

4 March 2013

Company Announcements Office
Australian Securities Exchange
PO Box 11224
Australia Square NSW 2000

TERMINATION OF AGREEMENT FOR ORIGINAL BRAZILIAN IRON ORE TENEMENTS

Cabral Resources Limited ("**Cabral**") (ASX Code: "**CBS**") hereby advises that following extensive negotiations over a protracted period of time with the vendor of the original Brazilian magnetite iron ore tenement package, Cabral has terminated the Agreement to acquire such tenements with no further legal obligations owed by Cabral.

Cabral'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 Cabral as well as the vendor's perpetual breach of key representations and warranties made to Cabral.

The impact of this termination on Cabral is:

- The vendor is under an obligation to return all historical cash payments made to it by Cabral, aggregating to R\$3,788,500 (equivalent to A\$1,872,000), plus reimburse Cabral all costs and legal fees related to the vendor's no-performance in exchange for Cabral returning title to the nine (9) magnetite iron ore tenements governed by the Agreement. Notwithstanding these repayment and reimbursement obligations of the vendor, Cabral understands it has insufficient financial resources to fully refund Cabral. Given these circumstances, Cabral will not be returning title to any tenements until such time as full cash repayment and reimbursement is received from the vendor; and
- Cabral 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 Cabral has no further obligations under the Agreement or its Amendments.

Cabral has at all times sought to negotiate with the vendor in good faith in relation to finding a settlement solution in respect of the Agreement (including the five Amendments). However, a satisfactory settlement arrangement was unable to be reached which left Cabral with no choice but to bring an end to this prolonged stalemate.

Cabral has indicated it is willing to work co-operatively with the vendor in relation to resolving their debt of R\$3,788,500 (equivalent to A\$1,872,000) now owing to Cabral and the reimbursement of legal and other costs currently estimated at R\$750,000 (equivalent to A\$370,600). However, in the interim, Cabral has retained all its rights under the Agreement (including the Amendments) including rights to damages and arbitration proceedings.

The impact of this event on Cabral's assets, exploration focus, business strategy and ongoing activities are negligible.

As advised on 22 November 2012, Cabral has re-focused its exploration efforts towards ground prospective for high grade direct shipping hematite and itabirite ores. The nine (9) tenements contemplated by the Agreement concern magnetite iron ore which Cabral has previously announced as having significantly less exploration priority.

Cabral anticipates having positive news in relation to its renewed exploration strategy in the weeks ahead.

For further information please contact:

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About Cabral

Cabral Resources controls an extensive strategic landholding in the emerging iron ore region of Bahia State in Brazil. The 485 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 for up to 15 million tonnes of annual iron ore production on the government-funded FIOL Rail Line and Porto Sul port development. 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.