

## FLASH NOTE

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### BELL POTTER

#### MATERIALS

## Cabral Resources Ltd (CBS)

Environmental license approved for maiden drilling programme

**Maiden drilling programme.** Cabral Resources Ltd (CBS) has had its environmental license approved for diamond drilling at its 100%-owned Morro do Gergelim magnetite project in Bahia State, Brazil (north of Minas Gerais). CBS is mobilising two diamond drill rigs to site for a 32-hole programme targeting 331Mt-644Mt of coarse grained magnetite (+32% Fe) at Morro do Gergelim. Initial drilling is expected to commence in mid to late April. Morro do Gergelim is located approximately 12km from the government-funded FIOLE rail line which is under construction. In March CBS and the State of Bahia signed a Protocol of Intentions relating to access of up to 15Mtpa of iron ore production by CBS on the FIOLE rail line and Porto Sul port development.

**Investment view – Buy (Speculative), target \$0.27/share.** CBS represents an early stage investment opportunity ahead of initial drilling results, metallurgical test work and subsequent de-risking milestones including a maiden resource estimate for Morro do Gergelim in Q3. CBS is differentiated among its peers by a strategic foothold in Bahia State. With possible access to government-funded rail and port infrastructure CBS is well positioned to unlock a significant location advantage in an emerging iron ore province. Cash of \$14.6m at December 31, 2011. Our valuation is based on a peer group comparison.

**Catalysts** (1) Initial drilling results, regional exploration and metallurgical test work, (2) maiden JORC resource estimate for Morro do Gergelim in August/September, (3) further tenement consolidation/potential transactions in Bahia State in CY12.

**Disclosure:** Bell Potter Securities acted as Lead Manager for CBS' placement of 125m shares at 20 cents in February 2011. Bell Potter received fees for that service.

**Recommendation:** Buy, Speculative **Previous Close:** \$0.087

**Price Target:** \$0.27

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