

**ETHOS CAPITAL CORP.**  
(A Capital Pool Corporation)

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009 AND 2008**

**(Expressed in Canadian dollars)**

**(unaudited)**

**NOTICE TO READER**

(These Interim Financial Statements have been prepared by the management of Ethos Capital Corp. and have not been reviewed by the auditors of Ethos Capital Corp.)

# ETHOS CAPITAL CORP.

## Balance Sheets

	<b>March 31 2009 (unaudited)</b>	<b>December 31 2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2 (a))	\$ 1,650,574	\$ 1,830,976
Amounts receivable	1,626	1,232
	1,652,200	1,832,208
Mineral property interests (notes 5 and 6)	138,143	138,143
	\$ 1,790,343	\$ 1,970,351
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,874	\$ 142,612
Due to related party (note 4)	12,085	8,457
	21,959	151,069
<b>Shareholders' Equity</b>		
Share capital (note 3)	1,913,727	1,913,727
Contributed surplus	354,746	354,746
Deficit	(500,089)	(449,191)
	1,768,384	1,819,282
	\$ 1,970,343	\$ 1,970,351

**APPROVED ON BEHALF OF THE BOARD:**

“Chris Theodoropoulos” Director

“Peter Wong” Director

**ETHOS CAPITAL CORP.****Statements of Loss and Deficit****For the three month periods ended March 31, 2009 and 2008****(unaudited)**

	<b>Three months ended March 31, 2009</b>	<b>Three months ended March 31, 2008</b>
<b>Expenses</b>		
Bank charges	\$ 43	\$ 25
Business investigative costs	4,900	-
Listing and filing fees	36,725	6,680
Office and administrative	7,772	4,370
Professional fees	2,709	1,000
Rent	3,450	-
Loss before the undernoted	(55,599)	(12,075)
Interest income	3,891	14,827
Foreign exchange gain (loss)	810	(320)
<b>Net income (loss) for the period</b>	<b>(50,898)</b>	<b>2,432</b>
<b>Deficit, beginning of period</b>	<b>(449,191)</b>	<b>371,987</b>
<b>Deficit, end of period</b>	<b>\$ (500,089)</b>	<b>\$ (369,555)</b>
<b>Net loss per share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of shares outstanding</b>	<b>10,930,000</b>	<b>10,930,000</b>

**ETHOS CAPITAL CORP.****Statements of Cash Flows****For the three month periods ended March 31, 2009 and 2008****(unaudited)**

	<b>Three months ended March 31, 2009</b>	<b>Three months ended March 31, 2008</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income (loss) for the period	\$ (50,898)	\$ 2,432
Changes in non-cash working capital components		
Amounts receivable	(394)	1,741
Prepaid expense	-	1,704
Accounts payable and accrued liabilities	(132,738)	(6,905)
Due to related party	3,628	-
	<u>(180,402)</u>	<u>(1,028)</u>
<b>(Decrease) increase in cash</b>	<b>(180,402)</b>	<b>1,902,875</b>
<b>Cash and Cash Equivalents, beginning of period</b>	<b>1,830,976</b>	<b>1,902,875</b>
<b>Cash and Cash Equivalents, end of period</b>	<b>\$ 1,650,574</b>	<b>\$ 1,901,847</b>

**Cash and Cash Equivalents, end of period, consisted of**

Cash on deposit with a Canadian Senior Bank	\$ 39,004	\$ 270,276
Term deposits and Guaranteed investment certificates issued by a Canadian Senior Bank	\$ 1,611,570	\$ 1,631,571

# **ETHOS CAPITAL CORP.**

## **Notes to the Financial Statements**

**March 31, 2009**

**(unaudited)**

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### **1. OPERATIONS**

Ethos Capital Corp. (the "Company") was incorporated on March 12, 2007 under the Business Corporations Act (British Columbia). On December 12, 2007, the Company completed an initial public offering (IPO) and on December 14, 2007, the Company was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the Exchange).

The Company's initial principal business activity is to identify and evaluate opportunities for the acquisition of interests in assets or businesses that will meet the definition of a Qualifying Transaction as defined in Policy 2.4 of the Exchange.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with 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's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of an interest in assets or businesses which is considered a Qualifying Transaction. Such an acquisition will be subject to regulatory approval. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired and accordingly the Company may be unable to realize on the carrying value of its net assets. During 2008, the Company announced a proposed Qualifying Transaction. See note 5. The Company intends to complete the proposed Qualifying Transaction during 2009.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The Company prepares its interim financial statements in accordance with Canadian generally accepted accounting principles on a basis consistent with those used and described in the annual financial statements for the year ended December 31, 2008. The disclosures contained in these interim financial statements do not include all the requirements of Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

#### **(a) Cash and Cash Equivalents**

Cash and Cash Equivalents consist of deposits in banks, redeemable term deposits and redeemable guaranteed investment certificates with a senior Canadian bank.

#### **(b) Stock-based Compensation**

The Company uses the fair value method of accounting for options granted under its stock-based compensation plan (see note 3). Stock options are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable and are charged to operations over the vesting period if applicable. The offset is credited to contributed surplus. Cash received on the exercise of stock options is recorded in share capital and the related compensation included in contributed surplus is transferred to share capital to recognize the total consideration for the shares issued.

# ETHOS CAPITAL CORP.

## Notes to the Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Loss per share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares of the Company that was outstanding in the period. Diluted loss per share includes the potential dilution from common share equivalents, such as stock options and warrants. The treasury stock method is used to calculate potential dilution, whereby any expected proceeds from the exercise of options or other dilutive instruments are assumed to be used for the repurchase of common shares at the average market price during the reporting period.

For the 3 month periods ended March 31, 2009 and 2008, diluted loss per share was the same as basic loss per share as the effect of all outstanding options and warrants would be anti-dilutive.

(d) Mineral Property Interests

The Company accounts for its mineral property interests whereby costs relative to the acquisition of, exploration for and development of these interests are capitalized by property. All sales and option proceeds received are first credited against the costs of the related interest, with any excess credited to operations. No gains or losses are recognized on the partial sale or disposition of interests except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties and interests are charged to operations.

### 3. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

(b) Common shares - Issued and outstanding

	Number of Shares	Amount
<b>Balance, March 12, 2007</b>	-	-
Issued for cash pursuant to private placements and IPO	10,930,000	2,006,000
Share issue costs paid in cash	-	(52,877)
Fair value of Agent options granted pursuant to IPO	-	(49,245)
Transfer of fair value of Agent options exercised	-	9,849
<b>Balance, March 31, 200, and December 31, 2007 and 2008</b>	<b>10,930,000</b>	<b>\$ 1,913,727</b>

During the year ended December 31, 2007, the Company completed two private placements, issuing 1,800,000 common shares at \$0.10 per share and 7,600,000 common shares at \$0.20 per share. During 2007, the Company, through its agent PI Financial Corp. (the "Agent"), then completed an initial Public Offering (IPO) and issued 1,500,000 common shares at \$0.20 per common share for gross cash proceeds of \$300,000. The Company paid the Agent \$30,000 (10% of gross proceeds) and issued to the Agent an option to purchase 150,000 common shares at \$0.20 per share until December 14, 2009.

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**3. SHARE CAPITAL (continued)**

The fair value of these Agent options was \$0.3285 per share and has been charged to share issue costs. The related credit had been included in contributed surplus.

As at March 31, 2009, and December 31, 2008 and December 31, 2007, there were 2,425,000 common shares issued and outstanding under escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the acceptance by Exchange of a Qualifying Transaction made by the Company. An additional 15% of the escrowed common shares will be released every 6 months following the acceptance of the Qualifying Transaction.

(c) Stock options

During 2007, the Company 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 Exchange requirements, grant to directors, officers, employees and consultants of the Company, non transferrable options to purchase common shares of the Company, provided that the number of common shares reserved for issuance will not exceed 1,090,000, representing 10% of the issued and outstanding common shares of the Company at the closing of the IPO. Such options will be exercisable up to five years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director, officer or employee will not exceed 5% of the issued and outstanding common shares of the Company and the number of common shares reserved for issuance to any consultant will not exceed 2% of the issued and outstanding common shares of the Company. Options may be exercised no later than 90 days following the cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

No options were granted, exercised or cancelled during the three month period ended March 31, 2009.

The following summarizes information on the number of stock options outstanding as at March 31, 2009:

<b>Grant date</b>	<b>Expiry date</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Weighted remaining contractual life (in years)</b>
Dec 12, 2007	Dec 12, 2012	850,000	\$0.20	3.70
Dec 12, 2007	Dec 12, 2009	120,000	\$0.20	0.70
Total		970,000	\$0.20	3.33

**4. RELATED PARTY TRANSACTION**

During the three month period ended March 31, 2009, the Company accrued \$3,567 (2008 – \$nil) for rent of shared office space and reimbursement of certain office costs to a publicly listed company with a common Chief Executive Officer.

# **ETHOS CAPITAL CORP.**

## **Notes to the Financial Statements**

**March 31, 2009**

**(unaudited)**

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### **5. PROPOSED QUALIFYING TRANSACTION**

During 2008, the Company signed a Letter of Intent with Cardero Resource Corp. (Cardero) pursuant to which the Company was granted an option to earn a 70% working interest in three of Cardero's mineral prospects in Mexico. Subsequently during the same year, the Company and Cardero signed a Letter Agreement (the Amending Agreement) amending the terms of the Letter of Intent. The amended transaction is intended to constitute the Company's Qualifying Transaction, such that the Company will meet Tier 2 Mining Issuer requirements of the Exchange.

Pursuant to the Original Letter of Intent and the Amending Agreement, the Company has an exclusive option (the Option) to earn an undivided seventy (70%) percent right, title and working interest in two of Cardero's mineral properties in Mexico, the Santa Teresa and Corrales properties (the Mineral Properties) respectively by:

- (a) paying to Cardero the sum of \$500,000, as follows:
  - (i) \$100,000 on or before the day (the Acceptance Date) which is five (5) days after the Letter of Intent and the Amending Agreement is accepted for filing by the Exchange;
  - (ii) an additional \$150,000 on or before the day which is one (1) year after the Acceptance Date; and
  - (iii) an additional \$250,000 on or before the day which is two (2) years after the Acceptance Date;
- (b) delivering to Cardero 1,334,000 fully-paid and non-assessable common shares of the Company as follows:
  - (i) 266,800 common shares of the Company on or before the day which is one (1) year after the Acceptance Date;
  - (ii) an additional 466,900 common shares of the Company on or before the day which is two (2) years after the Acceptance Date; and
  - (iii) an additional 600,300 common shares of the Company on or before the day which is three (3) years after the Acceptance Date;
- (c) during the currency of the Option, assuming all of the liabilities, and performing, in a timely manner, all of the obligations pursuant to each of the third-party agreements to which Cardero or its subsidiaries hold their rights in and to the Mineral Properties; and
- (d) otherwise complying with the terms and conditions of this Letter of Intent and Amending Agreement during the currency of the Option.

In consideration of Cardero entering into the Amending Agreement, the Company has agreed to issue 100,000 common shares of the Company on the Acceptance Date. In addition to the Option payments to Cardero, the Company has agreed to pay an individual arm's length finder 200,000 common shares of the Company as a finder's fee in consideration of that individual identifying and assisting with the acquisition of the Mineral Properties in the proposed Qualifying Transaction.



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**5. PROPOSED QUALIFYING TRANSACTION (continued)**

The Letter of Intent and the Amending Agreement between the Company and Cardero, and the payment by the Company of the above-described finder's fee are subject to applicable regulatory approvals, including the acceptance of the Exchange. The Company and Cardero have agreed to settle on the terms of a more formal definitive option agreement to replace the Letter of Intent and the Amending Agreement.

The Company does not anticipate any changes to its current roster of directors and officers as a result of the above-described option transaction and financing.

The Qualifying Transaction is an arm's length Qualifying Transaction and to the Company's understanding will not be subject to shareholder approval.

Completion of the above-described transactions is subject to a number of conditions, including but not limited to, Exchange acceptance and requirements. There can be no assurance that the above transactions will be completed as proposed or at all or without amendment.

**6. MINERAL PROPERTY INTERESTS**

The Company reimbursed Cardero for the costs of an initial work program on the Mineral Properties to ensure they meet the terms of a Qualifying Transaction.

The breakdown of the mineral property costs as at March 31, 2009 and December 31, 2008 was as follows:

	<b>Santa Teresa</b>	<b>Corrales</b>	<b>Total</b>
<b>Drilling and Analysis</b>	<b>\$ 81,579</b>	<b>\$ 7,819</b>	<b>\$ 89,398</b>
<b>Field costs</b>	<b>10,977</b>	<b>\$6,761</b>	<b>17,738</b>
<b>Personnel costs</b>	<b>17,513</b>	<b>10,828</b>	<b>28,341</b>
<b>Travel costs</b>	<b>2,666</b>	<b>-</b>	<b>2,666</b>
<b>Total</b>	<b>\$ 112,735</b>	<b>\$ 25,408</b>	<b>\$ 138,143</b>

Management of the Company evaluated the carrying value of its mineral property interests as at March 31, 2009 and December 31, 2008 for impairment. No adjustment was deemed necessary.