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Company Announcements Office  
Australian Securities Exchange  
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## **UPDATE ON TENEMENT TRANSFERS**

Cabral Resources Limited (ASX Code: CBS) ("Cabral") provides the following update in relation to the transfer of title of the nine (9) tenements in the state of Bahia, Brazil:

On 1 March 2011, Cabral announced that it had formally exercised the option held by its wholly owned subsidiary Cabral Brazil Pty Limited ("Cabral Brazil") under the Option Agreement with MSA Mineracao Ltda. ("MSA") in relation to 9 prospective iron ore exploration tenements in Brazil.

On 29 April 2011, Cabral announced details of an alleged third party interest over 3 of the tenements. The transfer of these 3 tenements has been suspended by Brazil's National Department for Mineral Production ("DNPM") pending further investigation.

Senior management of Cabral recently met with MSA in Brazil in order to expedite a resolution to this matter. During those discussions MSA has restated to Cabral that it believes there are no legal grounds to the alleged third party interest in the 3 tenements and rejects their allegations and has stated that it intends to comply with its obligations to transfer all 9 tenements to Cabral Brazil as soon as practicable.

On 6 May 2011 (Brazilian time), Cabral Brazil and MSA entered into a further Second Amendment Agreement in relation to the Option Agreement. Under the Second Amendment Agreement the parties have agreed that:

- MSA shall make arrangements to complete the transfer and assignment of the 6 undisputed tenements into Cabral Brazil's name to protect Cabral's interest in those tenements;
- the assignment of the 3 disputed tenements to Cabral Brazil remains a condition precedent to payment for the remaining 6 tenements by Cabral Brazil and the payment by Cabral Brazil of the entire balance owing under the Option Agreement (approximately R\$9.76 million); and
- Cabral Brazil may terminate the Option Agreement in its sole discretion if the 3 disputed tenements are not transferred to it within 90 days or such transfer is denied by DNPM, in which case MSA must refund all amounts paid to it (currently R\$2.24 million) by Cabral Brazil under the Option Agreement within 24 hours plus refund to Cabral Brazil any associated taxes, expenses and legal costs. In this circumstance, Cabral Brazil would also return to MSA the 6 tenements previously transferred to it.



Cabral continues to actively engage with all relevant reputable parties in relation to this matter and will update the market as appropriate.

In the meantime, Cabral continues to advance its position on the ground in Bahia in anticipation of the transfer of all tenement titles.

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