Growth Stocks Weekly

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Publisher: Agilis Capital Corporation ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** rreinhard@shaw.ca

Performance: YTDApr30: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 -25.2%; '09 -50.3%; '10 162.3%

Junior Gold and Natural Resource Sector Report

June 15, 2010

INITIAL REPORT

Cardero Resource Corp (CDU-TSX)

Weekly chart: High C$3.59, Low $0.88, Last $1.17

Trading below Cash; Assets being ignored

With the recent sale of its Pampa de Pongo for US$100 million, Cardero is well-positioned in a relatively accommodating environment, with a strong treasury to put to work on behalf of its shareholders. Over the past few years it has also excelled as an 'incubator' for a number of junior exploration companies within the Cardero Group (www.carderogroup.com).

Pampa de Pongo sale

If you find a major deposit, there's always a buyer. Cardero Resources proved that during the recent resource sector swoon, agreeing in October 2008 to sell an iron-ore mine it was developing in Chile to China's Nanjinzhao Group for US$200 million. The deal was that Nanjinzhao would have the right to walk away anytime over the following nine months, at the cost of their $10-million deposit, while Cardero was free to look for another buyer.

We knew both Indian and Chinese firms had looked at the asset, and that Vale could be interested because shipping to China from Chile is far less expensive than from Brazil. China consumed about half of the world's iron-ore in 2008. We expected Nanjinzhao would go ahead with the deal because China had been looking to reduce its reliance on the three big iron-ore plays – Vale, Rio Tinto and BHP Billiton – which, according to industry group Iron Ore Trust Fund, controlled 69 per cent of the seaborne ore market.

With a preliminary study saying the mine has $4-billion worth of ore, the deposit certainly had the scale to lure the Chinese buyer. They tend to have a longer term perspective than North America does, and even with falling iron-ore prices, this deal made sense for them.

The Chinese are also sharp negotiators. In May 2009, with only a renegotiated US$2 million at risk after several granted extensions and renegotiations, and a US$10 million deposit then due, they dropped the big one – they would walk away unless a large price reduction was renegotiated. Within two days, Cardero's president Hendrik van Alphen decided a bird in the hand is better than two in the bush, and clinched the deal and an immediate US$10 million non-refundable deposit – but at the cost of a steep 50% price discount, down to a US$100 million purchase price.

Portfolio of discounted assets

Cardero's current market-cap sits around $69 million (58.7 million o/s shares x $1.17/share). This compares to the net value of cash and investments of $86.2 million, or $1.47 per share. This ignores Cardero's extensive portfolio of advanced exploration and development projects.

Cardero is also actively reviewing potential mineral project acquisitions. Advanced-stage projects in both the base and precious metals sectors are currently being evaluated to identify assets that will contribute significantly to increasing the market value of the Company.

Financials as at April 30 (released last night):

Cash	$74.0 million ($1.26/share)
Investments	$39.6 million ($0.68/share) *
Accounts payable	$00.8 million ($0.01/share)
Income Tax payable	$27.0 million ($0.46/share)

* Summary of Investments:

International Tower Hill (ITH.T)	4.6 million shares	$29.7 million
Trevali Resources (TV.C)	4.1 million shares	$ 5.0 million
Dorato Resources (DRI.V)	2.2 million shares	$ 1.9 million
Wealth Minerals (WML.V)	2.6 million shares	$ 1.0 million
Misc Investments	--	$ 2.0 million

Cardero's shareholdings in International Tower Hill Mines Ltd. (TSX: ITH), Trevali Resources Corp. (CNSX: TV), Dorato Resources Inc. (TSX-V: DRI) and Wealth Minerals Ltd. (TSX-V: WML) have all generated significant returns. The Cardero Group model has earned significant investor and industry interest -- and has emerged as a highly-qualified, multi-disciplinary team of mineral explorationists and technical personnel that can boast a very successful track record.

Projects

An exploration drill program is currently underway on the Company's Baja Iron Oxide-Copper-Gold project in Mexico and a follow-up drill program is also planned for the Organullo Gold project in Argentina. A resource definition drill program has recently been initiated on the Longnose Iron-Titanium Deposit, as well as an exploration drill program on the TiTac Iron-Titanium-Vanadium Deposit, both in Minnesota.

Financials were released last night. Not only does Cardero continue to present one of our better risk/reward scenarios, but there were two very important statements buried in the filing, directly related to their iron sands project in Peru:

"During the quarter April 30, 2010 and to June 10, 2010, the Company was primarily focused on promoting the Pampa el Toro Iron Sands program as a viable project for the production of iron ore concentrate and/or pig iron to serve the needs of the PRC (People's Republic of China)."

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

At this stage we are only focusing on Cardero's demonstrated market cap discount to their large holdings of cash & investments, and their other iron sands project in Peru. They do have other projects that may hold value in time, but they are not material. Cardero is in an excellent cash position because they sold one iron sands project to the Chinese in 2009. They have another one, and are actively working on it. So the most important statement to us is that they are busy marketing it in China, looking for a development partner, or outright sale.

The company has only committed to spending $3 million on the project in 2010 to continue advancing it to the stage of production or sale. They have done extensive work already and spent millions. The property consists of two dune fields - Pampa el Toro and Carbonera. They have 12,100 hectares in four areas that are owned 100% and 3,600 hectares in 2 areas that are held under option from an arm's length private Peruvian company. The Iron Sands project is located near the city of Nazca in the desert coastal region of southern Peru approximately 45 kilometres northeast of the port of San Juan and close to the large Marcona iron mine

In addition, Cardero intends to complete the metallurgical test program presently underway for the recovery of vanadium and titanium from the smelter slag produced in the melting test, and believes that the results of this testing will add significant value in terms of potential high-quality pig-iron and titanium-vanadium co-products. This testing will be completed in Q3/10.

Given that the company trades at a deep discount to net cash/investments, this large iron sands project is given zero value by the market. For the past two quarters management has demonstrated a commitment to the project by controlling costs and cutting losses on any other properties in their portfolio with limited upside, and that were costing them money to carry.

Iron Ore prices have weakened 16% from the dramatic highs hit mid-April, but Chinese demand remains very high. Vale, BHP, and Rio Tinto continue to control pricing in India, China, and Japan, and this motivates these countries to secure their own iron ore supplies.

We are quietly accumulating 250,000 shares for the GSW Model Portfolio, willing to pay up to $1.25.