

CENTENERA MINING CORPORATION
(formerly Artha Resources Corporation)
(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
January 31, 2016
(Unaudited)
(Expressed in Canadian Dollars)

Corporate Head Office

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NOTICE TO READER

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

The condensed consolidated interim financial statements of the Company for the quarter ended January 31, 2016 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity’s auditor.

CENTENERA MINING CORPORATION *(formerly Artha Resources Corporation)*
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at January 31

	2016	2015
ASSETS		
Current		
Cash	$ 80,873	$ 85,908
Receivables (note 7)	315,018	468,313
Total Current Assets	395,891	554,221
Exploration and evaluation assets (note 5)	601,068	567,941
Total Assets	$ 996,959	$ 1,122,162
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 187,160	$ 151,514
Convertible promissory note (note 6)	42,240	39,225
Total Liabilities	229,400	190,739
Shareholders' Equity (Deficiency)		
Share capital (note 7)	3,556,073	3,556,073
Reserves	339,996	335,671
Deficit	(3,128,510)	(2,960,321)
Total Shareholders' Equity (Deficiency)	767,559	931,423
Total Liabilities and Shareholders' Equity (Deficiency)	$ 996,959	$ 1,122,162

"Keith Henderson" Director *"Stephen Pearce"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CENTENERA MINING CORPORATION *(formerly Artha Resources Corporation)*
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the three months ended January 31, 2016	For the three months ended January 31, 2015
Administrative Expenses		
Bank charges	$ 822	$ 1,068
Consulting fees (note 8)	42,293	-
Investor relations and promotion	1,688	-
Impairment loss on VAT receivable	370	1,821
Office and general	16,857	842
Professional fees	31,092	6,977
Salaries and benefits (note 8)	34,887	5,479
Stock based compensation (notes 8 and 9)	4,325	-
Regulatory and transfer agent	3,380	-
Loss Before Other Items	(135,714)	(16,187)
Other Items		
Interest expense	(2,106)	(3,759)
Foreign exchange	(30,369)	15,470
Loss and comprehensive loss for the period	$ (168,189)	$ (4,476)
Basic and diluted loss per share – basic and diluted	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	43,562,089	23,743,781

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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CENTENERA MINING CORPORATION *(formerly Artha Resources Corporation)*
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share Capital				
	Shares	Amount	Deficit	Reserves	Total Shareholders' Equity
Balance, October 31, 2014	**23,958,781**	**1,420,934**	**(1,636,750)**	**-**	**(215,816)**
Net loss for the period	-	-	(4,476)	-	(4,476)
Balance, January 31, 2015	**23,958,781**	**1,420,934**	**(1,641,226)**	**-**	**(220,292)**
Shares issued for the RTO (note 4)	10,103,308	1,189,319	-	-	1,189,319
Forgiveness of debt due to Cardero Resource Corp. (note 8)	-	-	-	308,523	308,523
Shares issued for cash (note 7)	5,500,000	550,000	-	-	550,000
Shares issued by way of guarantee (note 7(b))	4,000,000	400,000	-	-	400,000
Shares issue costs	-	(4,180)	-	-	(4,180)
Share based compensation (note 7)	-	-	-	27,148	27,148
Net loss for the period	-	-	(1,319,095)	-	(1,319,095)
Balance, October 31, 2015	**43,562,089**	**$ 3,556,073**	**$ (2,960,321)**	**$ 335,671**	**$ 931,423**
Share based compensation (note 7)	-	-	-	4,325	4,325
Net loss for the period	-	-	(168,189)	-	(168,189)
Balance, January 31, 2016	**43,562,089**	**$ 3,556,073**	**$ (3,128,510)**	**$ 339,996**	**$ 767,559**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CENTENERA MINING CORPORATION
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
YEARS ENDED OCTOBER 31
(Expressed in Canadian dollars)

	For the three months ended January 31, 2016	For the three months ended January 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (168,189)	$ (4,476)
Items not affecting cash:		
Impairment loss on VAT receivable	370	1,821
Share-based compensation	4,325	-
Unrealized foreign exchange loss (gain)	3,015	26,147
Changes in non-cash working capital items:		
Receivables	152,925	(4,345)
Accounts payable and accrued liabilities	35,646	(47,163)
Net cash inflow (outflow) from operating activities	28,092	(28,016)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	33,127	27,744
Net cash outflow from investing activities	33,127	27,744
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	-
Share issuance costs	-	-
Net cash inflow from financing activities	-	-
Change in cash for the period	(5,035)	(272)
Cash, beginning of the period	85,908	5,786
Cash, end of the period	$ 80,873	$ 5,513

Supplemental disclosure with respect to cash flows (note 9)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Centenera Mining Corporation, formerly Artha Resources Corporation (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on January 9, 2006. The Company's principal business activity is the exploration and evaluation of mineral properties located in Argentina. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "CT".

The head office and principal address of the Company is Suite 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada. The registered and records offices of the Company are located at Suite 415 – 1040 West Georgia Street, Vancouver, BC, V6E 4H1, Canada.

On June 18, 2015, the Company acquired all of the issued and outstanding common shares of Cardero Argentina S.A., a private company incorporated under the laws of Argentina ("Cardero Argentina"), from Cardero Resource Corp. ("Cardero"). As a result of this transaction, Cardero obtained a majority interest of the issued and outstanding shares of the Company resulting in a reverse takeover of the Company by Cardero. Consequently, the Company has accounted for this transaction similar to a reverse acquisition for accounting purposes (the "RTO"), with the acquiring entity being Cardero Argentina and the acquired entity being Centenera Mining Corporation. See note 4.

As at January 31, 2016, the Company has a working capital of $166,491(October 31, 2015 – $363,482) and an accumulated deficit of $3,128,510 (October 31, 2015 - $2,960,321).

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof.

These condensed consolidated interim financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have financial resources to sustain operations in the long-term. There is no assurance that future financings will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

The Board of Directors of the Company approved the condensed consolidated interim financial statements on March 14, 2016.

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for assets and liabilities recorded at fair value. These condensed consolidated interim financial statements represent a continuation of Cardero Argentina, the legal subsidiary (note 4) and include the accounts of the Company and its wholly-owned subsidiaries from the date of acquisition by Cardero Argentina. Intercompany balances and transactions are eliminated on consolidation. The presentation and functional currency of the Company is the Canadian dollar.

2. BASIS OF PREPARATION *(Cont'd…)*

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2015.

Principles of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries as follows:

Subsidiary	Proportion of Ownership Interest	Country of Incorporation	Principle Activity
Takbel S.A.	100%	Uruguay	Holding
Minera Argentina del Norte S.A.	100%	Argentina	Exploration
Minera Crosby S.A.	100%	Argentina	Holding
Cardero Argentina S.A.	100%	Argentina	Exploration
1054749 B.C. Ltd.	100%	Canada	Holding

The Company consolidates its subsidiaries on the basis that it controls the subsidiary through its ability to govern its financial and operating activities. The accounts of Takbel S.A., Minera Argentina del Norte S.A. and Minera Crosby S.A. were subsidiaries of the Company prior to the completion of the RTO (note 4). Therefore, their results are only included in these condensed consolidated interim financial statements from the date of the RTO transaction.

All intercompany transactions and balances are eliminated on consolidation.

Reporting currency and foreign currency translation

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company. The functional currency of Cardero Argentina prior to the completion of the RTO was the Argentine peso. On completion of the RTO, the functional currency of Cardero Argentina became the Canadian dollar. The functional currency of the other consolidated entities is Canadian dollars.

Significant accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidate interim financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

2. BASIS OF PREPARATION *(Cont'd...)*

Significant accounting judgments, estimates and assumptions *(cont'd...)*

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant estimates relate to the valuation of receivables, share-based payments, deferred income tax assets, impairment testing and determination of listing fee. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there were none. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly provided a full allowance.

The most significant judgments relate to determining that the transaction between the Company and Cardero Resource Corp. (note 4) constituted a RTO acquisition, the recoverability of capitalized amounts, the determination of the economic viability of a project and whether the going concern assumption is appropriate and convertible promissory notes.

Management must make judgments about the valuation of convertible promissory notes, principally through the determination of an appropriate discount rate for similar debt without conversion features or attached warrants. The Company reviewed discount rates in use by companies of similar sizes and in the same industry and life cycle stage to determine an appropriate discount rate. Management also considered the Company's history of borrowings, the general economic outlook for junior exploration entities, and its overall access to credit facilities.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd...)*

New standards not yet adopted *(cont'd...)*

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

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

Applicable to annual periods beginning on or after November 1, 2016.

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of "elsewhere in the interim report" and require a cross-reference

Applicable to annual periods beginning on or after November 1, 2016.

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

4. REVERSE TAKEOVER TRANSACTION

During the year ended October 31, 2015 the Company completed the acquisition of all of the issued and outstanding shares of Cardero Argentina S.A. ("Cardero Argentina"). Cardero Argentina was a wholly owned subsidiary of Cardero Resource Corp. ("Cardero"), except as to one share owned by Hendrik van Alphen, and is a mineral exploration company with properties located in Argentina. As consideration for the acquisition, as well as for services provided by Cardero relating to the RTO, the Company paid to Cardero US$50,000 cash and issued 23,743,781 common shares to Cardero.

Prior to giving effect to the acquisition and concurrent financings (note 7b), the Company's issued and outstanding share capital consisted of 10,318,308 common shares after giving effect to a 1 (new) to 10 (old) share consolidation completed by the Company in January 2015. As a result of the Company issuing 23,743,781 common shares,

4. REVERSE TAKEOVER TRANSACTION *(Cont'd...)*

Cardero Resources received an approximate 69.7% interest in the Company, prior to the concurrent financings (note 7). Because the transaction resulted in a change of control of the Company, the transaction is considered a purchase of the Company's operations by Cardero Argentina and is accounted for as a RTO. As Cardero Argentina is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying value. Accordingly, the Company's historical results of operations are ignored and the Company's current results of operations are included in the consolidated financial statements of the Company from the date of the RTO onwards. In conjunction with the RTO, the Company changed its financial year-end from December 31 to October 31.

For the purposes of accounting for the RTO, the percentage of ownership of the Company in the combined Company upon completion of the RTO was determined to be 30.3% (which represents 10,318,308 common shares out of the total 34,062,089 outstanding upon closing).

All figures as to the numbers of common shares, as well as loss per share in these consolidated financial statements have been retroactively restated to reflect the legal capital of Centenera at an exchange ratio of 1 Cardero Argentina ordinary share to 296.78 common shares of Centenera.

The acquisition of the Company by Cardero Argentina was accounted for as a share-based payment. The fair value of the shares issued was $2,849,255 based on the estimated fair value of the shares. Cash consideration paid was $61,134 (US$50,000). The Company also incurred an additional $117,323 of transaction costs that were attributable to the RTO. The excess of the purchase price and related costs over the fair value for the net assets acquired was recognized in the statement of loss and comprehensive loss. The determination and allocation of the purchase price is summarized below:

Share-based payment – acquisition of the Company	$	1,189,318
Cash payment		61,134
Costs directly associated with RTO		117,323
	$	1,367,775
Allocation of purchase price:		
Net working capital deficiency	$	(249,823)
Exploration and evaluation asset		535,000
Charge related to public company listing		1,082,599
	$	1,367,775

5. EXPLORATION AND EVALUATION ASSETS

Title to Mineral Property Interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

5. EXPLORATION AND EVALUATION ASSETS *(Cont'd...)*

Crosby Property – Argentina

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

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

As at the completion of the RTO, the Company still held the following interests in the Crosby Property that was acquired pursuant to the Option Agreement:

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

Organullo Property – Argentina

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

Mina Angela Property – Argentina

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

5. EXPLORATION AND EVALUATION ASSETS (Con't…)

Trigal Property – Argentina

The Company acquired the property through staking.

	Organullo	Mina Angela	Trigal	Crosby	Total
Balance, October 31, 2014	**-**	**-**	**-**	**-**	**-**
Acquisition costs					
Acquisition costs – RTO	-	-	-	535,000	535,000
Total acquisition costs	-	-	-	535,000	535,000
Deferred exploration costs					
Claim maintenance	14,806	6,666	11,469	-	32,941
Total exploration costs	14,806	6,666	11,469	-	32,941
Total expenditures for the year	14,806	6,666	11,469	535,000	567,941
Balance, October 31, 2015	**$ 14,806**	**$ 6,666**	**$ 11,469**	**$ 535,000**	**$ 567,941**
Deferred exploration costs					
Claim maintenance	8,386	3,681	10,047	1,537	23,651
Drilling	9,476	-	-	-	9,476
Total exploration costs for the period	17,862	3,681	10,047	1,537	33,127
Balance, January 31, 2016	**$ 32,668**	**$ 10,347**	**$ 21,516**	**$ 536,537**	**$ 601,068**

6. TECK SETTLEMENT AGREEMENT AND CONVERTIBLE PROMISSORY NOTE

Prior to the Company completing the RTO with Cardero Argentina, the Company entered into an option/joint venture agreement made effective September 18, 2012 (the "Option Agreement") with Teck Argentina Ltd. ("Teck") to acquire a 100% interest in the Aguilar property located in Jujuy Province, Argentina. The Option Agreement provided for certain firm expenditure commitments that the Company did not meet.

On April 23, 2015, the Company and Teck agreed to terminate the Option Agreement. The termination eliminated any liability relating to prior and future expenditure commitments. As consideration, the Company paid Teck US$10,000, issued a convertible promissory note (the "Promissory Note") for $42,240 (US$30,000) (October 31, 2015 - $39,225) and issued to Teck 1,500,000 units (the "Settlement Units").

The Settlement Units were issued by the Company prior to the completion of the RTO (see note 4). Each Settlement Unit consists of one common share of the Company and one-half of one common share-purchase warrant, with each whole warrant entitling Teck to purchase one common share of the Company at a price of $0.18 per share for a period of 24 months from the date of issuance. Using the residual method, $nil was allocated to the value of the warrants.

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

6. TECK SETTLEMENT AGREEMENT AND CONVERTIBLE PROMISSORY NOTE *(Cont'd...)*

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

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

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

As conversion can only be made into a variable number of common shares, no portion of the convertible note is allocated to equity.

7. SHARE CAPITAL AND RESERVES

a. Authorized

Unlimited number of voting common shares without nominal or par value.

b. Share issuances

During the period ended January 31, 2016, the Company did not issue any new shares.

During the year ended October 31, 2015, the Company issued the following shares:

Immediately before the RTO (note 4), the Company had 10,103,308 common shares outstanding.

On June 18, 2015, the Company issued 23,743,781 to Cardero for the acquisition of the issued and outstanding shares of Cardero Argentina accounted for as an RTO (note 4).

On June 18, 2015, the Company completed a private placement of 9,500,000 units at $0.10 per unit (each unit consisting of one common share and one common share purchase warrant). Using the residual method, $nil was allocated to the value of the warrants. Of the $950,000 in aggregate gross proceeds received from the offering, $400,000 (representing payment for 4,000,000 units) was paid by way of a guarantee received by the Company pursuant to Section 64(3) (a)(ii) of the *Business Corporations Act* (British Columbia). As such, this $400,000 amount of gross proceeds is recorded by the Company as receivables. The guarantee was delivered to the Company pursuant to a side letter agreement between the Company and KF Business Ventures LP (the "Subscriber") dated April 17, 2015, as amended (the "Side Letter Agreement"). The Side Letter Agreement provides, among other things, that the $400,000 payment made by the guarantee shall be substituted by money paid by the Subscriber to the Company in a series of tranches consisting of $100,000 on November 15, 2015

7. SHARE CAPITAL AND RESERVES *(Cont'd…)*

b. Share issuances *(cont'd…)*

$150,000 on January 15, 2016 and $150,000 on March 15, 2016 (each an "Installment Payment"). Furthermore, the Side Letter Agreement provides that, until such time as the payment substitution is made, the certificates representing the purchased securities paid for by the guarantee will be kept in escrow, and that, until such time as the securities are released to the Subscriber upon payment of money to the Company in respect of same, the Subscriber (i) will have no entitlement to dividends or distributions paid on the securities, (ii) will exercise any voting rights attached to the securities as directed by management of the Company and (iii) will not sell, transfer or encumber the securities.

Of the Installment Payments due to date, the $100,000 payment due on November 15, 2015 has been made by the Subscriber, and the Company has entered into a forbearance agreement made effective January 16, 2016 (the "Forbearance Agreement") with the Subscriber and the grantor of the Guarantee. The Forbearance Agreement extends the date for the Subscriber to make the second Installment Payment until February 10, 2016,(received) and preserves the rights and obligations of the parties in connection with the second Installment Payment.

c. Escrow Shares

As at January 31, 2016, there were 17,807,836 shares held in escrow with the Company's registrar and transfer agent (excluding the 4,000,000 units escrowed pursuant to the Side Letter Agreement). These shares will be released from escrow in equal tranches of 3,561,567 common shares beginning on December 19, 2015 and every six months thereafter.

d. Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Such options will be exercisable for a period of up to five years from the date of grant. Vesting of stock options is at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	January 31, 2016		October 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the period	3,350,000	$ 0.07	-	$ -
Granted	200,000	$ 0.07	3,350,000	$ 0.07
Expired	-	$ -	-	$ -
Options outstanding, end of the period	3,550,000	$ 0.07	3,350,000	$ 0.07

The weighted average remaining contractual life of options outstanding at January 31, 2016 was 0.48 (October 31, 2015 – 0.71) years.

7. SHARE CAPITAL AND RESERVES *(Cont'd...)*

d. Stock options *(cont'd....)*

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
3,350,000	$ 0.07	July 15, 2016
200,000	0.07	November 30, 2016
3,550,000		

The Company uses the Black-Scholes option pricing model to value stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation and disclosures, the following weighted average assumptions were used:

	January 31, 2016	October 31, 2015
Risk-free interest rate	0.63%	0.39%
Expected life of options	1.00	1.00
Annualized volatility	184.52%	94.6%
Dividend rate	-	-
Forfeiture rate	0%	0%

Share based payments payment charges for the period ended January 31, 2016 totalled $4,325 (2015-$27,148).

e. Warrants

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

	January 31, 2016		October 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the period	10,562,500	$ 0.31	-	$ -
Warrants assumed on completion of RTO	-	$ -	1,062,500	$ 0.16
Warrants issued on concurrent financing	-	$ -	9,500,000	$ 0.15
Warrants outstanding, end of the period	10,562,500	$ 0.31	10,562,500	$ 0.15

The weighted average remaining contractual life of warrants outstanding at January 31, 2016 was 1.38 (2015 – 1.63) years.

7. SHARE CAPITAL AND RESERVES *(Cont'd...)*

(e) Warrants *(cont'd...)*

* Of the 9,500,000 warrants, 4,000,000 warrants was paid by way of a guarantee received by the Company pursuant to Section 64(3) (a)(ii) of the *Business Corporations Act* (British Columbia). As such, these warrants are held in escrow and as at January 31, 2016 1,500,000 warrants remain in escrow.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
312,500	$ 0.12	May 15, 2017
750,000	$ 0.18	May 19, 2017
9,500,000*	$ 0.15	June 22, 2017
10,562,500		

8. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2016 and 2015, the Company entered into the following transactions with related parties:

Management compensation

Key management personnel compensation is comprised of the following:

For the three months ended January 31		2016		2015
Salaries and benefits to CEO	$	27,000	$	-
Consulting fees to CFO *		13,500		-
Directors' fees (included in salaries and benefits)		6,442		5,479
	$	46,942	$	5,479

Transactions with other related parties

For the three months ended January 31		2016		2015
Consulting fees to a Corporate Secretary	$	6,000	$	-
Office expenses to Marvel Office Management Ltd. a company with directors in common		8,057		-
	$	14,057	$	-

*Amount above is paid to a personal service corporation for personnel that is acting as key management of the Company.

As at October 31, 2014, the Cardero Argentina had a balance owing of $308,523 to its parent Company, Cardero. This balance was unsecured, non-interest bearing and was due on demand. Prior to completion of the RTO, Cardero agreed to forgive this balance in full. A credit of $308,523 was recorded directly to reserves on reversal.

8. RELATED PARTY TRANSACTIONS *(Cont'd...)*

Ultimate parent and controlling party

As at January 31, 2016, Cardero owned greater than 50% of the Company's issued common shares. At October 31, 2014, it owned 100% of Cardero Argentina's issued common shares with the exception of one share held by Hendrik van Alphen (a director of both Cardero and the Company). Cardero is a public company with common shares listed on the TSX.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended January 31, 2016 there was stock based compensation in the amount of $4,325 (January 31, 2015 - $Nil).

10. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL

Fair value

The fair value of the Company's financial instruments including receivables, accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature and capacity for prompt liquidation.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash and cash equivalents and marketable securities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's convertible promissory note (note 6) has been fair valued using level 3 of the fair value hierarchy.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

10. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL (Cont'd…)

Financial risk management (cont'd…)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. Cash deposits are maintained with Canadian financial institutions of reputable credit and are redeemable on demand.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is engaged in ongoing evaluation of opportunities to improve its financial position which includes, but is not limited to, additional equity financings, obtaining exploration partners and/or the sale of assets. At January 31, 2016, the Company has working capital of $166,491 (2015 - $363,482).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no outstanding debt subject to variable interest. The convertible promissory note has a fixed interest of 5% per annum. Accordingly, the Company does not believe it is exposed to significant interest rate risk.

Foreign exchange risk

The Company is exposed to foreign currency risk to the extent that monetary financial instruments are denominated in United States and Argentinean currencies. The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Argentina and are denominated in either United States dollars or Argentine Pesos. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

Price risk

The Company is exposed to price risk with respect to commodity prices, particularly those included in its exploration and evaluation asset portfolio. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Management of capital

The Company's objectives in managing its capital (items included in shareholders 'equity (deficiency)) are to fund acquisition, exploration and development of its exploration and evaluation assets and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

10. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd...)*

Management of capital *(cont'd...)*

The Company is an exploration stage company and is currently unable to self-finance its operations. The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities and pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities**.**

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to manage its capital requirements management has put into place a planning and budgeting process.

The Company is not subject to any externally imposed capital requirements or restrictions and there were no changes to the Company's approach to managing capital during the period ended January 31, 2016.

11. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral resources industry, and in two geographical segments, Canada and Argentina. The significant asset categories identifiable with these geographical areas are as follows:

	January 31, 2016		
	Canada	**Argentina**	**Total**
Exploration and evaluation assets	$ -	$ 601,068	$ 601,068
Cash	76,952	3,921	80,873
Others	305,335	9,683	315,018
Total Assets	$ 382,287	$ 614,672	$ 996,959

	October 31, 2015		
	Canada	**Argentina**	**Total**
Exploration and evaluation assets	$ -	$ 567,941	$ 567,941
Cash	75,885	10,023	85,908
Others	404,814	63,499	469,838
Total Assets	$ 480,699	$ 641,463	$ 1,122,162

For the period ended January 31	**2016**	**2015**
Net loss for the period - Canada	$ 108,767	$ -
Net loss for the period - Argentina	59,422	4,476
Net loss for the year	$ 168,189	$ 4,476

12. SUBSEQUENT EVENTS

The Company had entered into a Forbearance Agreement made effective January 16, 2016 with the Subscriber and the grantor of the Guarantee. The Forbearance Agreement extends the date for the Subscriber to make the second Installment Payment, $150,000 (note 7), until February 10, 2016(received), and preserves the rights and obligations of the parties in connection with the second Installment Payment.

The Company has received a Notice of Civil Claim dated February 25, 2016 in connection with a claim commenced by RDJ Holdings Ltd. ("RDJ") in the Supreme Court of British Columbia in connection with an alleged breach by the Company of an office lease agreement dated February 22, 2011 between the Company and RDJ for certain office premises. RDJ is seeking damages from the Company for unpaid rent, legal costs and interest. The Company intends to defend this claim as it believes RDJ was in breach of the lease agreement and has filed a Response to Civil Claim to that effect. In addition, the Company has filed a Reply to Notice of Claim in a Provincial Court of British Columbia action commenced by RDJ in connection with the same alleged breach of lease, wherein RDJ seeks the amount of $25,236 and abandons the amount of its claim that is over $25,000.