

CABRAL RESOURCES

RESOURCESTOCKS

ALL BOXES TICKED FOR IRON ORE PLAY

Iron ore hopefuls are often stopped at the last phase of development; hit by a lack of transport infrastructure. Not this company; its project is next to a rail line constructed by the Brazilian government.

IT'S ALSO THE QUALITY OF the deposit which bodes well for this new explorer.

As Cabral Resources managing director Michael Bogue told *RESOURCESTOCKS*, the company's flagship Bahia project has the potential for high quality iron ore concentrate product from a high grade, coarse grained magnetite ore.

"It is a quality iron ore deposit right next to infrastructure that's being built by a third party," he said.

This infrastructure point is what sets Cabral apart from the raft of other iron ore juniors around the globe hoping to push their assets into development.

While Pilbara juniors may face opposition from sections of government and the two big operators, Cabral's Brazilian tenements have a ready-made transport solution.

"You see a lot of junior iron ore companies globally that go and drill 400 to 500 million tonnes in the middle of nowhere and the reality is they need \$4 billion in capital expenditure to get the thing commissioned," Bogue said.

"We don't have that problem."

Cabral was formerly known as RIMCapital (a resources investment firm) and its unique Chinese contact

network helped lead the company to where it is today.

Before the birth of Cabral, RIMCapital obtained a 50% interest in CRMSC Australia; a joint venture company shared equally with state-owned enterprise China Railway Materials Commercial Corporation (China Railway).

"Initially the Chinese contact network that resided within the company and the China Railway JV offered us a lot of options on where to steer the company," Bogue said.

"Generally speaking, Chinese resource sector investments offshore, particularly in Australia, in the recent past probably haven't ended up with the results that the Chinese parties were expecting.

"We are very much looking to assist the Chinese to get that right and have a positive investment experience in overseas resources sector and by combining our talents we hope we can make that happen.

"The deal between Cabral Resources Proprietary Limited and RIMCapital to form Cabral Resources Limited was an ideal marriage. RIMCapital was tailor-made for an iron-ore project to be injected into the company because we have the ability to source all the infrastructure

solutions in-house with our extensive Chinese contact network.

"So, historically, RIMCapital had been searching the globe for the right iron ore, or bulk commodity, transaction."

The company first turned its attention to projects in the emerging Mid West province of Western Australia.

China Railway was heavily involved in the tender for development of the Oakajee port and rail project, heading an alliance of five state-owned enterprises.

"RIMCapital was a shareholding in that initiative and assisted behind the scenes during the tender process," Bogue said.

RIMCapital and China Railway were also involved in the process by which United Minerals Corp became involved with BHP Billiton. BHP ended up acquiring UMC in a \$204 million takeover.

"We still continued to scour around in Western Australia and elsewhere but knew we had to broaden our horizons because we believe the quality of attainable iron ore deposits in WA is declining; the ability to get infrastructure solutions is difficult as well so we looked offshore," Bogue said.

Africa was the next area of interest, but opportunities in the highly-prospective areas of the continent's west were turned down because of sovereign risk concerns.

"The most logical place was then the Americas, where we came across the Cabral opportunity in Brazil," Bogue said.

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“Then there was the location and infrastructure consideration, with critical rail lines and port infrastructure being built by the state and federal governments.”

To fund the acquisition, the newly minted Cabral raised \$25 million through an equity issue to global institutions and sophisticated investors.

“We were fortunate to secure Passport Capital out of the States as a cornerstone investor, taking just under 10 per cent,” Bogue said.

“Passport has a very good track record of making gains from early stage investment in resource companies.

“We managed to attract a lot of other blue-blood institutions that understand resource investment.”

The rail section from the new port of Ilheus, which passes Cabral’s tenements to the city of Caetité, is being constructed and is expected to be operational by July 2012 by Brazilian government estimates.

The Cabral project itself in Bahia has a near-term exploration target of 644 million tonnes of medium to coarse grained magnetite ore.

“There’s been very limited geological data available in this particular region of Bahia,” Bogue said.

“So we did some mapping and field inspections; general reconnaissance work.

“When we went over in November as part of our due diligence process, our exploration and technical director Chris Robinson meticulously took note of the contact points between outcrops on these banded iron formations to calculate widths and determined the strike length of the deposits through satellite imagery and other sources. He made depth predictions based on what would be a pragmatic economic open-pit level.

“He has a lot of iron ore experience and we are fortunate that he’s part of Cabral. We’re very comfortable with those exploration targets that he’s generated.”

Of course, those targets need to be hit, and with more than \$17 million cash on hand (after full payment for the tenement portfolio is assumed), Cabral is well funded for an aeromagnetic survey program and follow up exploration drilling campaign. First drilling is expected to be undertaken in the September



2011 quarter, with an initial JORC resource targeted for the March quarter next year.

Cabral predicts the grade of the (up to) 644Mt magnetite ore exploration target to be +32% Fe.

“We’ll firm up those tonnages and grades over time as we undertake exploration drilling and complete assay, petrology and metallurgical testwork,” he said.

“The idea is that the final ore after beneficiation will be iron ore concentrate sinter feed, in the vicinity 67-68 per cent plus.”

But Cabral is more than just a one-project play. The company’s share price will demand a large premium if it proves up resources at its high-grade DSO-potential hematite mineralised area, within the Bahia tenement package.

“At least one of our tenements we have found hematite float,” Bogue said.

“We are still investigating where the source of that is and what’s driving the geology there, but certainly the grades of that look reasonably high.

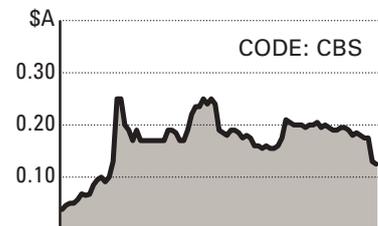
“We need to find more of it and if there’s not a large enough deposit in our tenement area, then we have the backing and capacity to look at consolidation and acquisition opportunities in the surrounding region.”

So, the end game for this promising junior is to firm up its magnetite resource, with Bogue suggesting a regional target of more than 1 billion tonnes of beneficiable magnetite with a view to become a 4-10Mt per annum producer by 2015.

Any DSO hematite material which can be proved up and shipped in the interim would ensure Cabral has all the boxes ticked. – **Blake Wilshaw**

Bahia affords beneficiable and DSO iron ore opportunities

CABRAL RESOURCES AT A GLANCE



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MARKET CAPITALISATION

\$A32.41 million (at press time)

QUOTED SHARES ON ISSUE

259,316,700

MAJOR SHAREHOLDERS

Passport Capital LLC Group 9.64%
UBS AG 5.37%
Sun Hung Kai Investment Services
Ltd 6.22%
Board members (in aggregate) 8.24%