properties such as swelling (FSI) and dilation are typically improved as well, as discussed in the Carbon Creek Report.

TABLE 2
RAW COAL QUALITY

Seam	Thickness (m)	Coal Quality (air dried basis)						
		Moisture (%)	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	BTU/lb	FSI
58	1.14	2.60	12.56	0.92	28.92	55.93	12,663	2.0
55	1.57	2.74	12.42	0.68	28.59	56.26	12,893	2.5
54	1.39	2.78	5.66	0.83	27.36	64.20	13,926	1.5
52	1.63	2.18	17.14	1.88	28.33	52.35	12,178	4.0
51A	1.29	2.74	6.25	0.80	28.01	63.00	13,902	2.0
51	1.51	2.73	9.63	0.73	26.42	61.23	13,228	2.0
47	1.14	2.53	15.49	0.91	24.00	57.98	12,441	1.5
46	1.70	2.60	6.50	0.83	26.92	63.99	13,907	2.0
40	1.95	2.02	13.99	1.17	27.16	56.83	12,892	5.5
31	1.99	1.50	25.74	1.42	24.33	48.43	10,906	6.0
15	2.17	1.08	17.11	0.57	21.14	60.67	12,602	2.5
14	2.11	0.95	19.03	0.57	19.20	60.83	12,362	3.0
Average	1.63	2.09	14.13	0.94	25.47	58.32	12,756	3.0

A resource estimation of the Carbon Creek property was completed in accordance with the procedures and criteria of GSC Paper 88-21 as required by NI 43-101. The mineral resource estimates for surface and underground moderate geology-type coal reported from the current Carbon Creek geologic model are outlined in Table 3. The resource statement is current as of June 3, 2011.

TABLE 3
 CLASSIFICATION OF RESOURCES – CARBON CREEK PROPERTY – JUNE 3, 2011

Deposit Type	ASTM Coal Rank	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Surface	mvB	10.5	7.4	6.8
Underground	mvB	40.0	56.1	82.3
Total	mvB	114.0		89.1

Utah conducted numerous environmental studies as part of their development strategy for the Carbon Creek property. References to an Environmental Impact Assessment submittal have been found in the historic Utah files, including comments on the submittal's adequacy from MEMPR. While current environmental and cultural assessments will need to be conducted, the past efforts should provide baseline data from which to work. It should be noted that the main development area in the northern half of the property lies outside the Area of Critical Community Interest (ACCI) as defined by the British Columbia provincial government.

It is recommended that future development work include a drilling program targeted at preparing the property for technical mining and economic evaluation. The main objectives of this exploration should be to:

- Infill gaps in existing drill hole spacing for improved seam characterization and the correlation of currently uncorrelated seams.
- Move Inferred resources into the Measured plus Indicated resource assurance category.
- Conduct deeper drilling in areas targeted for potential underground mining at depth.
- Obtain bulk samples of main seams showing positive coking characteristics for current characterization of metallurgical properties.
- Collect geotechnical data appropriate for areas amenable to either surface or underground mining methods.
- Conduct groundwater tests, including pumping and packer tests, to characterize hydrologic regime.
- Install groundwater monitor wells to record baseline hydrologic data for permitting requirements.

A 40 hole drilling project providing for these recommended areas of data collection and analysis is estimated to cost approximately US\$4.90 million and provides for an updated geological model and resource report.

The accuracy of resource and reserve estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time the Carbon Creek Report was prepared, the estimates presented therein are considered reasonable. However, they should be accepted with the understanding that additional data and analysis available subsequent to the date of the estimates may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated resources or reserves will be recoverable.

The Company intends to proceed with the recommended program in the Carbon Creek Report, and anticipates that the program will commence in mid to late June, 2011. All necessary permits are in place, and the Company has the funds to complete the proposed program. Results will be released as they are received, compiled and interpreted.

Longnose and Titac Iron Titanium Projects, Minnesota

During the quarter and to date the Company completed the exploration program recommended in the NI 43-101 technical report dated January 27, 2011 entitled “Longnose and Titac Iron Titanium Exploration Project, Minnesota, USA – Exploration Results 2010” prepared by EurGeol Keith J. Henderson, P. Geo (the Company’s Vice-President, Exploration) and Stephen (Jayson) Ripke, QP, MMSA (the Vice-President, Technical, of Cardero Iron Ore Management (USA) Inc.) (the “Minnesota Report”). Readers are encouraged to review the Minnesota Report, which is filed on SEDAR at www.sedar.com. SRK Consulting of Vancouver, Canada has been retained to prepare an independent NI 43-101 resource estimate for Titac South and Longnose. The Company is awaiting final drill results from the 2011 winter drilling program and, once received, SRK will begin calculating an initial 43-101 resource estimate.

During the period, the Company received the final drill results from its 2010 drill program at the Titac Iron Titanium project in northern Minnesota, USA. Results confirm the presence of semi-massive to massive iron and titanium oxide and associated copper mineralization over exceptionally broad intervals. The Company has completed a total of 36 diamond drill holes on the Minnesota projects for a total of 11,506 metres, with significant iron-titanium and copper mineralization being intersected in the majority of the holes at both projects. Final results are presented for Titac North and South (Table 4).

TABLE 4
DRILL RESULTS FROM TITAC IRON-TITANIUM PROJECT IN MINNESOTA

TITAC SOUTH		From (m)	To (m)	Thickness (m)	Weighted Average (%)		
Drillhole					TiO ₂ %	Fe ₂ O ₃ %	Cu %
TTC-015-2010		39.9	109.4	69.5	16.4	30.8	0.35
	<i>incl.</i>	39.9	56.4	16.5	25.6	41.2	0.48
	<i>incl.</i>	76.4	97.5	21.1	19.6	35.2	0.46
TTC-016-		40.5	101.5	61.0	18.4	36.9	0.27
	<i>incl.</i>	40.5	69.2	28.7	22.6	40.7	0.36
TTC-017-2010		214.3	229.5	15.2	17.2	25.4	0.20
TTC-018-2010		38.4	84.7	46.3	18.1	34.1	0.30
TTC-019-2010		27.9	490.0	462.1	20.6	33.2	0.37
TTC-020-1020		38.9	185.0	146.1	17.2	33.6	0.29
	<i>incl.</i>	38.9	81.1	42.2	20.3	37.0	0.38
TTC-021-2010		30.8	374.0	343.2	17.6	30.6	0.21
	<i>incl.</i>	94.8	374.0	279.2	19.5	33.0	0.24
	<i>incl.</i>	187.8	217.8	30.0	28.7	45.5	0.20
	<i>incl.</i>	335.9	364.8	28.9	27.7	34.2	0.32
TTC-022-2010		29.9	92.4	62.5	16.6	33.1	0.25
TTC-023-2010		213.7	239.9	26.2	18.6	27.5	0.32
TTC-024-2010		146.0	213.8	67.8	16.4	32.6	0.18
		256.6	291.8	35.2	20.1	35.2	0.24
		264.0	278.6	14.6	23.4	36.2	0.28

TITAC SOUTH		From (m)	To (m)	Thickness (m)	Weighted Average (%)		
Drillhole	TiO ₂ %				Fe ₂ O ₃ %	Cu %	
TTC-025-2010		29.3	120.7	91.4	19.3	46.6	0.21
	<i>incl.</i>	29.3	42.1	12.8	29.1	50.5	0.19
	<i>incl.</i>	82.3	100.6	18.3	21.7	42.2	0.23
		138.1	282.9	144.8	17.9	30.5	0.21
		349.9	369.4	19.5	22.2	38.5	0.25
TTC-026-2010	<i>incl.</i>	168.2	328.6	160.4	19.3	33.6	0.27
TTC-027-2010		152.7	383.4	230.7	17.5	31.7	0.28
	<i>incl.</i>	182.3	221.9	39.6	20.4	33.4	0.30
		293.2	323.1	29.9	20.7	35.1	0.33
TTC-028-2010		29.4	134.7	105.3	20.2	34.9	0.28
	<i>incl.</i>	29.4	77.7	48.3	24.2	39.5	0.37
TTC-029-2010		29.3	276.5	247.2	17.5	33.6	0.15
	<i>incl.</i>	29.3	162.5	133.2	20.7	38.6	0.17
	<i>incl.</i>	29.3	88.4	59.1	24.2	44.4	0.13
TTC-030-2010		43.0	83.2	40.2	20.4	39.0	0.18
		145.4	177.1	31.7	17.8	29.2	0.22

TITAC NORTH		From (m)	To (m)	Thickness (m)	Weighted Average (%)		
Drillhole	TiO ₂ %				Fe ₂ O ₃ %	Cu %	
TTC-006-2010		40.5	53.2	12.7	16.3	33.9	0.24
TTC-007-2010		292.5	360.9	68.4	15.3	36.5	0.28

Pampa El Toro Iron Sands Project, Peru

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

During the quarter and to date the Company continued to promote the Pampa el Toro program as a viable project for the production of iron ore concentrate and/or pig iron to serve the needs of steelmakers located in the PRC.

At the present time, the Company is actively engaged in negotiations to secure a partner who can help move the project to a commercial stage and, although the Company is presently in discussions with interested entities (including conducting property visits), there can be no assurance that it will be able to do so.

Other Mineral Projects

Mexico

Baja IOCG

The Company has engaged personnel at the Colorado School of Mines (“CSM”) to review the results of work on the Baja IOCG project to date and determine potential additional areas for drill testing. In conjunction with this work, the Company plans to produce a comprehensive summary report outlining work completed to date and the work recommended by the CSM researcher.

Corrales and Santa Teresa Projects Option

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

Argentina

Organullo

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

The positive results from surface exploration, conducted during 2009 and early 2010, indicated the potential for a large, bulk-tonnage gold system. In mid-2010, the Company commenced a 2,000 metre, 5-hole diamond drill program. The drilling was designed to test an approximately 2.1-kilometre long by 800-metre wide north-south trending structural zone defined by the coincidence of significant historical drill intercepts, gold-in-rock surface geochemistry, and variably developed advanced argillic (alunite+/- dickite+/- pyrophyllite) and silica alteration in the vicinity of the former Julio Verne mine.

A total of 8 diamond drillholes were drilled during the program for a total of 2,053 metres, but drilling was hampered by technical difficulties and poor ground conditions. As a result, none of the drillholes tested the geophysical targets at depth.

The grades intersected are not considered to be significant but since the priority targets remain untested, the property does warrant additional exploration. No further work on this property is planned by Cardero. The Company has signed a number of confidentiality agreements and hopes to secure a joint venture partner during 2011, which would allow exploration to progress and allow Cardero to focus on core projects. However, there can be no certainty that the Company will be successful in securing a partner for the project.

Los Manantiales (Mina Angela) Project

On December 3, 2008, Hochschilds Mining Holdings Limited terminated its option to acquire an interest in the project, and returned all interest in the property to the Company. The Company is still awaiting receipt of all the data generated by Hochschilds in connection with its activities on the property as

required by the option agreement. However, several attempts to secure such data have been unsuccessful. In lieu of receipt of a complete dataset, Cardero geologists have begun compilation and targeting at the project. The Company anticipates that it will commence an initial work program upon the completion of the data compilation and review, but this is not anticipated to be until the third quarter of 2011 at the earliest.

Minas Pirquitas

On July 17, 2009, the Company and Davcha Resources Pty. Ltd. finalized the formal agreement in connection with the option to Davcha to earn a 55% interest in the property. Davcha is the operator. The Company has been advised that Davcha has agreed to option its interest in the Minas Pirquitas property, and four other properties in the same region, to Artha Resources Corporation (“Artha”). Pursuant to the Cardero/Davcha agreement, Davcha is required to incur expenditures of USD 50,000 on or before July 14, 2010 and additional expenditures of USD 950,000 on or before July 14, 2013.

No additional formal updates have been received from Artha during the current quarter or to date. However, Artha has advised that it is considering drill testing the Noelia target in the coming 3-6 months, depending on drill schedules from other projects. Information will be released as received from Artha.

Risk Factors

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

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

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: From 2007 into early 2010, 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 later 2010 and into 2011, 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 gold and other base metal prices may impact the Company's future revenues, profits and cash flow
- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential production costs
- the devaluation and volatility of global stock markets impacts the valuation of the Company's common shares ("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 2010 and into 2011, worldwide securities markets, particularly those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. **As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays 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 in Mexico, Peru and Argentina is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. While the Company has diligently investigated title to all mineral 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 many areas of Mexico, Argentina and Peru, where blockades of access to the Company's properties, hostile actions by local communities and the potential unwillingness of local police or governmental officials to assist a foreign company against its own citizens can result in the Company being unable to carry out any exploration activities despite being legally authorized to do so and having complied with all applicable local laws and requirements.

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

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

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

Foreign Countries and Political Risk: The Company has mineral properties located in Peru, Argentina, Mexico and the United States. In such 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 of property, environmental legislation and mine safety.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability 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 such countries, the Company also maintains accounts in U.S. dollars, Mexican and Argentinean pesos and Peruvian nuevo soles. The Company's operations in the United States, Mexico, Argentina and Peru and its proposed payment commitments and exploration expenditures under

many of the agreements pursuant to which it holds, or has a right to acquire, an interest in its mineral properties are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the Company's financial position and results. The Company does not engage in any hedging programs with respect to currencies.

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

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

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

Estimates of Mineral Reserves and Resources and Production Risks: The mineral resource estimates presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. Accordingly, there can be no assurance that:

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

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

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

Enforcement of Civil Liabilities: As 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 and its subsidiaries or the directors and officers of the Company residing outside of such country.

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

necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

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

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

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

Results of Operations

In the six months ended April 30, 2011, the Company had a net income of \$1,490,314 compared to \$48,208,480 for the six months period ended April 30, 2010, and during the three month period ended April 30, 2011, the Company had a loss of \$2,859,176 or \$(0.05) per share as compared to a loss of \$14,053,095 or \$(0.24) per share for 2010.

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

Six months ended April 30, 2011 compared to six months ended April 30, 2010

A significantly higher income in the period ended April 30, 2010 was due to the payments received of \$93,607,400 (USD 88,000,000) from the sale of Pampa de Pongo property, which have been recognized in other income of the comparative period, net of related property costs of \$635,895 and transaction costs of \$4,345,904 and before applicable income taxes.

The Company's general and administrative costs were \$3,992,313, compared to \$3,623,237 in 2010. The major expense categories involved in this 10% increase are as follows:

- Investor relations of \$904,881 (2010 - \$580,298), primarily as a result of \$242,153 (2010 - \$Nil) in stock-based compensation ("SBC") associated with stock options granted. Costs also increased in advertising due to an electronic media awareness effort, and in the category of promotion relating to both current and potential acquisitions.
- Property investigation of \$326,255 (2010 - \$80,832), primarily due to the ongoing maintenance costs of \$215,614 incurred on the Baja IOCG project, which has been previously written down while the Company continues to seek joint venture partners;
- Amortization of \$42,082 (2010 - \$33,580), primarily due to the relocation of the Vancouver office.

At the same time, the Company saw decreases in the following categories:

- Consulting fees of \$590,206 (2010 - \$732,436), decreased as a result of the fees paid to consultants hired on the sale of Pampa de Pongo property, which has no comparative impact for the current year;
- Insurance of \$55,128 (2010 - \$89,834), declined primarily due to a decrease in the Directors & Officers insurance premiums and increased recoveries from other Cardero group companies for office related insurance ;
- Bad debt of \$ Nil (2010 - \$104,835). The prior year's writeoff was as a result of the Company's subsidiary in Mexico writing off VAT receivable in 2010.

The Company earned \$191,269 interest income in the current period, principally from the \$8,064,000 loan to Trevali, compared to an interest expense of \$582 in the prior period.

The Company incurred \$Nil write-off in the resource properties in the current period versus \$8,180,742 in prior period write-offs related to the Baja IOCG project, Mexico as a result of disappointing exploration results in 2010.

During the six month period, the Company realized \$2,508,994 of investment income from sale of International Tower Hill Mines Ltd. ("ITH") (163,900 shares) and Trevali Mining Corporation ("TMC") (790,000 shares) common shares, versus \$298,609 of investment income from sales of ITH (24,000 shares), TMC (155,000 shares) and Dorato Resources Corp. (60,000 shares) common shares in the prior period. The Company also recorded \$65,500 of unrealized gains on Ethos Capital Corp. common shares compared to \$15,000 in the prior period. The Company also recorded \$1,741,109 unrealized gains on warrants of TMC and Abzu Gold Ltd. ("Abzu") in the current period versus \$132,898 unrealized gains on warrants of TMC and Wealth Minerals Ltd. in the prior period.

Foreign exchange losses of \$1,631,590 (2010 - \$4,198,449) have decreased as the Company's exposure to the volatility of its US dollar holdings declined commensurate with its reduced comparative cash position.

Three months ended April 30, 2011 compared to three months ended April 30, 2010

General and administrative expenses decreased by 16% (2011 - \$1,687,602, 2010 - \$2,005,904), primarily due to the undernoted variances that occurred in individual categories:

- Consulting fees decreased to \$337,717 (2010 - \$494,071) primarily due to the fees paid to the consultants hired on the sale of the Pampa de Pongo property, which has no comparative impact for the current period;
- Salaries decreased to \$347,059 (2010 - \$492,499) primarily due to the cost recoveries of \$238,766 (2010 - \$74,102) from geological services provided to the other Cardero group companies;
- Insurance decreased to \$26,995 (2010 - \$44,699) primarily due to a decrease in the Directors and Officers insurance premiums and recoveries of office related insurance from other Cardero group of companies;
- Investor relations decreased to \$350,120 (2010 - \$409,560), primarily due to stock-based compensation charges of \$209,390 last year versus \$Nil in 2011.

Other items showed a loss of \$3,228,028 in the current quarter versus a loss of \$12,744,709 in the comparable quarter of 2010. 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 resulted in a loss of \$1,614,056 (2010 - \$3,957,437) as a result of lower US dollar holdings generally
- Interest income of \$149,111, principally from the Loan to Trevali, versus an interest expense of \$993
- Realized gains from the sale of available-for-sale investments were \$312,096 (2010 - \$162,517) resulting from the current period sale of 38,400 shares of ITH;
- Unrealized loss on derivative investments (warrants) were \$1,961,714 (2010 – gain of \$13,361). For the current period the loss is comprised of a decrease in the value of TMC warrants and Abzu warrants.
- Losses on investments accounted for using the equity method were \$155,965 (2010 - \$Nil).

SUMMARY OF QUARTERLY RESULTS

The table below sets out the quarterly results, expressed in Canadian dollars, for the past three fiscal years:

Fiscal 2011

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 42,158	\$ 149,111		
Gain on sale of investments	2,196,898	312,096		
Net income (loss)	4,349,493	(2,859,179)		
Net income per share	0.07	(0.05)		
Comprehensive income (loss)	21,444,911	11,126,777		

Fiscal 2010

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 411	\$ (993)	426	192
Gain (loss) on resource property	89,406,016	(780,415)	(891,388)	(7,056)
Gain on sale of investments	136,092	162,517	-	641,042
Net income (loss)	62,261,575	(14,053,095)	(4,092,028)	834,517
Net income per share	1.06	(0.24)	(0.07)	0.01
Comprehensive income (loss)	69,081,221	(11,456,150)	(6,854,748)	11,404,744

Fiscal 2009

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

- 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 or paid any employee bonuses and these are the factors that account for material variations in the Company's quarterly net losses, none of which are predictable. In addition, results in fiscal 2010 were significantly influenced by the one-time sale of the Pampa de Pongo property. While the Company may seek, in the future, to sell some or all of the interests in other of its mineral properties, the timing and potential effect of any such sale is impossible to predict. The write-off of mineral properties 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 stock-based compensation charges which can be significant when they arise. The payment of employee bonuses (which tend to be awarded in July), being once-yearly charges, can also materially affect operating losses for the quarters in which they occur. General operating costs other than the specific items noted above tend to be quite similar from period to period. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed by the sale of its equity securities by way of private placements and the subsequent exercise of share purchase warrants and broker options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. In addition, the Company can raise funds through the sale of interests in its mineral properties (as, for example, with the sale of the Pampa de Pongo project) which raised \$88,372,433 net of costs).

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

As at April 30, 2011, the Company reported cash and cash equivalents of \$6,728,737 compared to \$52,264,003 at October 31, 2010 and \$5,823,196 as at October 31, 2009. The change in cash over the period is comprised of funds used in investing activities of \$8,315,349 (principally from the purchase of investments), less \$36,878,641 (\$25,601,634 relating to income tax payable on the sale of Pampa de Pongo and \$8,254,885 loaned to Kria Resources Ltd. (now a wholly owned subsidiary of TMC)) used in operations and \$1,026,150 provided by financing activities due to proceeds from shares issued. As at April 30, 2011, the Company had working capital of \$15,823,815, compared to working capital of \$26,549,076 at October 31, 2010 and \$3,803,620 at October 31, 2009.

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

There have not been any material changes in the Company's contractual obligations for mineral property lease and option payments and committed operating lease obligations as disclosed in its MD&A for the period ended April 30, 2011, except that, by virtue of the acquisition of Coalhunter, the Company is therefore responsible for the balance of the acquisition payments to be made under the property agreements with respect to the Carbon Creek Metallurgical Coal deposit. The remaining payments under these agreements are as follows:

1. A payment of \$5,000,000 is payable within 4 months of the issuance of certain coal tenure licenses by the Province of British Columbia (which payment the Company anticipates will be due in the first quarter of the fiscal year ending October 31, 2012), together with the concurrent issuance of 400,000 common shares (originally, 500,000 Coalhunter common shares);
2. A payment of \$2,500,000 is payable on or before December 31, 2011.

OFF BALANCE-SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

(a) Due to related parties

During the periods ended April 30, 2011 and 2010, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	April 30, 2011	April 30, 2010
Consulting fees	\$ 45,000	\$ 45,000
Professional fees	\$ 41,250	\$ 44,363

At April 30, 2011, there was \$7,700 (October 31, 2010 - \$7,700) included in accounts payable and accrued liabilities. Professional fees include amounts paid to a law firm of which a director is a shareholder.

(b) Due from related parties

Amounts due from related parties are comprised as follows:

	April 30, 2011	October 31, 2010 (audited)
Unsecured promissory notes, 1% per annum, due the earlier of 30 days after demand or the due date, if applicable:		
Trevali Mining Corporation	\$ 186,446	\$ 78,227
Wealth Minerals Ltd.	315,906	305,871
Dorato Resources Ltd.	109,470	143,193
Indico Resources Ltd.	50,398	468,819
Abzu Gold Inc.	48,035	208,345
International Minerals and Mines Limited	18,820	18,820
International Tower Hill Mines Ltd.	35,047	11,185
Balmoral Resources Ltd.	36,073	4,207
Corvus Gold Inc.	17,385	579
Directors, employees and others	50,999	122,304
	\$ 868,798	\$ 1,361,550

The Company recovered \$597,458 during the period ended April 30, 2011 (April 30, 2010 - \$393,286) in rent and administration costs from Wealth, ITH, Dorato, Indico, Trevali, Balmoral, Abzu, Corvus and Lawrence W. Talbot Law Corporation ("LWTLC"), companies with common officers or directors.

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

(c) Loan receivable

On December 16, 2010, the Company entered into a loan agreement with Kria Resources Ltd. (“Kria”) whereby the Company advanced Kria USD 8,000,000 (the “Loan”) to fund the USD 8,000,000 property payment due by Kria to Xstrata Canada Corporation (“Xstrata”) on or before January 16, 2011 under the terms of the revised Halfmile and Stratmat property purchase agreement dated July 15, 2009, between Kria and Xstrata. The Loan bears interest at 10% per annum, calculated monthly, not in advance and is repayable on or before January 14, 2012. As security for the Loan, Kria has granted in favour of the Company a first charge, mortgage and security interest over all its assets and undertakings. In connection with the Loan, Kria has agreed to issue to the Company 6,400,000 common share purchase warrants of Kria (the “Bonus Warrants”). Each Bonus Warrant will entitle the holder to acquire a common share of Kria at an exercise price of \$0.25 until January 14, 2012. On April 7, 2011, TMC acquired Kria. 6,400,000 Kria bonus warrants were exchanged to 1,280,000 Trevali warrants on 5:1 exchange ratio. As stipulated in the loan agreement, upon the issuance of the bonus warrants to the Company, the interest rate of the Loan was retroactively reduced to 8% to be calculated monthly, and not in advance.

(d) Related parties

Mr. Stephan Fitch, a director of the Company, is a director and significant shareholder of a private company that is the major shareholder (67%) of International Minerals and Mines Limited (“IMM”). The Company has a 15% interest in International Minerals and Mines Gold Limited, a subsidiary of IMM. The Company considered the collectability of advances totalling \$468,099 to IMM to be doubtful and, accordingly, wrote them off during the year ended October 31, 2009.

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

The presidents of each of Metales y Minerales California, S.A. de C.V. (the Company’s Mexican Subsidiary) and Cardero Argentina, S.A. (the Company’s Argentinean subsidiary) provide management services for USD 3,750 each per month, which is expensed to consulting fees or capitalized to property costs, depending upon the nature of the services.

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

reasonable notice, and by the Company on one year's notice (or payment of one year's retainer in lieu of notice).

PROPOSED TRANSACTIONS

Although the Company is currently investigating/negotiating a number of additional property acquisitions, and is entertaining proposals for the sale or option/joint venture of one or more of its properties, as at the date of this MD&A there are no proposed transactions where the Board of Directors, or senior management who believe that confirmation of the decision by the Board is probable, have decided to proceed with and which are not disclosed herein.

CRITICAL ACCOUNTING ESTIMATES

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in the Company's accounting policies since November 1, 2010, being the start of the Company's most recently completed fiscal year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

The Company's cash at April 30, 2011 was \$6,728,737 of which \$2,605,457 was held in US, Mexican, Argentinean and Peruvian currencies.

The Company's receivables and payables at April 30, 2011 were normal course business items that are settled on a regular basis. The Company's investments in ITH, Corvus Gold Ltd., TMC, Abzu, Wealth, Indico and Dorato are carried at quoted market value or an estimate thereof, and are classified as "available-for-sale" for accounting purposes. The Company's investment in Ethos Capital Corp. is classified as "held-for-trading" for accounting purposes. All resource related investments in warrants are classified as held-for-trading and are considered derivative financial instruments where changes to the fair value are included in net income. The Company intends to dispose of its resource-related investments as necessary to fund ongoing operations.

MATERIAL PROCEEDINGS

The Company is not a party to any material proceedings.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at April 30, 2011 as required by Canadian and US securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of April 30, 2011, the disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period beginning on November 1, 2010 and ended on April 30, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

General

The Canadian Accounting Standards Board has confirmed that effective on January 1, 2011, IFRS replaced Canadian Generally Accepted Accounting Policies (GAAP) as the basis for accounting for publicly accountable enterprises. The first period reported under IFRS by the Company will be the three month period ended January 31, 2012 and the Company's first fiscal year end date under IFRS will be the fiscal year ending October 31, 2012.

The change from Canadian GAAP to IFRS will be a significant undertaking and may have significant effects on the Company's accounting, internal controls, disclosure controls and financial statement presentation.

The Company commenced transition plan development in November 2009. The Company has determined its preliminary IFRS policy decisions and significant expected accounting differences, based on an analysis of the current IFRS standards, and the following section outlines each of these. As the conversion work continues, additional differences between Canadian GAAP and IFRS may be identified. As a result, these accounting policy choices may change prior to the adoption of IFRS on November 1, 2011. Although the Company has identified key accounting policy differences, the impact of these differences to its financial statements has not been determined at this time. Decisions with respect to accounting policy changes, outlined below, may change once management has quantified and thoroughly analyzed the effects of such changes and has presented them for final review and approval by the Company's Audit Committee.

First-time Adoption of IFRS (IFRS 1)

In the first year of transition to IFRS, a company is allowed to elect certain exceptions from IFRS in order not to apply each IFRS on a retrospective basis. IFRS 1 has certain mandatory exemptions as well as limited optional exemptions. Based on analysis to date, the Company expects to apply the following optional exemptions under IFRS 1 that will be significant in preparing the financial statements under IFRS:

- *Business Combinations* – A company may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3 “Business Combinations” or to apply an optional exemption from applying IFRS 3 to past business combinations. The Company will elect, on transition to IFRS, to apply the optional exemption such that transactions entered into prior to the transition date of November 1, 2010 will not be restated.
- *Share-Based Payments* – A company may elect not to apply IFRS 2 “Share-Based Payments” to equity instruments which vested before the transition date to IFRS. The Company will elect, on transition to IFRS, to apply the optional exemption such that equity instruments which vested prior to the transition date of November 1, 2010, will not be restated.

IFRS to Canadian GAAP differences

The following is the preliminary difference between the Company's Canadian GAAP accounting policies and the policy choices available under IFRS. Based on analysis to date, management believes they may not be material:

Share-based payments – Canadian GAAP allows certain policy choices in the calculation of stock based compensation. The Company currently amortizes grants in their entirety on a straight-line basis over the vesting term. IFRS standards require each tranche in the grant to be amortized over its respective vesting period. As a result of these changes, share-based compensation expense will be accelerated under IFRS. In addition, unvested options at November 1, 2011 will be revalued under IFRS, with consequent adjustments to opening retained earnings. The Company currently vests options at the date of the grant.

Additional Impacts of Adopting IFRS

The Company has determined that the main impact of IFRS on the Company will involve a significant increase in note disclosure as well as certain presentation differences.

Current IFRS Transition Work

- The Company is now quantifying the known differences between IFRS and Canadian GAAP.
- The Company's finance group is continuing its education program to increase its understanding of IFRS.
- The Company will continue to review all proposed and continuing IFRS amendments by the various regulatory bodies and update or revise the project plan accordingly to ensure it accomplishes a timely and efficient transition to IFRS.
- The Company's IFRS conversion project is currently on target to meet the changeover date of November 1, 2011.

DISCLOSURE OF OUTSTANDING SHARE DATA

1. Authorized and Issued capital stock:

As at April 30, 2011:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	59,213,302	\$71,473,502

As at June 10, 2011:

Authorized	Issued	Book Value
An unlimited number of common shares without par value	82,610,304 ⁽¹⁾	\$106,569,005

(1) These numbers assume that the 312,300 common shares purchased by the Company under its normal course issuer bid, which commenced June 16, 2010 and runs until June 15, 2011 ("NCIB"), will be cancelled and returned to treasury (which has not yet happened). These 312,300 shares, together with any additional shares which may be purchased under the current NCIB, will be cancelled and returned to treasury upon the expiry of the current NCIB.

2. Options Outstanding:

As at April 30, 2011:

Number	Exercise Price	Expiry Date
1,000,000	\$1.30	September 11, 2011
360,000	\$1.31	December 1, 2011
500,000	\$1.41	February 2, 2012
1,485,000	\$1.16	July 27, 2012
1,125,000	\$1.16	August 11, 2012
100,000	\$1.28	September 8, 2012
1,000,000	\$1.84	January 28, 2013
5,570,000		

As at June 10, 2011:

Number	Exercise Price	Expiry Date
1,000,000	\$1.30	September 11, 2011
360,000	\$1.31	December 11, 2011
500,000	\$1.41	February 1, 2012
1,485,000	\$1.16	July 27, 2012
1,125,000	\$1.16	August 11, 2012
1,000,000	\$1.83	January 28, 2013
380,000 ⁽¹⁾	\$0.0625	June 1, 2013
100,000 ⁽¹⁾	\$0.1625	June 1, 2013
320,000 ⁽¹⁾	\$0.3125	June 1, 2013
980,000 ⁽¹⁾	\$0.375	June 1, 2013
389,143 ⁽¹⁾	\$0.4375	June 1, 2013
7,639,143		

(1) Former Coalhunter incentive stock options.

3. As at April 30, 2011, there were no warrants/agent's warrants outstanding.

At June 10, 2011, the following warrants were outstanding:

Number	Exercise Price	Expiry Date
448,000	\$0.625	December 17, 2011
240,000	\$0.0625	March 1, 2012
120,000	\$0.0625	May 20, 2012
120,000	\$0.0625	June 15, 2012
240,000	\$0.125	January 12, 2013
240,000	\$0.125	May 29, 2013
11,200	\$0.1563	March 29, 2012
25,200	\$0.1563	April 6, 2012
672,000	\$0.375	June 14, 2012
140,000	\$0.4375	September 22, 2012
1,600,000	\$0.50	November 15, 2012
3,856,400⁽¹⁾		

(1) Former Coalhunter warrants.

NYSE AMEX CORPORATE GOVERNANCE

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

ADDITIONAL SOURCES OF INFORMATION

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