
Cardero and Hongda revise deal for Pampa de Pongo project in Peru

Monday, 25 May, 2009

Cardero Resource Corporation announced that its Peruvian subsidiary, Cardero Hierro del Peru, SAC and Zibo Hongda Mining Company Limited have reached agreement to amend the provisions of the October 24th 2008 sale agreement for the purchase by Hongda of the Pampa de Pongo Iron Deposit in Peru.

Hongda had requested a price reduction due to difficult global economic conditions that have significantly adversely impacted iron ore prices. Following extensive negotiations, Cardero has agreed to revise the final sale price to USD 100 million.

Accordingly, Hongda has paid the required USD 10 million deposits to Cardero Peru, which is non refundable unless Cardero terminates the agreement or Rio Tinto Mining and Exploration, SAC exercises its right of first offer. Due to the new lower purchase price, pursuant to its right of first offer Rio Tinto will have another 45 day period to match the revised terms. If Rio Tinto does so, Cardero will repay the USD 10 million deposits to Hongda.

The balance of the purchase price of USD 88 million is now due on the earlier of ten days after Hongda has received the necessary Chinese governmental approvals to proceed with the purchase and December 17th 2009. The break up fee payable by Cardero, should it determine not to precede with the transaction remains at USD 20 million. Hongda has agreed to provide, within 90 days, an irrevocable letter of guarantee from a senior Chinese bank guaranteeing the payment of the balance of the purchase price.

Mr Henk Van Alphen president & CEO of Hongda Mining said that "The Board firmly believes that accepting the offer of USD 100 million is in the best interests of the Company and our shareholders, given the current long term projections for the global iron ore markets. The revised agreement will provide us with very significant amount of near term capital that may potentially be employed in new and strategic opportunities - instead of waiting an indeterminate amount of time for commodity prices to improve and hope to sell for higher price in the future."

Mr Van Alphen said that "To take Pampa de Pongo to the next level would result in massive dilution to the shareholders in the current challenging market and there is no guarantee that by doing so the Company would be able to attract a significantly higher purchase price, than Hongda is prepared to pay now."

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