

# High-grade focus for Cabral

The state of the iron ore sector in 2012 forced Brazil-focused Cabral Resources Ltd to rethink its strategy.

Initially, the company had designs on pursuing a 1bt beneficiated magnetite resource in the Brumado complex of Brazil's west coast, however the depressed iron ore market made it hard for Cabral to justify chasing a massive magnetite project.

Fortunately for Cabral another Brazilian opportunity – Sincorá, 90km north-west of Brumado Town, Bahia State – emerged.

Late in March the company secured the 931sq km land package for \$55,000, shortly after terminating an agreement that freed the company from its original magnetite interests in Brazil.

Although a mountain of work is ahead for Cabral at Sincorá, managing director Michael Bogue said a change of direction was necessary to satisfy shareholders.

"Sincorá is at very early stages at the moment with lot of work to do over a large area. We have changed our strategy and put all of the Brumado complex on the backburner; we still believe there is some interesting stuff there but the way that iron ore (prices) are we have got to make things interesting for our shareholders," Bogue said.

"We made the conscious decision to change strategy and go for the high-grade hematite DSO."

Having only had the ground for "five minutes" Cabral is not positioned to reveal any sort of exploration target just yet.

Early surface sample assay results have confirmed high-grade hematite mineralisation with low contaminants in the southern part of Sincorá.

About 2.5km south-east of these occurrences, Cabral has identified further signatures of high-grade hematite and has assays pending on other zones north and south of the original iron occurrences.

Exploration activities have been scheduled for this year as the company assesses the large Sincorá landholding, with the aim of working towards drilling programmes when

environmental work and approvals are fulfilled.

While cash is a concern, Cabral is adequately funded at the moment and positioned to activate drilling, possibly in the latter half of 2013, or add to its landholding in Brazil.

"We have made it public that our cash burn rate is \$1 million a quarter, which we continue to review.

"To the end of March we had \$6 million plus another \$1 million with our JV with China Railway tied up in cash and liquid securities that we can potentially tap into.

"The focus is on Sincorá, which is a vast landholding, and the \$1 million (per quarter) is enough for us.

"With \$6-7 million we could possibly get to a JORC resource before we have to go to market. If we need to raise money after one or two drill programmes then so be it. We have a good cash position currently and are in a highly prospective area. Getting to a resource by the end of the year is ambitious and it will be more than likely in 2014, once we have got the environmental licences," Bogue said.

The market can expect a steady news flow from Cabral as it strives to become a significant iron ore producer by 2015/16.

In light of proving up an economic hematite resource that will essentially bankroll more projects, Cabral's path to production is clear.

Cabral has secured (under the Protocol of Intentions) access and



Michael Bogue

capacity for up to 15 mtpa on the Government-funded FIOL rail line (which is under construction) and the proposed Porto Sul port development.

Tariffs and access terms are still to be negotiated with the regulatory authorities and in the event a contract is not signed Cabral can always revert to Plan B.

Until the FIOL rail and Porto Sul is completed in 2015/16, Cabral can potentially utilise the existing FCA rail line that passes Sincorá

and connects with the Port of Aratu in Bahia State near Salvador, about 360km away.

"The one thing that we have made a song and dance about is the dual infrastructure solutions we have. We believe the Government infrastructure will be built, but we also have the secondary Sincorá option," Bogue said.

– Mark Andrews



Cabral is on the hunt for a high-grade hematite DSO resource in the Sincorá area

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