



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 25<sup>th</sup> JANUARY 2011

## AGUIA TO ACQUIRE LARGE POTASH PROJECTS IN BRAZIL

The Board of Aguia Resources Limited (“**Aguia**” or “**Company**”) is pleased to advise that the Company has entered into a conditional agreement to acquire a potentially large-scale potash project (“**Project**”) located in NE Brazil.

The potash project compliments the Company’s Brazilian phosphate projects enabling Aguia to capitalise on the increasing demand for fertilisers as it aims to be a developer in the Brazilian fertiliser sector.

### Highlights:

- Aguia to acquire Potassio do Atlantico Ltda, a private mineral exploration company with a primary focus on **potash** exploration and development in the Sergipe Basin, Brazil.
- Adjacent to Brazil’s only operating potash mine, Vale’s Taquari-Vassouras underground mine.
- Vale is developing a 1.2m tpa carnallite solution mining project, has built a functioning pilot plant which has proved solution mining of carnallite in the Sergipe basin is commercially feasible and acquired environmental permitting.
- Project supported by data from 300 petroleum bore holes that have reported a number of potash occurrences and 32,000 km of existing 2D seismic data examined that has further highlighted the potential of the region to host significant potash deposits.
- Initial land position of approximately 179,000 hectares (1,790km<sup>2</sup>) in the attractive carnallite potash bearing Sergipe-Alagoas basin.
- Proximity to existing infrastructure including power, gas, road and port facilities.
- Projects are located in one of the largest global potash markets, Brazil imports 90% of its potash needs.
- An experienced in-country technical team is already assembled, headed by Mr Paulo Souza, an experienced mining engineer who was previously involved in developing Vale’s Carnallite Project and Pilot plant.
- Initial exploration will focus on the discovery and delineation of a Mineral Resource estimate that can be reported in accordance with the JORC Code.

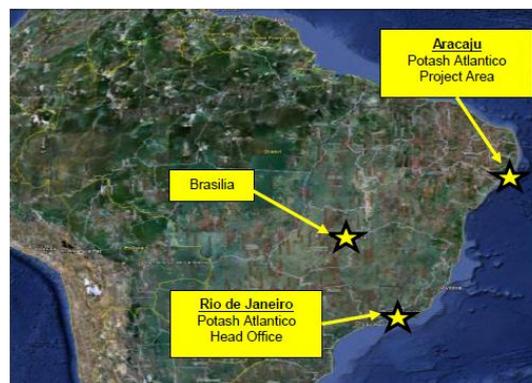


Figure 1: Location of the Potassio do Atlantico Ltda Projects in NE Brazil

The acquisition of the Projects will occur by Aguia acquiring a 100% of Potassio do Atlantico Ltda (“**PALTDA**”). PALTDA is a 100% owned subsidiary of Potash Atlantico Corp (“**PAC**”), a private Canadian company, associated with the Forbes & Manhattan Group.

The commercial terms of the acquisition, which is subject to approval by Aguia shareholders, include the issue of 20 million ordinary shares at settlement and 1.5 million options, with further ordinary shares to be issued upon achievement of milestones involving independent delineation, classification and reporting of mineral resources in accordance with the JORC Code and/or NI 43-101 guidelines (see Commercial Terms section for further details).

In addition, Aguia has a 5 year exclusivity period with PAC, whereby if PAC, or an associate or related corporation of PAC, obtains an interest in a potash project or right to obtain an interest in a potash project that is wholly or partially within Segipe or Alagoas State, NE Brazil, such interest must be offered to Aguia at the cost incurred by the party acquiring the interest.

The Board is also pleased to announce that Mr Paulo Souza will be appointed General Manager, Potash on completion. Mr Souza is an experienced mining engineer with 26 years experience in mine planning and operation including potash development projects with Vale.

Aguia also intends, subject to shareholder approval, to undertake a placement of at least \$15 million to fund initial working capital on the Projects. As part of the commercial terms of the acquisition, an associate of the vendors will agree to place and/or underwrite at least \$7.5 million of the funds raised.

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### **Brazilian Potash Market**

Brazil is Latin America’s biggest economy and is heavily reliant on imports of up to 50% of its phosphate and 90% of its potash needs. Agriculture accounts for a significant part of Brazil’s economic growth due to large areas of suitable land for agriculture and large renewable freshwater resources. Brazil has been over reliant on imports partly due to underinvestment in the agricultural sector.

### **About Forbes & Manhattan Inc.**

Forbes & Manhattan Inc. (“**F&M**”) is a private merchant bank based in Toronto, Canada with offices and operations internationally. F&M uses its team and capital to incubate, finance and manage public and private companies in the junior resource sector. F&M has an extremely successful track record of identifying high quality assets in the mining, resource, fertiliser and energy sectors and advancing them from discovery through to production. There are currently over 25 companies in the F&M group, with a combined market capitalisation of approximately \$2 billion. F&M’s goal is to unlock value by developing resource assets within a 3 to 5 year time horizon.

## Brazilian Potash Projects

The PAC Potash Project is located in the northeastern portion of Brazil in the State of Sergipe. The Project sits to the west and northeast of the city of Aracaju, the capital of Sergipe State with a population of 570,000 inhabitants and a large scale harbour.

PAC has acquired a 100% interest in 107 exploration claims totaling approximately 179,000 hectares (1,790km<sup>2</sup>) consisting of five property areas in the Sergipe-Alagoas basin.

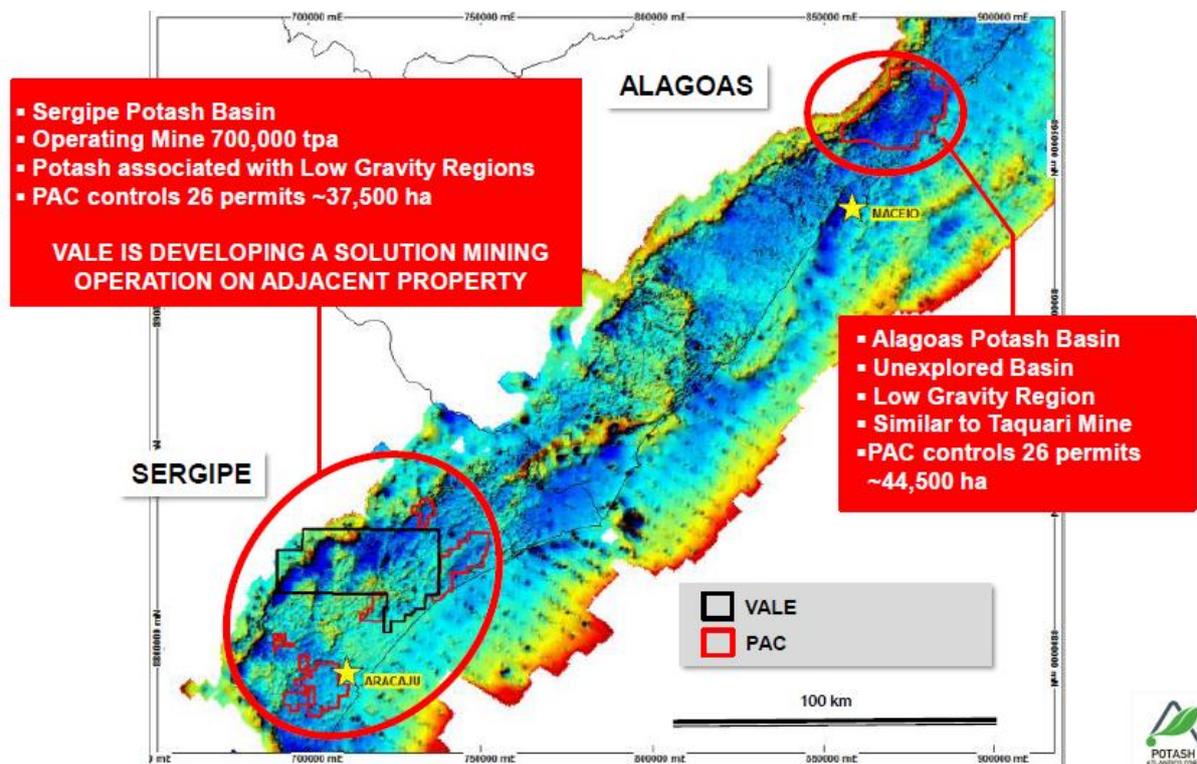


Figure 2: Location of the PAC projects in Sergipe-Alagoas Basin.

The Project is well located with excellent infrastructure (roads, water, energy). Fertilizer blenders are located in the project area providing a ready local market for the product. The area has considerable oil exploration infrastructure, with several companies having offices and warehouses in Aracaju including Halliburton and Schlumberger Limited. The harbour is located 15 km North of Aracaju and it is used for the transport of oil, potash and heavy equipment.

### Geology and Mineralisation

The Muribeca Formation within the Sergipe Basin hosts an important evaporate sequence, salt and potash deposits including significant sylvinite and carnallite deposits. The potash salts occur in isolated sub-basins, of which the most well known is the Taquari Vassouras basin. These potash layers can occur in several levels within the Ibura Member. Whilst the sylvinite always occurs as one single layer, the carnallite can be present as one thick carnallite layer as well as carnallite and rock salt layering.

### Previous Exploration/Development

Potash mineralization was discovered in the Sergipe-Alagoas Basin by Petromisa (Petrobras) during oil and gas exploration in the 1950's and 60's. In Sergipe, sylvinite deposits occur in the regions of Taquari-Vassouras and Santa Rosa de Lima. The discovery

of Sylvinite mineralization resulted in the commencement of mining at the Taquari-Vassouras underground mine in 1985, first by Petrosima and later transferred to VALE in 1991.

In Sergipe there are also important deposits of carnallite-rock. In anticipation of the sylvinite deposit becoming exhausted, VALE has been working on a project to develop its much bigger reserves of Carnallite surrounding the underground sylvinite operation. A pilot plant was commissioned in 2008 to test the solution mining of carnallite, with the aim of establishing capacity for 1.2mtpa KCl by 2015.

### **PAC Studies/Assessment Completed**

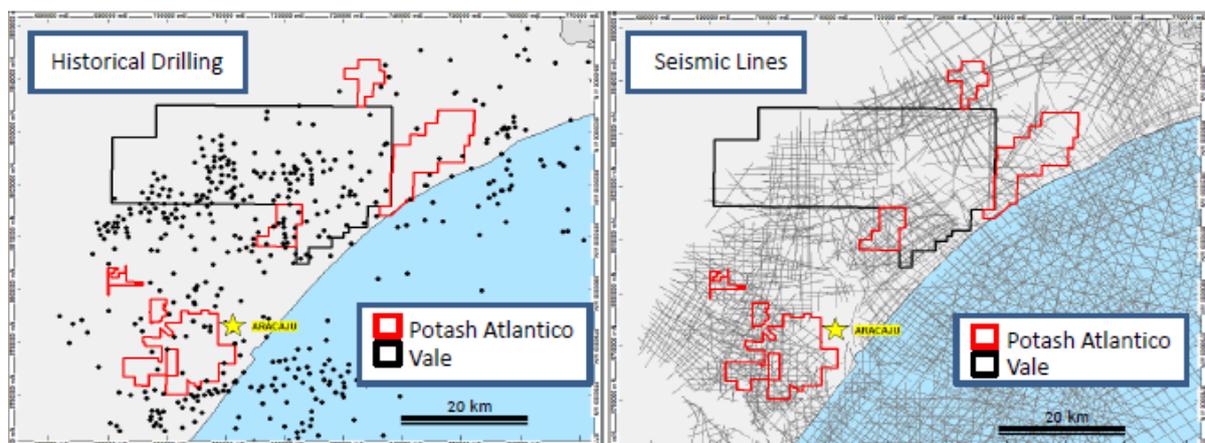
The Project was identified as potentially attractive to PAC because of the potash occurrences reported in the historical petroleum wells. PAC has completed a detailed assessment of approximately 300 drill holes and over 32,000 km of existing 2D seismic data. Of the historical holes 24 are located within the properties and 61 are located within 3 kilometres of the property.

After an initial analysis of these occurrences and extensive seismic data PAC commenced staking five project areas (Areas 1-5) in 2008.

In the second half of 2010 an Independent Technical report according to the Canadian National Instrument NI 43-101 has been compiled by ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN), a German consulting and engineering company with more than 50 years experience in the potash and salt industry.

The report summarized the findings of the detailed work completed by PAC and recommended that further exploration comprising of drilling, assaying, seismic surveys, geophysical drill hole investigation and laboratory testwork (geochemical, rockmechanical and dissolution tests) is fully justified on the properties.

The most advanced project is Area 1 as shown in Figure 3 below.



**Figure 3: Location of Area 1, historical drilling and seismic lines and Vale Operation in Sergipe-Alagoas Basin**

### **Exploration Programs**

Agua will carry out a large exploration program primarily targeting Area 1 to compile an initial Mineral Resource estimate that can be reported in accordance with the JORC Code before advancing to feasibility studies.

A detailed work program will be announced on completion of the acquisition.

## Commercial Terms of the Acquisition

Aguia has entered into an agreement to acquire 100% of PALTDA for consideration as follows:

- (a) 20,000,000 fully paid ordinary shares in the capital of Aguia and 1,500,000 options, exercisable at a price of \$0.50 per option
- (b) 20,000,000 A class converting performance shares ("**CPS**"), which convert into 20,000,000 Aguia Shares upon the completion of one drill hole returning an intersection of 10% KCl mineralisation of a continuous thickness in excess of 10 metres within 3 years of being issued.
- (c) 30,000,000 B class CPS, which convert into 30,000,000 Aguia Shares upon the completion of an independent JORC compliant combined Mineral Resource Estimate including all categories of resources as defined by the JORC guidelines of not less than 100,000,000 tonnes with a grade of not less than 10% KCl at the Projects within 3 years of being issued; and
- (d) 30,000,000 C class CPS, which convert into 30,000,000 Aguia Shares upon the completion of an independent JORC compliant combined Mineral Resource Estimate including all categories of resources as defined by the JORC guidelines of not less than 200,000,000 tonnes with a grade of not less than 10% KCl at the Projects within 5 years of being issued.

The sale and purchase of PALTDA pursuant to the terms of the agreement is conditional upon and subject to:

- (a) Aguia undertaking a placement, of at least \$15 million at a minimum price of at least \$0.50 or on such other terms as otherwise agreed by PAC and Aguia.
- (b) The principals of London Investment Partners, agreeing to place and/or underwrite at least \$7.5 million of the Aguia Shares that are subject to condition (a) above.
- (c) Aguia completing technical, financial and legal due diligence investigations in relation to PAC, PALTDA, the Projects, and being satisfied in its absolute discretion with the results of that due diligence.
- (d) Aguia being satisfied with the proposed terms and conditions of the documents required to give effect to the Transaction.
- (e) Aguia being satisfied, inter alia, that PALTDA has unencumbered title to the Claims.
- (f) Aguia's shareholders passing all resolutions as are required under the ASX Listing Rules, the constitution of Aguia and the Corporations Act 2001 (Cth) to give effect to the transactions contemplated by this Agreement.
- (g) Aguia complying with the ASX Listing Rules and the Act in order for Completion to occur.
- (h) ASX approving the terms and conditions of the CPS.

The Conditions are for the benefit of Aguia and must be satisfied or waived by 31 May 2011, or such other date as agreed between the parties.

On Completion PAC has the right to appoint up to one director of Aguia, on the same terms and conditions as are applicable to other non-executive directors of Aguia.

Additionally, the acquisition agreement remains subject to all required approvals required by PAC, including the receipt of the approval of the shareholders of PAC.

### **Due Diligence Requirements and Settlement**

Shareholders and potential investors should note that prior to Aguia executing the conditional agreement with PAC, it conducted a high level review and assessment of the information provided in respect of the projects.

Aguia will now be undertaking a more comprehensive due diligence process (including title, environmental and other risks) with respect to the acquisition of PAC, however it should be noted that the usual risks associated with start up companies undertaking exploration and development activities in the potash sector will remain at completion of this due diligence process.

Shareholders and investors should also be aware that the agreement to acquire Aguia is conditional on a number of events (refer above) and is expected to settle in the second quarter of 2011. Accordingly there is a risk that the transaction contemplated by this announcement may be changed or not be completed.

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Simon Taylor, who is a member of the Australian Institute of Geoscientists. Mr Taylor is a full-time employee of Aguia Resources Limited. Mr Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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' ("JORC Code"). Mr Taylor consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*