# Aguia Resources Limited

**ABN 94 128 256 888**

# Interim Report - 31 December 2013

| | |
|---|---|
| Directors | David Gower - Non-Executive Chairman<br>Prakash Hariharan - Managing Director<br>Dr Fernando Tallarico - Technical Director<br>Allan Pickett - Non-Executive Director<br>Brian Moller - Non-Executive Director |
| Company secretary | Andrew Bursill |
| Registered office | Suite 4 Level 9<br>341 George St<br>Sydney NSW 2000<br>Tel. +61 2 9299 9690<br>Fax. +61 2 9299 9629 |
| Principal place of business | Rua Antonio de Albuquerque n°156, 1504<br>Bairro Savassi – Belo Horizonte / MG – Brazil<br>CEP: 30112-010 |
| Share register | Link Market Services Limited<br>Level 12<br>680 George Street<br>Sydney NSW 2000<br>Tel. + 61 2 8280 7111<br>Fax. +61 2 9287 0303 |
| Auditor | Deloitte Touche Tohmatsu |
| Solicitors | Addisons Lawyers |
| Bankers | National Australia Bank |
| Stock exchange listing | Aguia Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AGR) |
| Website | www.aguiaresources.com.au |

The directors pesent their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Aguia Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

**Directors**

The following persons were directors of Aguia Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

David Gower (appointed as interim Chairman 17 December 2013)
Graham Ascough (resigned 15 November 2013)
Simon Taylor (resigned 1 December 2013)
Prakash Hariharan (appointed as Non-executive Director 12 March 2013 and appointed as Managing Director 17 December 2013)
Dr Fernando Tallarico
Allan Pickett
Brial Moller (appointed 18 December 2013)

**Principal activities**

The principal activities during the half-year of the consolidated entity were the continued exploration and development of resource projects, predominately phosphate and potash in Brazil, and investment in the resources sector. No significant change in the nature of these activities occurred during the half-year.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to $1,393,449 (31 December 2012: $1,148,302).

**Phosphate**

Work during the half-year concentrated on the Três Estradas ("TE"), Três Estradas South ("TE South") and Joca Tavares ("JT") phosphate projects. These all display similarities to the carbonatite hosted phosphate deposits mined by Vale in Brazil, including the Cajati (Reserve: 85.1Mt @ 5.45% $P_2O_5$) operations. TE is an Aguia discovery, made in late 2011.

The projects are located in the state of Rio Grande do Sul - the southernmost Brazilian state adjacent to the border with Uruguay. The region has well developed infrastructure with excellent roads, rail, power, port and services. The three southern States of Rio Grande do Sul, Santa Catarina and Paraná currently consume over one million tonnes $P_2O_5$ (ANDA, 2012 consumption data) or almost 30% of Brazilian consumption, however there are currently no producing phosphate mines in the region.

The TE, TE South and JT tenements are under an option agreement to acquire 100% from Companhia Brasiliera do Cobre ("CBC"). In addition Aguia has approximately 390 square kilometres of regional exploration ground which comprise the Rio Grande Project.

Following the grant of the JT and TE South tenements in the previous period, the company has carried out geological mapping, ground magnetics surveying, rock chip and soil sampling and auger drilling over these areas to help plan resource definition drilling programmes. TE South forms the 1.4km long south-westerly strike extension of the current TE resource of 28.5Mt @ 4.3% $P_2O_5$ (including 9.6Mt @ 4.96% $P_2O_5$ indicated and 18.9Mt @ 3.88% $P_2O_5$ inferred resources). Auger drilling over the entire strike length at TE south has returned excellent results in oxide mineralisation, including:

o 16.0 metres grading 14.4% $P_2O_5$ from surface (hole ended in mineralisation) - includes 6.0 metres @ 20.1% $P_2O_5$
o 15.0 metres grading 13.0% $P_2O_5$ from surface (hole ended in mineralisation) - includes 2.0 metres @ 21.4% $P_2O_5$
o 15.0 metres grading 10.4% $P_2O_5$ from surface (hole ended in mineralisation)
o 10.0 metres grading 12.6% $P_2O_5$ from surface (hole ended in mineralisation) - includes 6.0 metres @ 15.2% $P_2O_5$

These results are of similar tenor to the initial auger drilling over the current TE resource, and confirm the potential of the prospect. Auger drilling at JT, which is located 41km ESE of TE has also returned excellent results from the oxide zone. Work to date has defined outcropping mineralised carbonatite over an area of at least 400 metres x 1,350 metres. Auger results during the reporting period include:

o 9.0 metres grading 11.5% $P_2O_5$ from surface (hole ended in mineralisation)
o 3.8 metres grading 13.7% $P_2O_5$ from surface (hole ended in mineralisation)
o 3.5 metres grading 12.1% $P_2O_5$ from surface (hole ended in mineralisation)
o 2.0 metres grading 12.8% $P_2O_5$ from surface (hole ended in mineralisation)

These confirm results from the previous period which returned values of up to 14.7m grading 10.8% $P_2O_5$ from surface.

Results from JT and TE South further emphasise the resource expansion potential and the opportunity to initiate early start up by mining and processing of the high grade oxide zone that extends from surface. An early start up would provide cash flow to fund ongoing capital expenditure and development of the project.

The company has also carried out reconnaissance work over a number of other targets within the 390 square kilometres Rio Grande Project area. As a result of this the company has selected a number of areas for further work, as well as relinquishing 22 licences and terminating 21 applications which were deemed to be not prospective for phosphate mineralisation.

As part of the ongoing metallurgical testwork programme, 400kg of core samples representative of the oxide and fresh meta-carbonatite were collected from Três Estradas for further beneficiation testwork and have been sent to the laboratory at the University of São Paulo. The aim of this work, which commenced in Q1, 2014 is to optimise the grinding process to minimise sliming and fines and increase overall recoveries. Flotation testwork to date has returned excellent recoveries and concentrate grades.

The Lucena Phosphate Project contains an initial JORC compliant Inferred Mineral Resource of 55Mt grading 6.42% $P_2O_5$ in the state of Paraiba in north eastern Brazil.

This resource was based on drilling carried out from August 2011 to October 2012 in which Aguia completed 49 core drill holes in two separate drilling campaigns, 40 of which were used to estimate the JORC compliant mineral resource. The details of the resource estimate can be found in the SRK memo in the company's announcement lodged with ASX on 8 April 2013.

The Mata da Corda Phosphate Project ("MCPP") is held in a joint venture with Vincenza Mineração e Participações S.A. ("Vincenza") who is the operator and has an option to acquire 70% of the project.

Vincenza has continued to explore the MCPP during the period.

**Potash**
At the Atlantic potash project, adjacent to Brazil's only operating potash mine (within the Sergipe Basin), the company is continuing a review of the project for planning purposes.

**Near Term Focus**
The company will continue its efforts to commercialise its flagship TE/TE South phosphate project and advance JT through resource expansion and upgrade drilling and further phosphate beneficiation optimisation test work.

**Dividends**
There was no dividend paid during the half-year ended 31 December 2013.

### Events after the reporting period

On 10 February 2014, the company announced it has issued 21,484,175 ordinary shares in the company at $0.06 per share for a total consideration of $1,289,051. The directors have also committed to a further 4,000,000 ordinary shares to raise an additional $240,000 which is expected to be issued following shareholders' approval. The funds raised will be used to supplement the company's existing working capital in relation to its phosphate projects.

On 14 March 2014, the company announced it has successfully renegotiated the terms of the option agreement with Lara Exploration Limited and Lara Alliance (BVI) Ltd (Lara) under which the company may acquire 100% of Lara's Sergipe property in Brazil subject to:

- Making an immediate payment of US$100,000 to Lara;
- Issuing 4,000,000 (four million) Aguia shares to Lara on or before 31 March 2014;
- Making payment of a further US$100,000 to Lara on or before 30 November 2014;
- Making payment of a further US$200,000 to Lara on or before 30 June 2015; and
- Drilling at least one hole on the Lara Sergipe property on or before 30 June 2015.

If the company drills the hole on the Lara Sergipe property by 30 June 2015, the company may then elect to exercise the option to acquire 100% of the Lara's Sergipe tenements by issuing a further 11,000,000 Aguia shares. If, alternatively, the company does not drill the hole by 30 June 2015 other than because of a force majeure event, then the option to acquire 100% of the tenements will lapse and the company will be required to issue 11,000,000 Aguia shares to Lara.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

## *JORC Code Competent Person Statements*

*The Três Estradas Phosphate Project has a current JORC compliant inferred and indicated mineral resource of 28.49Mt @ 4.25% P2O5 (total initial contained phosphate of 1.21Mt P2O5). This includes indicated resources of 9.59Mt @ 4.96% P2O5 and inferred resources of 18.90Mt @ 3.88% P2O5.*

*The Lucena Phosphate Project has a current JORC compliant inferred mineral resource of 55.1Mt grading 6.42% P2O5*

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been previously released under the JORC 2004 requirements. This document contains no new material information that would be subject to the JORC 2012 requirements. It is based on information compiled by Dr Fernando Tallarico who is a member of the Association of Professional Geoscientists Ontario. Dr Tallarico is a full-time employee of Aguia Resources Limited. Dr Tallarico 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"). Dr Tallarico consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Prakash Hariharan
Managing Director

14 March 2014
Brazil

Deloitte Touche Tohmatsu
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The Board of Directors
Aguia Resources Limited
Suite 4, Level 9
341 George Street
SYDNEY NSW 2000

14 March 2014

Dear Board Members

**Aguia Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aguia Resources Limited.

As lead audit partner for the review of the financial statements of Aguia Resources Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Hynes

T Hynes
Partner
Chartered Accountants

## Contents



## General information

The financial report covers Aguia Resources Limited as a consolidated entity consisting of Aguia Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Aguia Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Aguia Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| *Registered office* | *Principal place of business* |
|---|---|
| Suite 4 Level 9 | Rua Antonio de Albuquerque n°156, 1504 |
| 341 George St | Bairro Savassi – Belo Horizonte / MG – Brazil |
| Sydney NSW 2000 | CEP: 30112-010 |

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2014.

**Aguia Resources Limited**
**Statement of profit or loss and other comprehensive income**
**For the half-year ended 31 December 2013**

| | Note | Consolidated 31/12/2013 $ | 31/12/2012 $ |
|---|---|---|---|
| **Revenue** | 3 | 31,606 | 85,824 |
| **Expenses** | | | |
| Employee benefits expense | | (404,763) | (303,628) |
| Exploration assets expensed | | (112,191) | - |
| Administration costs | | (349,325) | (486,173) |
| Corporate cost | | (63,578) | (73,316) |
| Legal and professional | | (124,646) | (119,872) |
| Business development | | (370,552) | (195,255) |
| Share based payments | | - | (55,882) |
| **Loss before income tax expense** | | (1,393,449) | (1,148,302) |
| Income tax expense | | - | - |
| **Loss after income tax expense for the half-year attributable to the owners of Aguia Resources Limited** | | (1,393,449) | (1,148,302) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (229,831) | (255,154) |
| Other comprehensive income for the half-year, net of tax | | (229,831) | (255,154) |
| **Total comprehensive income for the half-year attributable to the owners of Aguia Resources Limited** | | (1,623,280) | (1,403,456) |
| | | **Cents** | **Cents** |
| Basic earnings per share | | (0.79) | (1.04) |
| Diluted earnings per share | | (0.79) | (1.04) |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Aguia Resources Limited**
**Statement of financial position**
**As at 31 December 2013**

| | Note | Consolidated 31/12/2013 $ | 30/06/2013 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 705,422 | 696,245 |
| Trade and other receivables | | 246,988 | 322,020 |
| Other | | 75,891 | 56,835 |
| Total current assets | | 1,028,301 | 1,075,100 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 224,987 | 262,654 |
| Exploration and evaluation | 4 | 37,425,845 | 36,704,572 |
| Total non-current assets | | 37,650,832 | 36,967,226 |
| **Total assets** | | 38,679,133 | 38,042,326 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 251,593 | 341,475 |
| Employee benefits | | 69,029 | 57,562 |
| Other | | 124,127 | 114,200 |
| Total current liabilities | | 444,749 | 513,237 |
| **Total liabilities** | | 444,749 | 513,237 |
| **Net assets** | | 38,234,384 | 37,529,089 |
| **Equity** | | | |
| Issued capital | 5 | 65,881,426 | 63,552,851 |
| Reserves | | (464,172) | (234,341) |
| Accumulated losses | | (27,182,870) | (25,789,421) |
| **Total equity** | | 38,234,384 | 37,529,089 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Aguia Resources Limited**
**Statement of changes in equity**
**For the half-year ended 31 December 2013**

| | Ordinary shares $ | Performance shares $ | Share-based payments $ | Foreign currency $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Balance at 1 July 2012 | 43,998,999 | 16,680,000 | 2,979,830 | (3,729,471) | (23,407,766) | 36,521,592 |
| Loss after income tax expense for the half-year | - | - | - | - | (1,148,302) | (1,148,302) |
| Other comprehensive income for the half-year, net of tax | - | - | - | (255,154) | - | (255,154) |
| Total comprehensive income for the half-year | - | - | - | (255,154) | (1,148,302) | (1,403,456) |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments | - | - | 55,882 | - | - | 55,882 |
| Contributions of equity, net of transaction costs | 2,474,727 | - | - | - | - | 2,474,727 |
| Balance at 31 December 2012 | 46,473,726 | 16,680,000 | 3,035,712 | (3,984,625) | (24,556,068) | 37,648,745 |

| | Ordinary shares $ | Performance shares $ | Share-based payments $ | Foreign currency $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | |
| Balance at 1 July 2013 | 63,276,258 | 276,593 | 3,184,340 | (3,418,681) | (25,789,421) | 37,529,089 |
| Loss after income tax expense for the half-year | - | - | - | - | (1,393,449) | (1,393,449) |
| Other comprehensive income for the half-year, net of tax | - | - | - | (229,831) | - | (229,831) |
| Total comprehensive income for the half-year | - | - | - | (229,831) | (1,393,449) | (1,623,280) |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Contributions of equity, net of transaction costs (note 5) | 2,363,768 | (35,193) | - | - | - | 2,328,575 |
| Balance at 31 December 2013 | 65,640,026 | 241,400 | 3,184,340 | (3,648,512) | (27,182,870) | 38,234,384 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Aguia Resources Limited**
**Statement of cash flows**
**For the half-year ended 31 December 2013**

| | Note | Consolidated 31/12/2013 $ | 31/12/2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (1,321,828) | (1,324,517) |
| Interest received | | 24,530 | 75,824 |
| Rental revenue | | 3,560 | 10,000 |
| Net cash used in operating activities | | (1,293,738) | (1,238,693) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (18,796) |
| Payments for exploration and evaluation | | (1,018,358) | (2,736,903) |
| Net cash used in investing activities | | (1,018,358) | (2,755,699) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 5 | 2,396,500 | 2,545,000 |
| Share issue transaction costs | | (67,925) | (70,273) |
| Net cash from financing activities | | 2,328,575 | 2,474,727 |
| Net increase/(decrease) in cash and cash equivalents | | 16,479 | (1,519,665) |
| Cash and cash equivalents at the beginning of the financial half-year | | 696,245 | 4,739,055 |
| Effects of exchange rate changes on cash | | (7,302) | (4,826) |
| Cash and cash equivalents at the end of the financial half-year | | 705,422 | 3,214,564 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

### New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 10 Consolidated Financial Statements*
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this accounting standard had no effect on the financial position or performance of the consolidated entity.

*AASB 11 Joint Arrangements*
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this accounting standard had no effect on the financial position or performance of the consolidated entity.

*AASB 12 Disclosure of Interests in Other Entities*
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this accounting standard had no effect on the financial position or performance of the consolidated entity.

## Note 1. Significant accounting policies (continued)

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. The adoption of this accounting standard had no effect on the financial position or performance of the consolidated entity.

### Going concern
The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of $1,393,449 (2012: $1,148,302) and net cash outflows from operating and investing activities of $2,312,096 (2012: $3,994,392) for the half-year ended 31 December 2013. For the reasons described below, conditions exist that indicate there is a material uncertainty as to the consolidated entity’s ability to continue as a going concern. Subsequent to 31 December 2013, the company raised $1,500,000 via two share placements made in February 2014.

The consolidated entity will be required to raise additional capital of at least $3,750,000 by 30 June 2014 to fund its minimum committed exploration expenditures, other principal activities and working capital requirements through to 31 March 2015. The company is currently reviewing various capital raising opportunities to meet these capital requirements.

Based on the consolidated entity's cashflow forecasts and achieving the funding referred to above, the directors are confident that the consolidated entity will be able to continue as a going concern. In particular, the directors are confident in the consolidated entity’s ability to raise the capital mentioned above.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

## Note 2. Operating segments

*Identification of reportable operating segments*
The consolidated entity is organised into one operating segment being mining and exploration in Brazil. The operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers 'CODM') in assessing performance and in determining the allocation of resources.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM comprises mainly segment assets and direct exploration expenditure in assessing performance and allocation of resources and as such no segment result or segment revenues are separately disclosed.

The information reported to the CODM is on at least a monthly basis.

## Note 2. Operating segments (continued)

*Types of products and services*
The mining and exploration operations of the consolidated entity are predominantly in Brazil. Reportable segments are based on aggregating geographical segments subject to risks and returns of their particular economic environment and based on the nature of their regulatory environment. Geographical segments are aggregated where the segments are considered to have similar economic characteristics and also similar with respect to the type of product and service.

The financial information comprising segment assets and exploration expenditure reported elsewhere in this financial report and in note 4 is representative of the nature and financial effects of the business activities in which the company engages and the economic environments in which it operates.

*Corporate office activities*
Corporate office activities comprise non-segmental revenues and expenses and are therefore not allocated to the operating segment.

## Note 3. Revenue

| | Consolidated | |
|---|---|---|
| | **31/12/2013** | **31/12/2012** |
| | **$** | **$** |
| Interest | 24,530 | 75,824 |
| Rental and other income | 7,076 | 10,000 |
| Revenue | 31,606 | 85,824 |

## Note 4. Non-current assets - exploration and evaluation

| | Consolidated | |
|---|---|---|
| | **31/12/2013** | **30/06/2013** |
| | **$** | **$** |
| Brazilian Phosphate Project - at cost | 28,555,641 | 27,834,368 |
| Less: Impairment | (6,182,393) | (6,182,393) |
| | 22,373,248 | 21,651,975 |
| Brazilian Potash Project - at cost | 25,187,735 | 25,187,735 |
| Less: Impairment | (10,135,138) | (10,135,138) |
| | 15,052,597 | 15,052,597 |
| | 37,425,845 | 36,704,572 |

## Note 4. Non-current assets - exploration and evaluation (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out

| | Exploration & evaluation $ | Total $ |
|---|---|---|
| **Consolidated** | | |
| Balance at 1 July 2013 | 36,704,572 | 36,704,572 |
| Additions | 721,273 | 721,273 |
| Balance at 31 December 2013 | 37,425,845 | 37,425,845 |

## Note 5. Equity - issued capital

| | Consolidated 31/12/2013 Shares | Consolidated 30/06/2013 Shares | Consolidated 31/12/2013 $ | Consolidated 30/06/2013 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 183,565,613 | 135,560,413 | 65,640,026 | 63,276,258 |
| AGRAU performance shares | 4,126,482 | 4,728,085 | 241,400 | 276,593 |
| | 187,692,095 | 140,288,498 | 65,881,426 | 63,552,851 |

Performance shares issued in July 2011 as consideration for the Potassion do Atlantico Ltda assets acquisition are referred to as "AGRAU performance shares" or "PAC performance shares".

*Movements in ordinary share capital*

| Details | Date | No of shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2013 | 135,560,413 | | 63,276,258 |
| Share issue - placement | 9 July 2013 | 31,710,000 | $0.05 | 1,585,500 |
| Share issue - share purchase plan | 19 August 2013 | 12,000,000 | $0.05 | 600,000 |
| Share issue - placement | 19 August 2013 | 2,170,000 | $0.05 | 108,500 |
| Share issue - placement | 1 October 2013 | 2,050,000 | $0.05 | 102,500 |
| Share issue - consideration for early termination of PAC | 9 December 2013 | 75,200 | | 35,193 |
| Share issue costs | | | | (67,925) |
| Balance | 31 December 2013 | 183,565,613 | | 65,640,026 |

*Early termination of PAC rights*
During the period, an additional 75,200 ordinary shares and 112,800 unlisted options were issued as a result of the early termination of 601,603 PAC rights as per offer disclosed in the June 2013 annual report.

## Note 6. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Note 7. Key management personnel disclosures

*Compensation*
On 17 December 2013, Mr Prakash Hariharan was appointed as Managing Director of the company at an annual salary of $275,000, of which 50% is committed to the purchase of shares in the company on-market. Mr Hariharan may also become entitled to an annual cash bonus payment and annual issue of options contingent upon the satisfaction of key performance indicators as prescribed by the board. The employment may be terminated by the company by giving six months notice or Mr Hariharan giving three months notice to the company. The terms of the contract will be reviewed by 31 December 2014.

Mr Brian Moller was appointed as Non-executive Director on 18 December 2013. The remuneration report is contained in the annual financial report.

## Note 8. Contingent liabilities

The consolidated entity's Brazilian subsidiary, Potassio do Atlantico Ltda, is in the process of defending a legal action involving the alleged breach of a contract for drilling services with Prest Perfuracoes Limitada undertaken in the first half of 2012 on some of Potassion do Atlantico Ltda's potash assets. The provider of drilling services is seeking damages of approximately $2.15 million for this alleged breach. Although the outcome of this matter is currently not determinable, the directors believe, based on legal advice, that the action can be successfully defended. This position is unchanged since 30 June 2013.

## Note 9. Events after the reporting period

On 10 February 2014, the company announced it has issued 21,484,175 ordinary shares in the company at $0.06 per share for a total consideration of $1,289,051. The directors have also committed to a further 4,000,000 ordinary shares to raise an additional $240,000 which is expected to be issued following shareholders' approval. The funds raised will be used to supplement the company's existing working capital in relation to its phosphate projects.

On 14 March 2014, the company announced it has successfully renegotiated the terms of the option agreement with Lara Exploration Limited and Lara Alliance (BVI) Ltd (Lara) under which the company may acquire 100% of Lara's Sergipe property in Brazil subject to:

- Making an immediate payment of US$100,000 to Lara;
- Issuing 4,000,000 (four million) Aguia shares to Lara on or before 31 March 2014;
- Making payment of a further US$100,000 to Lara on or before 30 November 2014;
- Making payment of a further US$200,000 to Lara on or before 30 June 2015; and
- Drilling at least one hole on the Lara Sergipe property on or before 30 June 2015.

If the company drills the hole on the Lara Sergipe property by 30 June 2015, the company may then elect to exercise the option to acquire 100% of the Lara's Sergipe tenements by issuing a further 11,000,000 Aguia shares. If, alternatively, the company does not drill the hole by 30 June 2015 other than because of a force majeure event, then the option to acquire 100% of the tenements will lapse and the company will be required to issue 11,000,000 Aguia shares to Lara.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 10. Financial instruments

The company does not have any fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

The directors consider that the carrying amounts of trade and other receivables and trade and other payables approximate their fair vlaues as at 31 December 2013 and 31 December 2012.

**Aguia Resources Limited**
**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

________________________________
Prakash Hariharan
Managing Director

14 March 2014
Brazil

Deloitte.

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# Independent Auditor's Review Report to the Members of Aguia Resources Limited

We have reviewed the accompanying half-year financial report of Aguia Resources Limited, which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 18.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Aguia Resources Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aguia Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aguia Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aguia Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity has incurred a net loss of $1,393,449 and experienced net cash outflows from operating and investing activities of $2,312,096 for the half-year ended 31 December 2013. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tara Hynes

T Hynes
Partner
Chartered Accountants
Sydney, 14 March 2014