Cabral Resources Limited
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14 August 2014

Dear Shareholder

CABRAL RIGHTS ISSUE – NOTICE TO INELIGIBLE SHAREHOLDERS

On 13 August 2014, Cabral Resources Limited ACN 064 874 620 (**Cabral**) (ASX: CBS) announced that it will undertake a 1 for 1 pro-rata non-renounceable rights issue of fully paid ordinary shares in Cabral at an issue price of $0.015 (**New Shares**) to raise approximately $3,889,750 (**Rights Issue**).

Details of the Rights Issue

The purpose of the Rights Issue is to raise funds for the following purposes:

- continue Cabral's ongoing exploration efforts in respect of its Sincorá Area iron ore project in Bahia State, Brazil;
- facilitate completion of Cabral's maiden JORC Inferred Resource estimate in respect of the Madeira Seca Target within the Queixada Zone of the Sincorá Area Project;
- obtain, make application for, advance the grant of and/or progress negotiations to finalise, as the case may be, in respect of the following:
  - all environmental and tenure approvals for Cabral's exploration activities within the Sincorá Area including drilling permits;
  - landowner agreements in respect of land within the Sincorá Area on which Cabral intends to conduct exploration drilling and/or trial mining activities in the future;
  - Guia De Utilização (or trial mining) licenses in respect of potential future mineral extraction activities within the Sincorá Area;
  - access and pricing terms in respect of Cabral potentially utilising the FCA railway line nearby to the Sincorá Area; and
  - access and pricing terms in respect of Cabral potentially utilising the Port of Aratu, near Salvador for any future iron ore shipments; and
- for general working capital purposes.

Documents relating to the Rights Issue have been lodged with the ASX and will be despatched to eligible shareholders on 22 August 2014.

The purpose of this letter is to inform you about the Rights Issue, and to explain why you will not be able to subscribe for New Shares under the Rights Issue. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Eligible shareholders

Cabral is making offers under the Rights Issue to Eligible Shareholders only. Eligible Shareholders are those persons who:

- are registered as a holder of Cabral shares as at 7.00 pm (Sydney time) on 19 August 2014 (the **Record Date**); and
- have an address on the share register in Australia or New Zealand; and
- are not in the United States and are not US Persons and are not acting for the account or benefit of US Persons.

In limited circumstances, and in Cabral's absolute discretion, Cabral may elect to treat as Eligible Shareholders certain shareholders who would otherwise not be Eligible Shareholders if it is satisfied that the Rights Issue can be extended to those shareholders without breaching any laws of any other jurisdictions(s). Shareholders who do not satisfy these criteria are ineligible shareholders (**Ineligible Shareholders**).

Cabral has determined pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3) of the *Corporations Act 2001* that it would be unreasonable to make offers to Ineligible Shareholders having regard to the number of shareholders affected, the number and value of the New Shares they would be offered, and the cost of complying with the legal and regulatory requirements in jurisdictions other than Australia and New Zealand.

Accordingly, the Rights Issue is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to Ineligible Shareholders.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with Listing Rule 7.7.1(b), Cabral wishes to advise you that you are an Ineligible Shareholder and that it will not be extending the Rights Issue to you and you will not be able to subscribe for New Shares under the Rights Issue. You will not be sent the documents relating to the Rights Issue.

As the Rights Issue is non-renounceable, you will not receive any payment or value for entitlements in respect of New Shares that would have been offered to you if you were eligible.

If you have any questions in relation to the above matters, please contact Mr Michael Bogue, Managing Director & CEO at Cabral on telephone +612-9232-0211.

On behalf of the Board, we thank you for your continued interest in Cabral.

Yours sincerely

Michael Bogue

Michael Bogue
Managing Director & CEO
Cabral Resources Limited