

25 July 2013

SINCORÁ AREA – UPDATE ON EXPLORATION ACTIVITIES AND FUTURE PROGRAM OF WORKS

HIGHLIGHTS

- **New surface sample assay results within Queixada Zone**
 - **New surface sample assay results within Coral Zone**
 - **Weather and conditions for access have slowed exploration coverage of the extensive Sincorá Area by the Cabral exploration team**
 - **Significant program of works planned for the Sincorá Area to improve the geological understanding of the region**
 - **Preliminary drill program design is underway**
 - **An update on tenure for the Sincorá Area tenement applications**
 - **Significant progress on the FIOL Rail Line construction continues**
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Cabral Resources Limited (ASX Code: “**CBS**”) (“**Cabral**”) provides the following update of its exploration activities and future program of works at its Sincorá Area.

QUEIXADA ZONE

Within the Queixada Zone, located in the central part of the Sincorá Area, the exploration team continues to undertake surface sampling for assay and detailed mapping of the area. To date a high grade hematite surface area of 2,000 metres by 3,000 metres has been delineated within the Queixada Zone. This surface area remains open in all directions.

The geology in this area is subhorizontal in attitude. The high grade hematite iron occurrences have predominantly been found within a certain range of elevations, although iron mineralisation has also been encountered at higher and lower levels than this main elevation range. The high grade hematite surface expressions occur as either subcrop or float. There is superficial cover of sand, quartzite and other host rocks which make it difficult to delineate the hematite bodies in a precise manner.

This subhorizontal geological hypothesis continues to guide the ongoing geological sampling and mapping field works in the area with a view to more clearly delineating the hematite bodies.

Most recently, the Cabral's exploration team has focused upon expanding the high grade hematite signature in the Queixada Zone to the north and to the south.

Some previously reported high grade hematite surface sample assay results 12km to the north within the Coral Zone shows potential to significantly expand the currently identified 2,000 metres by 3,000 metres surface area. If this expansion is verified the Queixada/Coral subdivisions will be reviewed as these target zones were originally divided according to the geography and to the iron formation occurrence modes.

In the same way, Cabral's exploration team has identified and sampled more significant iron formation occurrences about 8km to the south of the defined 2,000 metre by 3,000 metre area.

In recent times, access between the existing high grade hematite area within the Queixada Zone and the high grade hematite findings within the Coral Zone and to the southern occurrences have been problematic with heavy rains and overflowing rivers. The exploration team is now geographically divided in the field and will try to access the north Queixada area from both sides West (Iramaia Town) and Southeast (Ibicoara Town). At present, even when the Cabral exploration team does have limited access within the Queixada Zone, progress is slow given the wet conditions and the increasing levels of superficial soil and vegetation cover.

The latest surface sample assay results for the Queixada Zone are reported below. A number of other assay samples are pending.

NEW SURFACE SAMPLE ASSAYS FOR QUEIXADA ZONE

Sample ID	Rock type	Zone	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
C000919	Chemical Canga	Queixada	49.4	7.7	8.8	0.84	11.0
C000920	Hematite	Queixada	68.3	0.7	0.5	0.03	1.4
C000929	Ferruginous Quartzite	Queixada	28.5	47.5	7.6	0.03	3.4
C000936	Laterite	Queixada	58.2	4.4	1.5	0.15	10.7
C000937	Hematite	Queixada	65.9	3.7	1.4	0.02	0.9
C000938	Laterite	Queixada	60.0	4.8	2.2	0.10	7.3
C000939	Ferruginous Quartzite	Queixada	25.3	54.9	6.0	0.04	2.8
C000940	Canga	Queixada	32.7	29.0	16.9	0.07	8.0
C000946	Chemical Canga	Queixada	40.1	18.7	15.5	0.15	7.5

Note: Assays undertaken by SGS GEOSOL Laboratórios Ltda. in Minas Gerais Brazil.

CORAL ZONE

Within the Coral Zone, in the north-northeast of the Sincorá Area along the corridor of the geological contact between the Tombador and Bebedouro Formations, Cabral's exploration team has continued to find iron-rich rocks of high potential to form iron ore deposits. The geological reconnaissance works within tenements pegged in the very northern part of the Coral Zone have shown this new ground to be highly prospective for iron ore.

The surface sample assay data table and the regional geological map below show the assay results for the latest samples the exploration team has collected during

these geological reconnaissance works at the northern part of the Coral Zone and along the prospective geological fault contact of the Tombador Formation.

As shown on this map, the main prospective geological feature at Coral is the fault contact of the Tombador Formation. Iron-rich rocks were also identified and sampled along the neighbourhood of the contact with the rocks of the Caboclo Formation as well.

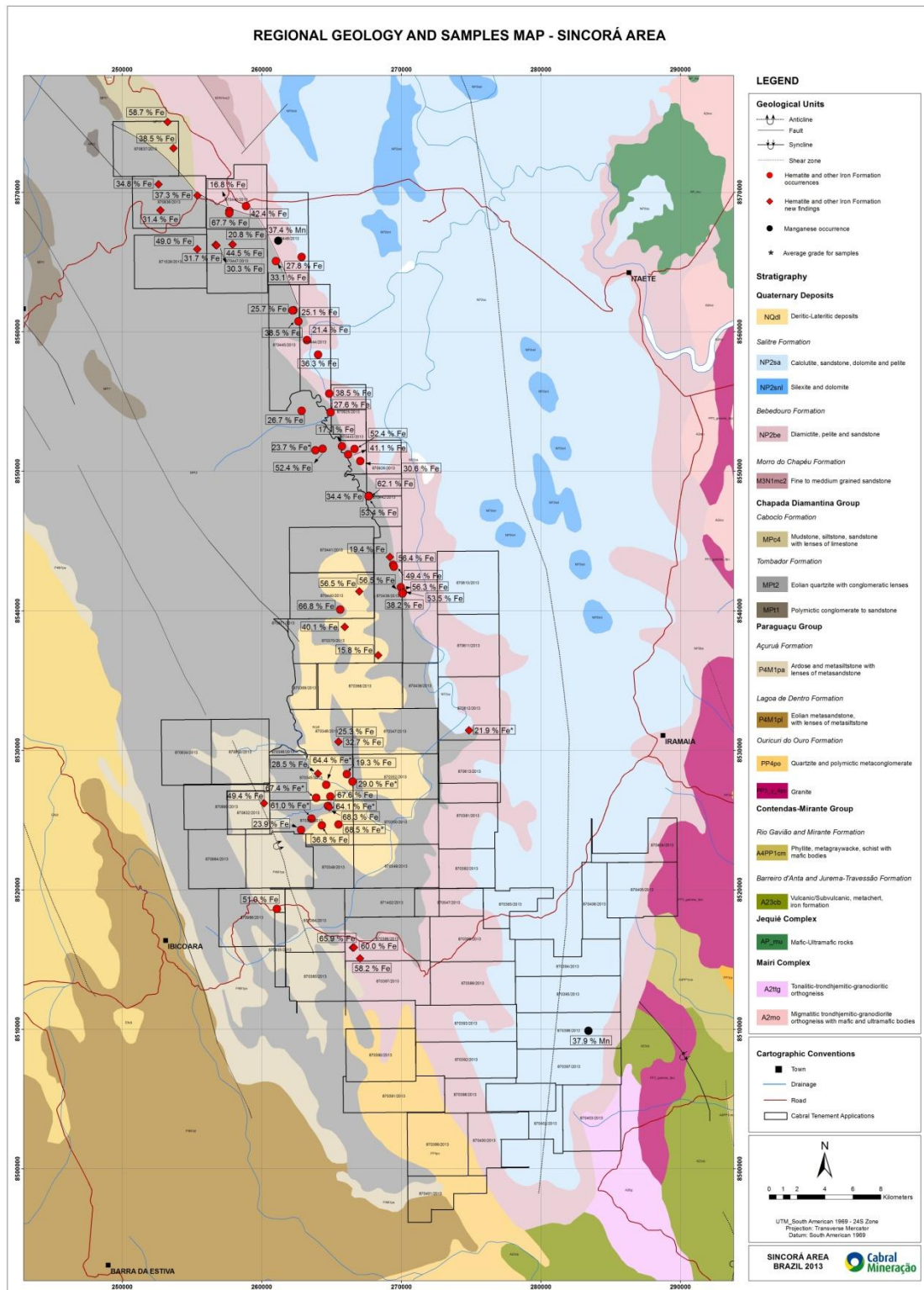
Access has been restricted to this area given the heavy rainfall and the general remoteness of this region. The rainy season is severely damaging the access roads in this area and strong water flows have prohibited river crossing by both cars and on foot hindering access to the better exploration zones at Coral.

Consequently, the Cabral exploration team has been more focused upon the high grade hematite area within the Queixada Zone and to the immediate north, seeking to delineate any further significant mineralisation between Queixada and the high grade hematite occurrences that have been found in the southern portion of the Coral Zone.

NEW SURFACE SAMPLE ASSAYS FOR CORAL ZONE

Sample ID	Rock type	Zone	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
C000907	Ferruginous Quartzite	Coral	37.3	28.2	11.4	0.06	6.1
C000908	Ferruginous Laterite	Coral	49.0	15.9	3.5	0.08	7.9
C000909	Laterite	Coral	38.5	19.1	16.1	0.07	9.6
C000910	Laterite	Coral	31.7	22.4	16.9	0.05	3.2
C000911	Laterite	Coral	30.3	24.6	17.8	0.04	3.7
C000912	Hematite	Coral	44.5	17.3	10.3	<0.005	1.9
C000913	Metassiltite	Coral	20.8	32.5	22.9	0.10	4.1
C000914	Laterite	Coral	34.8	24.7	16.8	0.04	6.0
C000917	Hematite	Coral	58.7	13.4	2.1	0.01	0.9
C000918	Ferruginous Quartzite	Coral	31.4	22.1	18.8	0.01	3.6
C000921	Conglomerate	Coral	17.9	68.1	2.5	0.11	3.5
C000922	Ferruginous Quartzite	Coral	29.9	44.1	7.4	0.02	6.3
C000923	Ferruginous Quartzite	Coral	21.2	62.0	4.0	0.06	3.7
C000924	Ferruginous Quartzite	Coral	22.1	59.4	4.6	0.05	4.0
C000925	Ferruginous Quartzite	Coral	16.1	71.4	2.7	0.02	3.2
C000926	Ferruginous Quartzite	Coral	24.0	60.4	2.7	0.04	3.6
C000930	Ferruginous Quartzite	Coral	15.8	73.1	3.1	0.03	1.4
C000931	Chemical Canga	Coral	56.5	7.2	4.3	0.09	5.9
C000935	Ferruginous Quartzite	Coral	19.4	61.0	6.1	0.04	3.7

Note: Assays undertaken by SGS GEOSOL Laboratórios Ltda. in Minas Gerais Brazil.



CURRENT EXPLORATION PROGRAM OF WORKS

Landowner identification, mapping and agreement

Work is being carried out to identify the involved landowners, to map their properties, check legal documentation and the agreement terms to access and work on the properties. These agreement terms are required to be obtained as part of the rules of DNPM for exploration activities and are also part of the documentation required for the environmental licences.

Topography

At this early stage of geological reconnaissance of the broad Sincorá Area, Cabral's exploration team is using a topographic map obtained from the site of "EMBRAPA – Empresa Brasileira de Pesquisa Agropecuária" for its field base maps. STRM type 1:250,000 digital models of the terrain are available at the site; the contours are obtained by extrapolation of the altitude data through 3D Analyst tools available for ArcGIS from ESRI. These topographic base maps, combined with the handheld Garmin - GPSmap 62s, have been shown to be satisfactory for this initial field work.

Surface Sampling

The surface sampling at the Queixada Zone will continue in a systematic way to follow up existing results of this area. This technique is proving to be one of the most effective ways to identify and map the promising but relatively complicated high grade DSO hematite occurrences, their geometry and spatial distribution. The superficial coverage of sand, quartzite, and vegetation which mask the hematite cobbles and boulders, make the field work somewhat laborious. Despite these difficulties, the exploration team is maintaining its traversing of the region in order to identify and sample further iron occurrences at the Queixada Zone.

Mapping

Surface geological mapping and sampling are being undertaken at both the Queixada Zone and Coral Zone. The Cabral exploration team continues to carry out detailed mapping to understand the geology of the region, known iron occurrences and structural controls.

Assaying

Assaying is being undertaken on the collected field samples at the SGS primary laboratory. All the iron ore related samples are being submitted for X-Ray analysis. When different lithologies, which can host other economic mineral types, are sampled, they are also submitted for ICP multi-elementary analysis.

Partnership with Federal University of Bahia (UFBA)

Cabral has entered an agreement with the Geology Department at the University of Bahia State (UFBA – "Universidade Federal da Bahia") to conduct a supervised Graduate Monograph with a geology student, Miss Vanderlúcia dos Anjos. This study will cover an area of 14 km², which encloses the identified occurrences of high grade DSO hematite at the Queixada Zone.

The general objective of these works in partnership with UFBA is to develop a metallogenetic study and improve the understanding of the high grade DSO hematite occurrences.

Specifically, the initial work will comprise:

- The investigation of the geological characteristics of the hematite host rocks;
- To proceed with an inventory of the petrographic and geochemical characteristics of the high grade hematite occurrences and immediate host rocks; and
- To understand the structural control and the geometry of the hematite occurrences.

The work to be undertaken by UFBA will be supervised by Cabral's Head of Exploration, Paulo Ribeiro in partnership with the PhD Prof. Simone Cerqueira Pereira Cruz of UFBA.

Environmental Works

Environmental studies aiming towards the acquisition of two separate environmental licences for drilling in the Queixada Zone are now at an advanced stage.

Cabral continues to work closely with State and Municipal governments in relation to environmental issues. At the Municipal level, Cabral has been working with both decision makers and the community on informing the interested parties and clarifying the intention, impact and rehabilitation solutions regarding its activities in the region. On a State level, Cabral has actively participated in programs aimed at expediting environmental processes for mineral exploration activities and is also contributing towards discussions with the government regarding a legal overhaul of environmental laws in the State of Bahia.

Costing and Scoping of Geophysics Works

Preliminary scopes of works regarding Electrical, Ground Penetration Radar and Seismic geophysics techniques have been issued to various suitable service providers in the Brazilian market. The Cabral exploration team will assess the responses and quotations expected in August after which Cabral will decide on the appropriate method(s) to be used during this stage of its exploration program.

Exploration Pits

The Cabral exploration team has designed a series of exploration pits to be completed within the Queixada Zone. These are likely to be relatively shallow pits within the 2,000 metre by 3,000 metre high grade hematite area. The purpose of these pits is to obtain a greater understanding of the extent and grade of the hematite mineralisation in the area using low cost methods before proceeding to a drilling phase. The geological understanding gained by the exploration pits in terms of sampling, geological setting, host rocks and the like will help in the design of any future drill plan.

Cabral continues to liaise with the local municipality in relation to our intentions to undertake these research pits. However, it is not expected that approval for this pitting programme will be forthcoming until such time as the relevant tenement applications have been formally granted by DNPM.

Preliminary 12 Month Exploration Budget

A preliminary financial budget for the next 12 months of field work as described above has been estimated at BRL\$2,358,000 (equivalent to approximately A\$1,179,000). Cabral has the necessary cash reserves to continue its exploration efforts through this period. However this preliminary budget is subject to change at short notice depending upon ongoing exploration success, interpretation of each stage of exploration works and timing of the receipt of the requisite approvals (for example, grant of tenements and environmental approvals).

Preliminary Drill Planning

A preliminary drilling plan has been designed for the Queixada Zone. This drilling plan is being refined where relevant new information is forthcoming and collated from the field works. With the hematite bodies being generally confirmed at this stage as stratabound and subhorizontal in structural attitude, the initial drilling plan contemplates a drilling grid with shallow vertical drill holes. To reduce environmental impacts, smaller diamond rigs are considered preferable to reverse circulation rigs, together with the geological benefits of core recovery and simpler rig moves.

TENURE

Cabral expects that all 68 reported tenement applications over the Sincorá Area will be granted by Brazil's National Department for Mineral Production ("DNPM") in the months ahead. As foreshadowed in Cabral's ASX Release dated 22 March 2013, the DNPM is expected to change some tenement boundaries and to trim the size of some tenement areas before granting tenure. This process is now underway within DNPM with some of Cabral's tenement application areas being adjusted for third party overlaps and to exclude tenement portions to the west in proximity to the Permanent Protection Area covering the Chapada Diamantina National Park.

To date, none of the DNPM tenement application adjustments have had any impact on any iron or manganese mineralization occurrences that Cabral has identified within the Sincorá Area.

Cabral will update the market on the final shape and size of the entire Sincorá Area once all tenements have been formally granted by DNPM.

IMPORTANT PROGRESS ON THE FIOL RAIL LINE CONSTRUCTION



Current construction progress at FIOL Rail Line Lot 4, close to Cabral's tenements.

Construction on Lot 4, which passes through Cabral's projects, is now at an advanced stage with sleepers ready to receive rail. The whole project (Lots 1-4) continues to move forward at an accelerated pace and is expected to be completed in a timely manner before 2015/16.

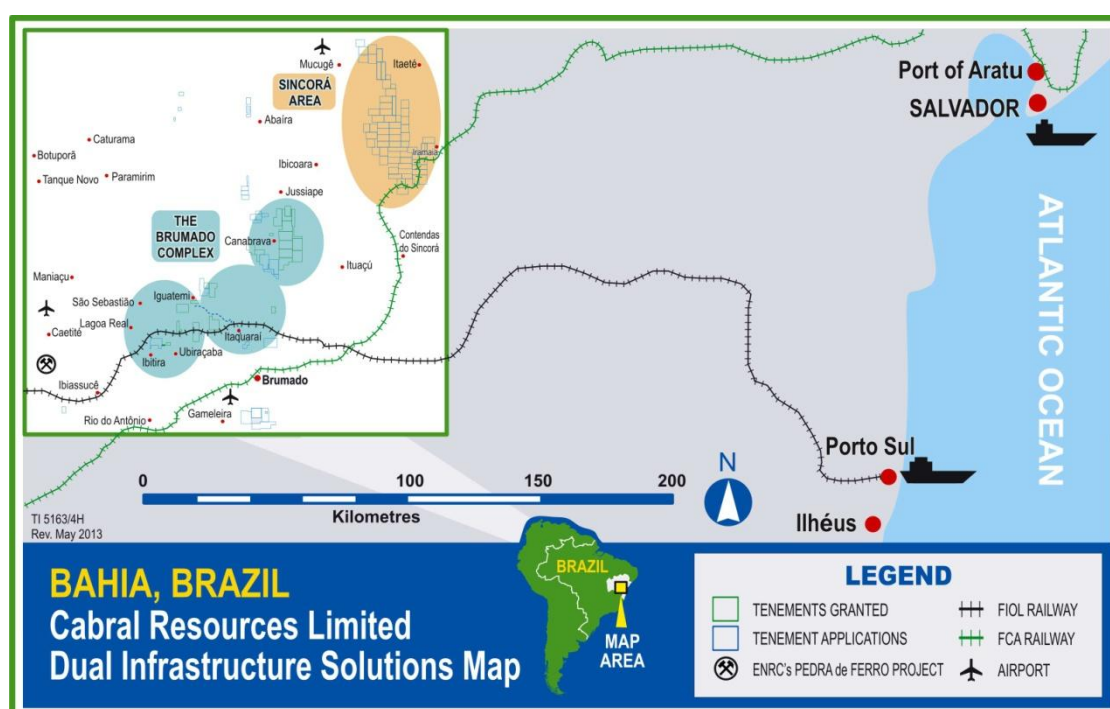
A gallery of photos of the progress of the FIOL Rail Line construction works can be found on the Cabral website under "**Projects – FIOL Rail Update**".

On July 11, 2013, the FIOL Rail Line received the required environmental licences to start construction on Lots 5 and 5a. Whilst these lots are not relevant to Cabral's projects (i.e. they are located further inland), this event is further demonstration of the continued support that the publicly funded, open access FIOL Rail Line receives from the Brazilian Government.



Current construction progress at FIOL Rail Line Lot 4, close to Cabral's tenements.

DUAL RAIL AND PORT INFRASTRUCTURE SOLUTIONS



Cabral has dual rail and port infrastructure solutions for any future production from the Sincorá Area. These are:

1. **FIOL Rail Line and Porto Sul** where Cabral has a Protocol of Intentions ("POI") signed with Bahia State and State Treasury back in March 2012. This POI contemplates access and capacity allocations for up to 15.0 million tonnes of annual iron ore production capacity on publicly-funded FIOIL Rail Line and the proposed Porto Sul port development; and/or
2. **Existing, Operating FCA Rail Line and Port of Aratu** which has potential alternative export infrastructure avenues Cabral can pursue for lesser quantities of iron ore production to generate early cash flows. The existing, operating FCA Rail Line passes within Cabral's Sincorá Area tenements and tracks 360 km to the existing, operating Port of Aratu, Bahia State (near Salvador).

More detailed information on Cabral's dual infrastructure solutions can be found by clicking the link on the homepage of its website **www.cabralresources.com.au**

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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 km² 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 contemplating 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.