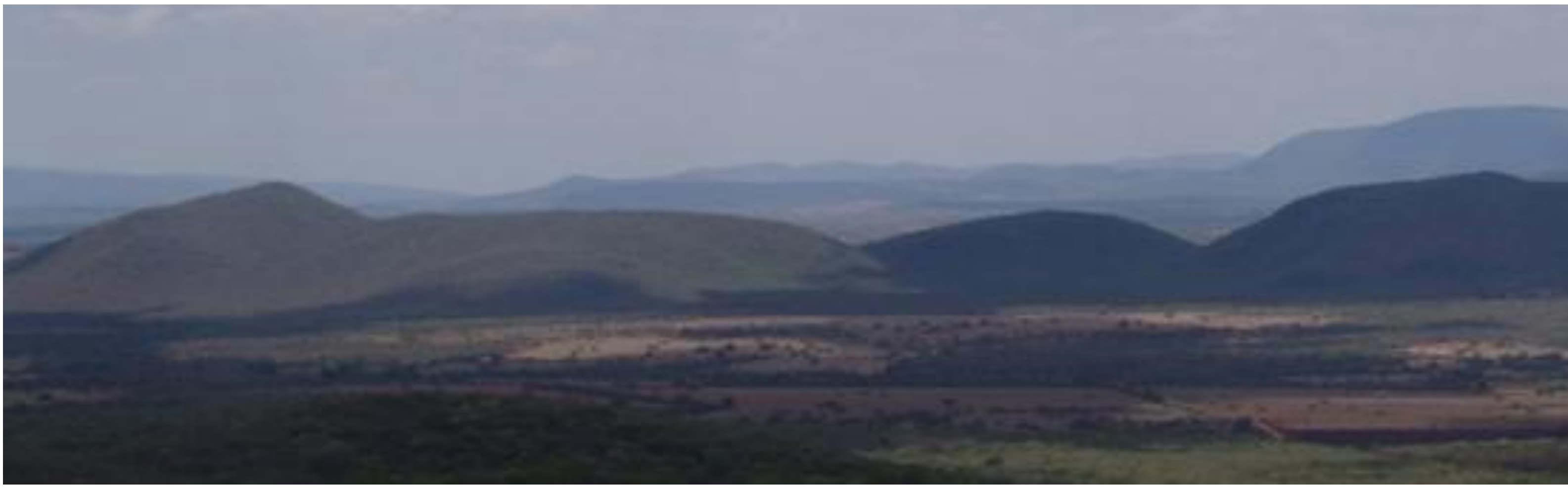
Cabral Resources



Cabral Resources Limited (ABN 72 064 874 620)

And its Controlled Entities

Half Yearly Report

31 December 2012

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This financial report was authorised for issue by the Directors on 13 March 2013. The Company has the power to amend and reissue this financial report.

CORPORATE DIRECTORY

Directors:	Albert Y. L. Wong (Non-Executive Chairman) Michael J. Bogue (Managing Director & Chief Executive Officer) Bruno Maia (Non-Executive Director) Malcolm C. Hancock (Non-Executive Director)
Company Secretary:	Ms Carolyn Patman
Registered Office and Principal place of Business:	Suite 2, Level 5 20 Bond Street Sydney NSW 2000 Telephone: 02 9232 0211 Facsimile: 02 9232 0233
Share Register:	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 *Postal Address* Locked Bag A14 Sydney South NSW 1235
Legal Adviser – Australia :	Ashurst Level 36, Grosvenor Place Sydney NSW 2000
Legal Adviser – Brazil :	Tozzini, Freire,Teixeira E Silva R. Borges Lagoa 1328 04038-904 Sao Paulo SP Brasil
Accountant:	HLB Mann Judd Level 19, 207 Kent Street Sydney NSW 2000 Australia
Auditors:	Nexia Court & Co Level 29, Australia Square 264 George Street Sydney NSW 2000
Securities Exchange Listing:	Cabral Resources Limited Australian Securities Exchange Limited (Code: “CBS”)
Company Numbers:	ACN: 064 874 620 ABN: 72 064 874 620

DIRECTORS' REPORT

Your Directors present their report on the Cabral Group, consisting of Cabral Resources Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

DIRECTORS

The names of the Directors of the Company at any time during or since the end of the half year are:

- *Albert Y. L. Wong*
  Chairman - appointed 2 November 2010
- *Michael J. Bogue*
  Managing Director and Chief Executive Officer - appointed 4 September 2006
- *Malcolm C. Hancock*
  Non-Executive Director - appointed 11 September 2007
- *Bruno Maia*
  Non-Executive Director – appointed 22 November 2011

PRINCIPAL ACTIVITIES

The principal activities of the Cabral Group during the half year ended 31 December 2012 were the exploration and evaluation of the Groups' iron ore tenement portfolio in Bahia State, Brazil. The Group also continued to pursue additional ground consolidation and acquisition opportunities within the region and to co-invest in its associate entity, CRMSC (Australia) Pty Limited, with joint venture partner China Railway Materials Commercial Corporation Group.

REVIEW OF OPERATIONS

The Consolidated Entity posted a net loss of $1,363,264 for the half year ended 31 December 2012 compared to a net loss of $1,482,745 for the corresponding half year. No dividend will be declared in respect of this half year result.

During the half year the Consolidated Entity achieved a number of key results which are outlined below:

- The maiden drill program was completed at Morro do Gergelim with two diamond rigs. The results positively confirmed the Company's original thesis of the presence of heavily metamorphisized and recrystallised BIF occurrences on the target area with reasonable iron grades. However, the geology was clearly more complex than was originally anticipated with the iron rich colluvium cover masking the underlying geology and the overall structure being more deeply weathered. As a result the Company announced during the half year that it was unlikely to meet the original target tonnage range of 200 to 450 million tonnes reported within the tenement boundary comprising the Morro do Gergelim target area and further that it is unlikely that this area alone hosts enough iron ore volume to become an economic standalone iron ore project. Limited metallurgical test work was in progress throughout the half year to better understand the regional iron ore geology;
- The Company announced that magnetite iron ore exploration will be given significantly less priority going forward with the Company implementing a refocused exploration strategy towards identifying and exploring for economic size deposits of high grade DSO hematite ore and itabirite ore projects;

- Core logging and sampling facilities at Brumado exploration offices were fully commissioned during the half year;
- Exploration evaluation of Itibira, Serra Do Tigre and Fazenda Da Mata tenement areas show iron-formation promise from early exploration work in the half year. The Canabrava area tenements were evaluated with limited iron ore potential showing;
- Additional ground consolidation was undertaken to increase the Company's strategic landholding in the region. Third party project due diligence work also continued to be actively pursued in the half year;
- The Company entered a competitive tender process within DNPM in the December 2012 quarter for new prospective itabirite iron ore tenement area with the outcome unknown as at the end of the half year;
- Constructive FIOL rail line and Porto Sul port development infrastructure negotiations and dialogues continued throughout the half year with both the relevant authorities and other stakeholders;
- Non-core Western Australian uranium tenements at Northern Yeelirrie were not renewed by the Company during the half year; and
- The Company implemented numerous cost saving measures in the half year aimed at reducing the Company's overall cash burn rate and preserving maximum cash at hand.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 given to the Directors by the lead auditor for the audit undertaken by Nexia Court & Co is included on page 6.

Signed in accordance with a resolution of the Directors.

Albert Y. L. Wong **Non-Executive Chairman**	**Michael J. Bogue** **Managing Director & Chief Executive Officer**

Sydney, 13 March 2013

The Board of Directors
Cabral Resources Limited
Suite 2, Level 5
20 Bond Street
SYDNEY NSW 2000

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Dear Board Members

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cabral Resources Limited.

As lead audit partner for the review of the financial statements of Cabral Resources Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Yours sincerely

Andrew Hoffmann
Partner

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney, 13 March 2013

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STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2012

	Note	Consolidated 31 Dec 2012 $	31 Dec 2011* $
Revenue from continuing operations		170,992	403,031
Administration		(887,197)	(675,526)
Occupancy		(51,421)	(63,428)
Employee benefits expense		(234,709)	(800,518)
Depreciation and amortisation expenses		(105,375)	(55,379)
Exploration expenditure written-off	3	(123,053)	-
Share of loss from equity accounted investees		(132,501)	(290,925)
Loss before income tax expense		(1,363,264)	(1,482,745)
Income tax benefit		-	-
Profit/(loss) from continuing operations		(1,363,264)	(1,482,745)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		(48,913)	(959,517)
Total comprehensive income		(1,412,177)	(2,442,262)
Profit/(loss) attributable to members of Cabral Resources Limited		(1,363,264)	(1,482,745)
Total comprehensive income attributable to members of Cabral Resources Limited		(1,412,177)	(2,442,262)
Basic earnings per share		(0.53) ¢	(0.57)¢
Diluted earnings per share		(0.53) ¢	(0.57)¢

The accompanying notes form part of these financial statements.

* See note 8 for details regarding the restatement as a result of errors

Cabral Resources

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	Consolidated 31 Dec 2012 $	Consolidated 30 Jun 2012 $
Current assets			
Cash and cash equivalents		7,011,690	10,771,419
Trade and other receivables		39,797	26,417
Total current assets		7,051,487	10,797,836
Non-current assets			
Investments accounted for using the equity method		958,795	1,091,296
Property, plant & equipment		650,626	660,215
Exploration assets	3	12,150,843	8,665,964
Intangible assets		-	990,842
Total non-current assets		13,760,264	11,408,317
TOTAL ASSETS		**20,811,751**	**22,206,153**
Current liabilities			
Trade and other payables		151,236	126,624
Employee benefits		159,969	163,388
Other current liabilities		21,145	-
Total current liabilities		332,350	290,012
Non-current liabilities			
Employee benefits		9,443	23,433
Other non current payables		44,052	54,625
Total non-current liabilities		53,495	78,058
TOTAL LIABILITIES		**385,845**	**368,070**
NET ASSETS		**20,425,906**	**21,838,083**
Equity			
Contributed equity		39,331,045	39,311,045
Reserves		(954,882)	(845,219)
Accumulated losses		(17,950,257)	(16,647,743)
TOTAL EQUITY		**20,425,906**	**21,838,083**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2012

	Note	Consolidated Contributed equity $	 Reserves $	 Accumulated losses $	 Total equity $
Balance as at 1 July 2011		**39,331,045**	**897,039**	**(15,656,753)**	**24,571,331**
Total comprehensive income for the year		-	(959,517)	(1,482,745)	(2,442,262)
Transactions with owners in their capacity as owners					
Employee share options	8	-	(918,271)	918,271	-
Balance as at 31 December 2011		**39,331,045**	**(980,749)**	**(16,221,227)**	**22,129,069**
Balance as at 1 July 2012		**39,331,045**	**(845,219)**	**(16,647,743)**	**21,838,083**
Total comprehensive income for the year		-	(48,913)	(1,363,264)	(1,412,177)
Transactions with owners in their capacity as owners					
Employee share options	5,8	-	(60,750)	60,750	-
Balance as at 31 December 2012		**39,331,045**	**(954,882)**	**(17,950,257)**	**20,425,906**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the half year ended 31 December 2012

	Consolidated	
	31 Dec 2012 $	**31 Dec 2011 $**
Cash flows from operating activities		
Receipts from customers	29,718	22,774
Payments to suppliers, employees and creditors (inclusive of GST)	(1,308,323)	(1,392,488)
Interest received	171,861	421,377
Income taxes received/(paid)	-	3,506
Net cash outflows from operating activities	(1,106,744)	(944,831)
Cash flows from investing activities		
Payments for property, plant and equipment	(99,888)	(105,208)
Payments for explorations assets	(2,492,190)	(3,070,996)
Net cash outflows from investing activities	(2,592,078)	(3,176,204)
Cash flows from financing activities		
Ordinary share issue – proceeds received	-	-
Transaction costs arising from share issue	-	-
Net cash inflows from financing activities	-	-
Net decrease in cash held	(3,698,822)	(4,121,035)
Cash and cash equivalents at the beginning of the half year	10,771,419	19,736,628
Effects of exchange rate changes on cash and cash equivalents	(60,907)	(959,517)
Cash and cash equivalents at end of the half year	**7,011,690**	**14,656,076**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Cabral Resources Limited and its subsidiaries.

This general purpose financial report for the interim half year reporting period ended 31 December 2012 has been prepared in accordance with applicable accounting standards including Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Cabral Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, is in relation to share based payments.

3. EXPLORATION ASSETS

During the half year to 31 December 2012, the Company made further tenement acquisitions to its current portfolio.

A total of $3,486,879 was recorded in additional capitalised exploration costs for activities conducted on the Brazilian portfolio of tenements. Included in this amount was the reclassification of goodwill on consolidation of $990,842.

The value of goodwill of $990,842 has been reclassified to capitalised mining costs due to management's assessment of the value being representative of the core mining assets in Brazil.

During the half year to 31 December 2012, two of the Northern Yeelirrie uranium tenements in Western Australia were allowed to lapse. As a result, an impairment loss of $123,053 has been recognised during the period representing 100% of the value of this tenement area. A third and final tenement will also lapse in the March quarter 2013. There will be no further impairment loss recorded on the Northern Yeelirrie tenements as the carrying value at 31 December 2012 is recorded as nil.

4. SEGMENT INFORMATION

a. Description of Segments

Management has determined the operating segments based on the reports reviewed by those responsible for decision making which are used to make strategic decisions.

The management team have identified two reportable segments based on Geographical factors; one segment in Australia and one segment in Brazil.

b. Segment Information Provided to those Responsible for Decision Making

The segment information provided to those responsible for decision making for the reportable segments for the half year ended 31 December 2012 are as follows:

31 December 2012	Australia $	Brazil $	Total $
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Adjusted EBITDA	(665,332)	(567,289)	(1,232,621)
Depreciation and amortisation	(24,550)	(80,825)	(105,375)
Share of loss from associates	132,501	-	132,501
31 December 2011			
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Adjusted EBITDA	(1,553,910)	(262,679)	(1,816,589)
Depreciation and amortisation	(5,398)	(49,981)	(55,379)
Share of profit from associates	(290,925)	-	(290,925)

31 December 2012	Australia $	Brazil $	Total $
Total segment assets	35,352,071	12,778,554	48,130,625
Total assets includes:			
Investment in associates	958,795	-	958,795
Exploration and tenements	-	12,150,843	12,150,843
Additions to non-current assets (other than financial assets and deferred tax)	-	96,374	96,374
Total segment liabilities	13,570,907	4,430,430	18,001,336
30 June 2012			
Total segment assets	33,109,675	10,121,340	43,231,015
Total assets includes:			
Investment in associates	1,091,296	-	1,091,296
Exploration and tenements	116,721	8,549,243	8,665,964
Additions to non-current assets (other than financial assets and deferred tax)	36,787	888,978	925,765
Total segment liabilities	11,585,183	2,504,583	14,089,766

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c. Adjusted EBITDA

The measurement of adjusted EBITDA excludes the non-recurring expenditure from the operating segment such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore the measure excludes the effects of equity-settled share-based payments and unrealised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by a central treasury function in managing the cash position of the group.

A reconciliation of adjusted EBITDA to operating loss is provided as follows:

	Dec 2012 $	Dec 2011 $
Adjusted EBITDA	(1,232,621)	(1,816,589)
Intersegment eliminations		-
Interest revenue	(170,992)	(403,031)
Dividend revenue	-	-
Interest expense	-	5
Impairment expense	123,053	-
Depreciation and amortisation	105,375	55,379
Legal expenses	73,207	13,803
Other	-	-
Profit/(loss) from continuing operations	**(1,363,264)**	**(1,482,745)**

i. Segment Assets

The amounts provided to those responsible for decision making with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Dec 2012 $	Jun 2012 $
Segment assets	48,130,625	43,231,015
Intersegment eliminations	(28,277,669)	(22,116,158)
Unallocated:		
Investments accounted for using the equity method	**958,795**	1,091,296
Total assets as per the statement of financial position	**20,811,751**	**22,206,153**

ii. Segment Liabilities

The amounts provided to those responsible for decision making with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Dec 2012 $	Jun 2012 $
Segment liabilities	18,001,336	14,089,766
Intersegment eliminations	(17,615,491)	(13,721,696)
Total liabilities as per the balance sheet	**385,845**	**368,070**

5. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the half year, a total of 1,350,000 Employee Share Options lapsed resulting in a transfer from the share based payments reserve to retained earnings totaling $60,750. Of these options, 1,200,000 had been allocated to Mr James Li, with a related $54,000 being included in the share based payments recovery. There were no other transactions with key management personnel to the period ended 31 December 2012.

On 29 November 2011, in the corresponding half year, the Company cancelled 7,795,172 options to Mr Michael J Bogue pursuant to the terms of the MDSOP and at the request of the Mr Bogue. This resulted in a transfer from the share based payments reserve to retained earnings of $795,921 during the period ended 31 December 2011.

6. RELATED PARTY TRANSACTIONS

During the half year period, a controlled entity of the Company paid an aggregate of R$4,880 (2011 - R$72,400) to a law firm associated with Non-Executive Director Mr Bruno Maia in Bahia State, Brazil. These amounts were paid for general legal services rendered in the ordinary course of business and on arm's length commercial terms and conditions.

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 4 March 2013, the Company announced that it had formally terminated the Agreement (and its five Amendments) for the acquisition of the Company's debut magnetite iron ore tenement portfolio in Brazil equating to nine (9) tenements with the relevant vendor with the Company having no further legal obligations under that Agreement. The Company's decision to terminate the Agreement (and its five Amendments) came as a result of both the vendor's inability to complete its contractual obligations to the Company as well as the vendor's perpetual breach of key representations and warranties made to the Company.

The impact of the termination of the Agreement on the Company is:

- The vendor is under an obligation to return all historical cash payments made to it by the Company, aggregating to R$3,788,500 (equivalent to A$1,872,000), plus reimburse the Company all costs and legal fees related to the vendor's non-performance in exchange for the Company returning title to the nine (9) magnetite iron ore tenements governed by the Agreement. Notwithstanding these repayment and reimbursement obligations of the vendor, the Company understands it has insufficient financial resources to fully refund the Company. Given these circumstances, the Company will not be returning title to any tenements until such time as full cash repayment and reimbursement is received from the vendor; and

- The Company is no longer contractually obligated to meet the "Final Payment" of R$4.7 million (equivalent to A$2.32 million) in cash which was owing to the vendor and the Company has no further obligations under the Agreement or its Amendments.

There have been no other transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

8. CORRECTION OF ERRORS

The cancellation of share based payments was not disclosed correctly in accordance with AASB 2 Share Based Payments. Originally, the cancellation of the options was treated as a reversal in the expenses, rather than directly through equity. This resulted in a change to the corresponding six month period ended 31 December 2011 to increase loss from continuing operations by $918,271. There was no impact on the statement of financial position or statement of cash flows.

DIRECTORS' DECLARATION

In the opinion of the directors of Cabral Resources Limited ("the Company"):

1. The financial statements and notes set out on pages 7 to 15, are in accordance with the Corporations Act 2001 and:

    a. Comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the six month period ended on that date;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Albert Y. L. Wong
Non-Executive Chairman

Michael Bogue

Michael J. Bogue
Managing Director & Chief Executive Officer

Sydney, 13 March 2013

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CABRAL RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Cabral Resources Limited, which comprises the condensed consolidated Statement of Financial Position as at 31 December 2012, condensed consolidated Statement of Comprehensive Income, condensed consolidated Statement of Changes in Equity and condensed consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Interim Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cabral Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cabral Resources Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Andrew Hoffmann
Partner

Sydney, 13 March 2013