

CENTENERA MINING CORPORATION
(An Exploration Stage Company)

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

Corporate Head Office

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INDEX **Page**

Notice to Reader	1
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	3
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)	4
Condensed Consolidated Interim Statements of Cash Flows	5
Notes to Condensed Consolidated Interim Financial Statements	**6-20**

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 July 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
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

	July 31, 2016	October 31, 2015
ASSETS		
Current		
Cash	$ 1,292,939	$ 85,908
Receivables (note 8)	28,300	468,313
Total Current Assets	1,321,239	554,221
Property, plant and equipment (note 4)	2,461	-
Exploration and evaluation assets (note 5)	629,489	567,941
Total Assets	$ 1,953,189	$ 1,122,162
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 91,726	$ 151,514
Convertible promissory note (note 6)	-	39,225
Total Liabilities	91,726	190,739
Shareholders' Equity		
Share capital (note 7)	4,969,709	3,556,073
Reserves	822,792	335,671
Deficit	(3,909,614)	(2,960,321)
Accumulated other comprehensive loss	(21,424)	-
Total Shareholders' Equity	1,861,463	931,423
Total Liabilities and Shareholders' Equity	$ 1,953,189	$ 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
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)

	For the three months ended July 31, 2016	For the three months ended July 31, 2015	For the nine months ended July 31, 2016	For the nine months ended July 31, 2015
Administrative Expenses				
Bank charges	$ 997	$ 1,636	$ 2,791	$ 4,302
Consulting fees (note 8)	79,341	23,806	165,112	23,806
Investor relations and promotion	9,195	1,078	14,016	1,078
Impairment loss on VAT receivable	726	-	9,028	-
Impairment loss on Exploration and Evaluation Assets (note 5)	27,547	-	27,547	-
Office and general	20,752	10,068	61,892	13,888
Professional fees	36,318	16,934	84,027	32,091
Property investigation	-	-	1,000	11,777
Salaries and benefits (note 8)	39,604	21,998	111,768	40,071
Stock based compensation (notes 7 and 8)	482,502	27,148	486,827	27,148
Regulatory and transfer agent	24,771	3,285	34,996	3,285
Loss Before Other Items	(721,753)	(105,953)	(999,004)	(157,446)
Other Items				
Interest expense	(2,212)	(3,630)	(5,149)	(10,578)
Expenses related to RTO (note 3)	-	(965,775)	-	(965,775)
Gain on settlement of debt	52,373	3,600	52,373	3,600
Foreign exchange	(4,182)	(7,227)	2,487	73,686
Loss for the period	(675,774)	(1,078,985)	(949,293)	(1,056,513)
Translation adjustment	5,544	-	(21,424)	-
Loss and comprehensive loss for the period	$ (670,230)	$ (1,078,985)	$ (970,717)	$ (1,056,513)
Basic and diluted loss per share – basic and diluted	$ (0.01)	$ (0.10)	$ (0.02)	$ (0.15)
Weighted average number of common shares outstanding – basic and diluted	46,007,272	10,649,016	44,383,099	7,087,296

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

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

	Share Capital		Deficit	Reserves	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance, October 31, 2014	**23,958,781**	**$ 1,420,934**	**$ (1,636,750)**	**$ -**	**$ -**	**$ (215,816)**
Share issued Centenera for the RTO (note 3)	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 cost	-	(4,180)	-	-	-	(4,180)
Stock-based compensation (note 7)	-	-	-	27,148	-	27,148
Net loss for the period	-	-	(1,056,513)	-	-	(1,056,513)
Balance, July 31, 2015	**43,562,089**	**3,556,073**	**(2,693,263)**	**335,671**	**-**	**1,198,481**
Net loss for the period	-	-	(267,058)	-	-	(267,058)
Balance, October 31, 2015	**43,562,089**	**$ 3,556,073**	**$ (2,960,321)**	**$ 335,671**	**$ -**	**$ 931,423**
Shares issued for cash						
Private placement	7,900,000	1,264,000	-	-	-	1,264,000
Exercise of options	3,150,000	220,500	-	-	-	220,500
Exercise of warrants	46,875	5,625	-	-	-	5,625
Share issue cost	-	(103,369)	-	-	-	(103,369)
Shares issued for non-cash						
Reclassification of reserves on exercise of options	-	26,880	-	(26,880)	-	-
Share based compensation (note 7)	-	-	-	486,827	-	486,827
Agent warrants	-	-	-	27,174	-	27,174
Translation adjustment	-	-	-	-	(21,424)	(21,424)
Net loss for the period	-	-	(949,293)	-	-	(949,293)
Balance, July 31, 2016	**54,658,964**	**$ 4,969,709**	**$ (3,909,614)**	**$ 822,792**	**$ (21,424)**	**$ 1,861,463**

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

CENTENERA MINING CORPORATION
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)

	For the nine months ended July 31, 2016	For the nine months ended July 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (949,293)	$ (1,056,513)
Items not affecting cash:		
Share based payments	486,827	27,149
Gain on settlement of debt	(52,373)	(3,600)
Expenses related to RTO	-	965,776
Impairment loss on exploration and evaluation assets	27,547	-
Changes in non-cash working capital items:		
Receivables	440,016	133,892
Accounts payable and accrued liabilities	(7,418)	(329,244)
Net cash outflow from operating activities	(54,694)	(262,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in RTO	-	13,524
Purchase of property, plant and equipment	(2,461)	-
Expenditures on exploration and evaluation assets	(110,519)	(22,175)
Net cash used in investing activities	(112,980)	(8,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs	(76,195)	(3,125)
Payment on convertible promissory note	(39,225)	-
Proceeds from exercise of warrants	5,625	-
Proceeds from exercise of options	220,500	-
Proceeds from issuance of shares	1,264,000	550,000
Net cash provided by financing activities	1,374,705	546,875
Change in cash for the period	1,207,031	275,684
Cash, beginning of the period	85,908	5,786
Cash, end of the period	$ 1,292,939	$ 281,470
Supplemental cash flow information		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -

1. NATURE OF OPERATIONS AND GOING CONCERN

Centenera Mining Corporation, formerly (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 3.

As at July 31, 2016, the Company has a working capital of $1,229,513 (October 31, 2015 – $363,482) and an accumulated deficit of $3,909,614 (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 September 27, 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 3) 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 3). 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 the 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 consolidated 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 of exploration and evaluation assets and determination of listing fee. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there were indications of impairment on the Trigal property in Argentina. 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 3) 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. 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. Cardero Argentina was a wholly owned subsidiary of 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,

3. REVERSE TAKEOVER TRANSACTION *(Cont'd…)*

Cardero 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

4. PROPERTY, PLANT AND EQUIPMENT

	July 31, 2016			October 31, 2015		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 2,461	$ -	$ 2,461	$ -	$ -	$ -
	$ 2,461	$ -	$ 2,461	$ -	$ -	$ -

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.

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.

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

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%.

Trigal Property – Argentina

The Company acquired the property through staking. During the period end July 31, 2016, the Company determined that the carrying value of its interest in the Trigal property was impaired because no additional expenditures, at this time, are planned for the property. As a result, the Company wrote off cumulative costs incurred to date on the Trigal property of $27,547 as an impairment loss.

	Organullo	Mina Angela	Trigal	Crosby	El Quemado	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	25,873	9,793	12,534	4,565	8,953	61,718
Drilling	11,965	-	-	-	-	11,965
Assaying	19,191	-	823	-	-	20,014
Field	11,790	-	2,720	-	2,312	16,822
Translation adjustment	(15,302)	(3,865)	-	(651)	(1,607)	(21,424)
Total exploration costs for the period	53,517	5,928	16,078	3,914	9,658	89,095
Impairment	-	-	(27,547)	-	-	(27,547)
Balance, July 31, 2016	**$ 68,324**	**$ 12,594**	**$ -**	**$ 538,913**	**$ 9,658**	**$ 629,489**

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 $37,644 (US$30,000) (October 31, 2015 - $39,225) and issued to Teck 1,500,000 units (the "Settlement Units"). On July 18, 2016 the Company repaid the principal and interest on the convertible promissory note.

The Settlement Units were issued by the Company prior to the completion of the RTO (note 3). 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 had a maturity date of June 18, 2017, and bore simple interest at 5% per annum.

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 July 31, 2016, the Company issued the following shares:

On June 21, 2016 46,875 warrants were exercised for gross proceeds of $5,625.

On July 11, 2016 the Company completed a private placement of 7,900,000 common shares at $0.16 per common share for gross proceeds of $1,264,000. The Company incurred share issuance costs of $103,369.

During the period ended July 31, 2016 3,150,000 options were exercised for gross proceeds of $220,500.

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

Immediately before the RTO (note 3), 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 3).

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

b. Share issuances (cont'd)

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 was 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 provided, among other things, that the $400,000 payment made by the guarantee would be substituted by money paid by the Subscriber to the Company in a series of tranches consisting of $100,000 on November 15, 2015, $150,000 on January 15, 2016 and $150,000 on March 15, 2016 (each an "Installment Payment"). Of the Installment Payments due to date, the $400,000 has been received. Furthermore, the Side Letter Agreement provided that, until such time as the payment substitution was made, the certificates representing the purchased securities paid for by the guarantee would be kept in escrow, and that, until such time as the securities were released to the Subscriber upon payment of money to the Company in respect of same, the Subscriber (i) would have no entitlement to dividends or distributions paid on the securities, (ii) would exercise any voting rights attached to the securities as directed by management of the Company and (iii) would not sell, transfer or encumber the securities.

c. Escrow Shares

As at July 31, 2016, there were 14,246,269 shares held in escrow with the Company's registrar and transfer agent. 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 terms of stock options is at the discretion of the Board of Directors.

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

d. Stock options (cont'd)

Stock option transactions are summarized as follows:

	April 30, 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	3,975,000	$ 0.24	3,350,000	$ 0.07
Exercised	(3,150,000)	$ 0.07	-	$ -
Expired	(300,000)	$ 0.07	-	$ -
Options outstanding, end of the period	3,875,000	$ 0.25	3,350,000	$ 0.07

The weighted average remaining contractual life of options outstanding at July 31, 2016 was 0.96 (October 31, 2015 – 0.71) years.

Stock options outstanding are as follows:

Number of Options	Exercise Price	Expiry Date
100,000	0.07	November 30, 2016
3,775,000	0.25	July 20, 2017
3,875,000		

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:

	July 31, 2016	April 30, 2015
Risk-free interest rate	0.60%	-
Expected life of options	1.00	-
Annualized volatility	149.8%	-
Dividend rate	-	-
Forfeiture rate	0%	-

Share based payments payment charges for the nine-month period ended July 31, 2016 totalled $486,827 (July 31, 2015-$27,149).

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

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:

	April 30, 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	$ 0.15	-	$ -
Warrants assumed on completion of RTO	-	$ -	1,062,500	$ 0.16
Warrants issued on concurrent financing	-	$ -	9,500,000	$ 0.15
Warrants exercised	(46,875)	$ 0.12	-	$ -
Broker warrants issued private placement	286,608	$ 0.30	-	$ -
Warrants outstanding, end of the period	10,802,233	$ 0.15	10,562,500	$ 0.15

The weighted average remaining contractual life of warrants outstanding at July 31, 2016 was .89 (October 31, 2015 – 1.63) years.

Warrants outstanding are as follows:

Number of Warrants	Exercise Price	Expiry Date
265,625	$ 0.12	May 15, 2017
750,000	$ 0.18	May 19, 2017
9,500,000	$ 0.15	June 22, 2017
286,608	$ 0.30	May 15, 2017
10,802,233		

8. RELATED PARTY TRANSACTIONS

During the periods ended July 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 nine months ended July 31	2016	2015
Salaries and benefits to CEO	$ 81,000	$ 13,500
Consulting fees to CFO *	40,500	6,750
Directors' fees (included in salaries and benefits)	17,061	25,569
Share-based payments to CEO, CFO and directors	373,859	24,717
	$ 512,420	$ 70,536

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

Transactions with other related parties:

For the nine months ended July 31		2016		2015
Consulting fees to a Corporate Secretary	$	18,000	$	3,000
Office expenses to Marvel Office Management Ltd. a company with directors in common		17,277		2,050
Share-based payments to Corporate Secretary		25,563		1,216
	$	60,840	$	6,266

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, 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 during the year ended October 31, 2015.

Ultimate parent and controlling party

As at July 31, 2016, Cardero owned 43.8% 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 nine-month period ended July 31, 2016 there was stock based compensation in the amount of $486,827 (July 31, 2015 - $27,149).

10. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL

Fair value

The fair value of the Company's financial instruments including receivables, and 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.

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

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 5) 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:

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 July 31, 2016, the Company has working capital of $1,229,513 (October 31, 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.

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

Financial risk management (cont'd…)

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.

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 July 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:

	July 31, 2016		
	Canada	**Argentina**	**Total**
Exploration and evaluation assets	$ -	$ 629,489	$ 629,489
Cash	1,280,388	12,551	1,292,939
Others	23,308	7,453	30,761
Total Assets	$ 1,303,696	$ 649,493	$ 1,953,189

	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	468,313
Total Assets	$ 480,699	$ 641,463	$ 1,122,162

For the nine-month period ended July 31	**2016**	**2015**
Net gain (loss) for the period - Canada	$ (819,742)	$ (1,035,315)
Net gain (loss) for the period - Argentina	(129,551)	(21,198)
Net loss for the year	$ (949,293)	$ (1,056,513)

12. SUBSEQUENT EVENTS

On August 4, 2016 the Company issued 100,000 common shares for gross proceeds of $7,000 upon the exercise of stock options.

On August 25, 2016 the Company completed a non-brokered private placement of 1,548,000 common shares at a price of $0.25 per common share for gross proceeds of $387,000. The Company paid a cash finders' fee $5,250.

On September 15, 2016 the Company received TSX Venture Exchange ("TSX") approval on the option to acquire a 100% interest in the El Quemado tantalum-niobium bismuth-lithium pegmatite project in Salta province, northwest Argentina. In consideration the Company will issue 2,500,000 common shares as follows; 100,000 within 5 days of TSX approval, 165,000 on March 15, 2017, 265,000 on September 15, 2017, 540,000 on March 15, 2018 and 1,430,000 on September 15, 2018. Upon issuance of the 2,500,000 common shares the Company will be deemed to have exercised the option and will have earned a 100% legal and beneficial interest in the project, subject to a 2-per-cent net smelter return ("NSR") to be granted to the vendor. The Company will have a right to buy one-half of the NSR for $750,000 (U.S.). If the Company abandons the project after exercising the option, the project shall revert back to the vendor, subject to a 1-per-cent NSR to be granted to the Company.