

Cabral gets moving in Bahia

Michael Quinn, [14 March 2012](#)



SO FAR as Cabral Resources and its board are concerned, the critical pieces are very much falling into place for a major iron project in Brazil. So far as investors in the overall market are concerned ... well, an enterprise value of about \$A5 million would suggest they are currently otherwise engaged.

Cabral this week signed a "protocol of intentions" (POI) with the state of Bahia for access to the key rail and port infrastructure needed to make an iron ore project happen. For up to 15 million

tonnes per annum!

A state and federal government funded railway being built will be laid in close proximity to Cabral's tenement portfolio, with the line to be linked directly to a deep water port of Porto Sul.

Speaking this week from Brazil this week, Cabral managing director Michael Bogue told **HighGrade** the POI was like the so-called memorandum of understanding signed in Australia, but with "more meat on the bone". In the extraordinary meat loving culture that is Brazil, Cabral shareholders will be hopeful that's an apt description.

The cashed-up Cabral is now awaiting environmental approval to start drilling and deliver its first resource. Though a tad cautious of putting a timeframe on that approval, Bogue is hopeful it will be forthcoming in the next fortnight.

While the timing is uncertain, Bogue is confident the drilling will deliver. And that's why the company has been keener to first ensure infrastructure solutions are at hand.

As is generally recognised, there is no shortage of iron ore around the globe – and Brazil is clearly no exception. Indeed quite the contrary. Notwithstanding the obvious givens that some deposits of iron ore are, from a headline basis, obviously better than others, the key then is having the infrastructure available to get the rather ubiquitous stuff to a port.

Given that structural architecture, Cabral's business model of identifying infrastructure and offtake solutions prior to actually doing the drilling to formally prove up the anticipated resources, does make logical sense.

Cabral, according to Bogue, has the rail covered (via a relationship with a Chinese company), and last quarter it hosted a number of senior Chinese delegates from state owned enterprises including China Communications Construction Corporation Group, said to be one of the largest infrastructure and port construction companies globally.

With regards offtake, the metallurgical characteristics of the ore Cabral is outlined will be matched with appropriate steel mills.

Cabral's initial drilling will focus on magnetite resources on account of Morro do Gergelim being the most advanced, promising target in its growing portfolio. Bogue emphasised the company remained very much on the lookout for itabirite and DSO haematite opportunities, given the inherently lower capital and shorter time frame typically involved in such ores.

"The advantage we have is infrastructure solutions at our feet," Bogue said.

He also believes the market is waiting for resource estimates.

"Once we get the environmental approval then we can start playing catch-up with everyone else."

With an enterprise value of \$A5 million, there would appear plenty of catch up to be had.

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