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3 July 2013

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POSITIVE PRELIMINARY METALLURGICAL TEST WORK RESULTS FOR MORRO DO GERGELIM

Cabral Resources Limited ("**Cabral**") (ASX Code: "**CBS**") is pleased to announce the following positive but preliminary metallurgical test work results for its Morro do Gergelim target area drilled in the second half of 2012.

It must be emphasised that these results are initial results and preliminary work only on the metallurgical behaviour of the ore at Morro do Gergelim. Significant additional follow up work is required in order to optimise these initial test work results. Consistent with Cabral's stated exploration strategy, the Company does not intend to undertake further metallurgical test work on the Morro do Gergelim area at this time and has deferred all future works on the Brumado Complex in light of the current encouraging results in the Sincorá Area.

The Cabral exploration team is solely focused on exploration within the Sincorá Area.

Cabral has previously indicated that it is seeking to monetise the Brumado Complex tenement portfolio which includes the Morro do Gergelim target area. Efforts to monetise this tenement portfolio have commenced but in circumstances where market conditions globally are challenging and in the iron ore industry in particular are extremely difficult. Notwithstanding this, Cabral management will continue to pursue ways to monetise the Brumado Complex tenement portfolio where possible and the positive preliminary metallurgical test work results below may assist the Company achieve that objective in the quarters ahead.

SUMMARY OF PRELIMINARY METALLURGICAL TEST WORK RESULTS

Grind Liberation Test Results

The curves obtained with the Grind Liberation Tests have demonstrated that 106μ is the optimal grind size; this was achieved after 1 minute of comminution with an 82% passing ratio.

Davis Tube Test Results

Davis Tube Recovery ("DTR") tests on the ground samples are summarised below.

	SiO_2 (%)	Al_2O_3 (%)	P_2O_5 (%)	Fe (%)	LOI (%)	Mass Yield (%)	Fe Yield (%)
ANM	2.86	0.23	0.014	**68.79**	-2.46	13.71	38.11
IFO	3.18	0.18	0.019	**67.85**	-1.03	10.03	30.27
BXM	1.95	0.22	0.016	**69.20**	-1.97	14.03	39.78

Geological legend for lithotype:
ANM: Magnetic Amphibolite; IFO: Iron Formation; BXM: Magnetic Biotite Schist

The table shows the average results of the Davis Tube Tests. The concentrate Fe average grade varies from 67.85% (IFO) to 69.20% (BXM). Average SiO_2 grades in the concentrate vary from 1.95% (BXM) to 3.18% (IFO). Other contaminants are low grade and generally meet the concentrate quality specifications. Furthermore the concentrate quality achieved with the Davis Tube method meets international market requirements. Sulfur grades were not available at the time of this report and would require future testing to be carried out.

Concentrate mass yields for the principal magnetite bearing horizons ranged from 10.03% (IFO) to 14.03% (BXM), whereas concentrate Fe yields for the same units ranged from 30.27% (IFO) to 39.78% (BXM).

The following conclusions can be drawn based on the preliminary test results:

- The overall quality of the concentrate achieved in the Davis Tube Tests meets the market requirements for iron ore fine concentrate. Sulfur content of the concentrate would need to be checked as this result was not available at the time of this report;
- The ratio of magnetic Fe to total Fe in the lithologies is 33% or less;
- The trend of increasing magnetite with increasing depth in the Gergelim deposit was noticed for ANM and IFO lithologies reflecting the oxidation of the upper layers of the deposit; and
- Recoveries increase as magnetite content increases as was observed with both ANM and IFO lithologies. Mass yields are a function of both Fe grade and magnetite content of the run of mine ore.

Further works which were recommended to Cabral by SRK Consulting and which would typically be required to progress with the technological development of the Gergelim material treatment are described below:

- Conducting chemical and mineralogical characterization of the lithologies separately and by particle size fractions. Such investigation will enable to quantitatively describe the mineral species and chemical components by size fractions. It will assist in providing guidelines on how to proceed with processing route investigations;
- Additional laboratory bench methods and equipment should be considered for processing characterization and to seek to improve mass recovery levels:

heavy liquid tests, shaking tables (gravity separation), low and medium magnetic intensity drums, high variable intensity magnetic coils;

- Bond Work Index tests on separate lithologies should be conducted on selected samples in order to evaluate the nature of material with regards to grinding. SGS conducted 3 repeated Bond WI determinations on some samples and the results were: 12.9, 13.4 and 13.1 kWh/st.

As previously stated Cabral does not intend to undertake this further test work at this time. The Cabral exploration teams' focus is on the Sincorá Area. Cabral management will continue to pursue all avenues to maximise the value of the Brumado Complex tenement portfolio which includes the Morro do Gergelim target area.

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Competent Person's Statement

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Paulo Alexandre Ribeiro who is a member of the Australasian Institute of Mining and Metallurgy. Mr Paulo Alexandre Ribeiro is a permanent full-time employee of Cabral Resources Limited as Head of Exploration and he has sufficient experience, which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Paulo Alexandre Ribeiro consents to the inclusion in this announcement of the matters based on the information in the form and context in which it appears.

Exploration Targets

It is common practice for a company to comment on and discuss its exploration in terms of estimated target size and type. The information in this announcement relating to exploration targets should not be misunderstood or misconstrued as estimates of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context in this announcement. The potential quantity and grade of any exploration targets are conceptual in nature since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration works will result in the determination of a Mineral Resource or Ore Reserve in compliance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Forward-Looking Statements

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the iron ore mining industry, expectations regarding iron ore prices, production, cash costs and other operating results, growth prospects, the outlook of Cabral's exploration activities, the potential for future operations including any commencement of commercial operations at Sincorá Area and its liquidity and capital resources and expenditure, contain or comprise certain forward-looking statements regarding Cabral's exploration operations, economic performance and financial condition. Although Cabral believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of exploration, business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in iron ore prices and exchange rates and business and operational risk management. Cabral undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

About Cabral

Cabral Resources controls an extensive strategic landholding in the emerging iron ore region of Bahia State in Brazil. The 1,782 km^2 landholding amassed contains ground prospective for high grade direct shipping hematite ores, itabirite ores and coarse grained magnetite ores. In March 2012 Cabral signed a Protocol of Intentions with the State of Bahia and State Treasury for up to 15 million tonnes of annual iron ore production on the government-funded FIOL Rail Line and Porto Sul port development. The existing, operating FCA rail line to the Port of Aratu runs within Cabral's highly prospective Sincorá Area. Cabral has a strong local exploration team in Brumado, Bahia, Brazil and driven senior management focused on moving its projects towards production in 2015/16.