

Cabral tracks towards maiden drilling at Brumado

Cabral Resources Ltd has received a major vote of confidence for its Brazilian iron ore projects.

The State of Bahia, where the company has a spate of tenements, signed a Protocol of Intentions (POI) agreement for access of up to 15 mtpa rail and port infrastructure on the publicly funded FIOLE rail line and Porto Sul development.

It is understood that stage one of the rail section, which has been proposed to be extended 860km inland from the port, will be 536km with a capacity of 52 mtpa and operational by late 2013, while the new Porto Sul, north of Ilhéus, past the Cabral tenements is expected to be completed by 2014.

Additionally, the State of Bahia has proposed to help Cabral with financing assistance (via State and Federal agencies) and support in relation to road access infrastructure, water and sewer infrastructure and electricity should it be required to develop Cabral's projects.

For its part Cabral will do its best to promote jobs in the local area by developing, constructing and operating its projects in Brumado and Livramento de Nossa Senhora in the State of Bahia.

These guidelines were outlined in the March announcement, which Cabral managing director Michael Bogue described as a landmark occasion.

"Getting access to both rail and port infrastructure and the support of the Government is fantastic for an emerging iron ore producer," Bogue said.

"As we all know it is all about geology then logistics, so to get the second box ticked is the distinguishing factor that sets us apart from the other iron ore hopefuls out there."

Cabral's portfolio covers about 332sq km, near Brumado, eastern Brazil, with more than a third of its holding at the DSO hematite Canabrava tenement.

Despite its package being within striking distance of the FIOLE rail line, which is under construction, Cabral has not felt the love from the Australian market.

"We are a little disappointed with the reaction we got in the Australian market and our share price actually went down. It was really well received in Brazil and we've had a lot of publicity. Our shareholders have been very supportive and certainly see the benefit of it (POI) so it is up to me to go out and promote and hopefully we will see some verification in our share price," Bogue said.

Market appreciation may not be there yet for Cabral because the company has not produced any drill results for consideration.

It has set an exploration target of 331-644mt iron ore, excluding its hematite pros-

pects such as Canabrava which it picked up in August.

However, that situation is about to change with the company securing an environmental licence to start drilling at Morro do Gergelim prospect in the Lagoa Real tenement area.

Bogue said obtaining the necessary environmental approvals had taken longer than expected and its cause was not initially helped by using consultants that were not "up to the mark".

Now Bogue is confident Cabral has the right team in place with relevant in-country experience to take the company forward, starting with its first foray into drilling.

A 3,000m programme of 32 holes – 18 primary drill holes and 14 alternative sites – was planned to start mid-to-late April, with earthmovers engaged to clear access roads to site and two diamond drill rigs booked.

The drilling campaign is expected to take about three months.

"With a time lag of six to eight weeks for assay results plus some interpretative work to be done, we'd like to have a JORC resource out in August/September but it really depends on how smoothly the drilling programme runs."

As drilling takes place, Cabral will be assessing whether or not it acquires the Fazenda da Mata hematite target, 28km from Cabral's exploration base at Brumado, after it entered into an option agreement on the project last year.

"We have until August to make that decision. Preliminary work indicates that it is very prospective and the team is doing topography works and the like with the view of drilling there before June 30 if we can.

"That means we have a combination of magnetite ore at Morro do Gergelim being extensively drilled with a second priority of a

potential hematite DSO target which we hope to pull together a resource for soon after."

Cabral has not made public what its expectations are for the hematite material, preferring to wait for drilling results to prove its internal beliefs.

The company recognises that the market understands drilling results and it endeavours to prove up targets that warrant drilling, such as Serra do Tigre, to keep the market interested.

Bogue said producing results would also make it easier to raise money in the future should it need to.

However, Cabral is in a sound financial position having raised \$25 million in February 2011.

About \$1.5 million will be spent drilling Morro do Gergelim and possibly \$750,000-\$1 million on the hematite programme.

With about \$14 million in the bank at the end of the December quarter, Cabral is confident it has cash to last until June 2013 in which time it hopes to have a mixture of iron ore resources (itabirite, magnetite, hematite) on two or more of its targets.

Cabral's ambition is to become a 5-15 mtpa iron ore concentrate producer by 2015.

"Before we have to come back to the equity markets we will be in a very different position to where we are today in terms of the status of our projects. I think that augurs well for us to be well positioned to be raising money at the right level when we have to go back to the market and for our shareholders as well," Bogue said.

– Mark Andrews



Morro do Gergelim will be the first prospect Cabral drills near Brumado, eastern Brazil