



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 19<sup>th</sup> JULY 2012

## STAGE TWO DRILLING PROGRAM UNDERWAY TRÊS ESTRADAS PHOSPHATE PROJECT

### Summary

- A second stage diamond drilling program at Três Estradas (“TE”) has now commenced comprising 21 holes totalling 3,870 metres
- Stage one drilling program results at TE returned a significant new early stage phosphate discovery in the state of Rio Grande do Sul in southern Brazil
- The second stage drilling program is aimed at significantly expanding the initial JORC compliant inferred resource announced to the market on 15 June 2012
- The Company believes there is significant potential to expand the resource with additional drilling below 100 metres with the new program targeting holes to 200 metre vertical depth
- The initial JORC compliant inferred resource comprised of 21Mt @ 4.6% P<sub>2</sub>O<sub>5</sub><sup>1</sup> including higher grade oxide zone from surface of 1.8Mt @ 10.9% P<sub>2</sub>O<sub>5</sub>
- Further optimisation test work has commenced with results expected this quarter

Emerging phosphate and potash exploration and development company Aguia Resources Limited (ASX: **AGR**) (“Aguaia” or “Company”) is pleased to announce that a second diamond drilling program has commenced at the Três Estradas (“TE”) phosphate project in southern Brazil.

The TE project represents a significant new phosphate discovery with characteristics similar to existing producers in Brazil. Importantly, first stage drilling has shown that the grade and mineralogy is similar to that of other open-cut operating mines globally including Yara’s Siilinjärvi mine in Finland and Vale’s Cajati mine in Brazil, both of which produce a high quality phosphate concentrate within carbonatite host rocks.

**Table 1: Comparative Phosphate (P<sub>2</sub>O<sub>5</sub>) Deposits Within Carbonitite Hosted Rocks<sup>2</sup>**

Name of Deposit	Location	Tonnage (Mt)	Head Grade	Recovery	Concentration Grade	Stage
Siilinjärvi (Yara)	Finland	465	4%	84%	35%	Production
Cajati (Vale)	Brazil	100	5%	78%	36%	Production
Três Estradas (Aguaia)	Brazil	21 <sup>3</sup>	4.6%	76%	28% <sup>4</sup>	Exploration / Development

Aguia completed a first stage drilling program in late 2011 and commissioned leading independent global consulting company SRK Consulting to prepare the initial Mineral Resource Statement that was announced to the market on 15 June 2012. The mineral resources were reported within a conceptual pit shell at a 3.0% P<sub>2</sub>O<sub>5</sub> cut-off grade.

<sup>1</sup> SRK Consulting: cut-off grade of 3.0% of P<sub>2</sub>O<sub>5</sub>

<sup>2</sup> JSA Consultoria e Assessoria Técnica, Company data

<sup>3</sup> Inferred resource calculated from 40% of potential target length and to 100 metres depth

<sup>4</sup> Based on preliminary beneficiation test work, optimisation test work underway

The initial resource was based on limited drilling of the TE phosphate project to a vertical depth of 100 metres. This second program of drilling will now test to a 200 metre vertical depth comprising 21 holes totalling 3,870 metres.

Last weekend a single diamond drilling rig was mobilised to site and has commenced drilling. A second diamond drilling rig is expected to be mobilised later this month to complete stage two of the program.

“The current drilling program will look to materially expand the TE phosphate project resource by the end of 2012,” commented Aguia’s Brazilian based Technical Director, Dr Fernando Tallarico. “We have only drilled nineteen holes so far on the Três Estradas project and we have already received very positive results from the initial metallurgical test work. Looking ahead, we believe the TE project has the potential to develop into a robust commercial operation.”

First pass beneficiation test work from the higher grade oxide zone has already confirmed commercial concentrate grades up to 34% P<sub>2</sub>O<sub>5</sub> (ASX Release: 22 May 2012) supporting future project development opportunities including early start up. Further phosphate beneficiation optimisation test work has commenced on samples of the fresh host rock that returned concentrate grades of up to 28% P<sub>2</sub>O<sub>5</sub>.

Figure 1: Location of Rio Grande Phosphate Projects, SE Brazil



### Near Term Focus

The Company will be accelerating its efforts to commercialise the Três Estradas phosphate project through resource expansion drilling and further phosphate beneficiation optimisation test work.

On confirmation of further positive results, Aguia intends on commencing a project scoping exercise.

– ENDS –

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### About Aguia

Aguia is focused on the exploration and development of phosphate and potash projects in Brazil. Brazil is Latin America’s biggest economy and is heavily reliant on imports of up to 50 per cent of its phosphate and 90 per cent of its potash needs. Aguia is well positioned to capitalise on the growing demand for phosphorus and potash based fertilisers in the expanding agriculture sector in Brazil and controls three large projects, located close to existing infrastructure. The Company is committed to its existing projects whilst continuing to pursue other opportunities within the fertiliser sector.

# APPENDIX

## Background: Três Estradas (“TE”) Phosphate Project

Stage one drilling program results at TE returned a significant new early stage phosphate discovery in the state of Rio Grande do Sul in southern Brazil.

Early interpretation indicates that the project has similarities to the carbonatite style hosted phosphate deposits mined by Vale within Brazil, examples include the Araxá (Reserve: 88.7 Mt @ 11.12% P<sub>2</sub>O<sub>5</sub>) and Cajati (Reserve: 85.1 Mt @ 5.45% P<sub>2</sub>O<sub>5</sub>) operations.

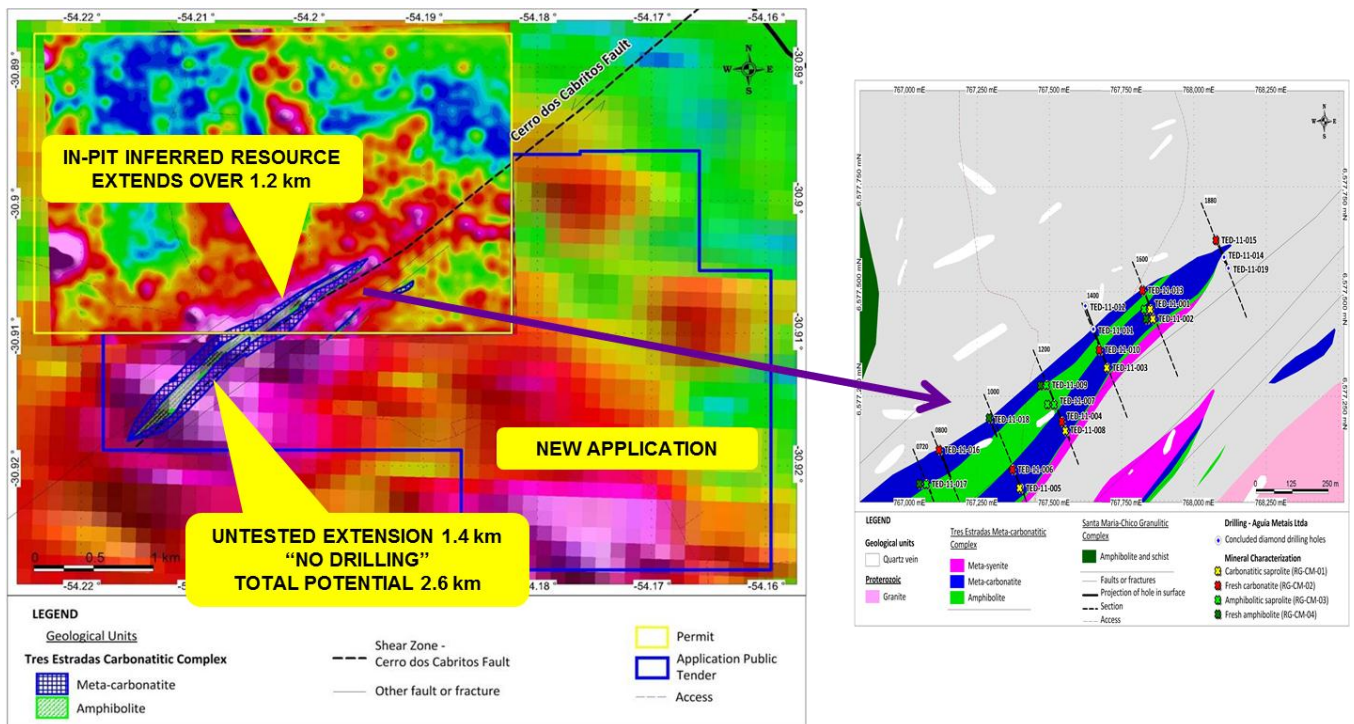
The area hosts excellent infrastructure and primary fertiliser markets. The three southern States of Rio Grande do Sul, Santa Catarina and Paraná currently consume around 1.0 million tonnes P<sub>2</sub>O<sub>5</sub><sup>3</sup> or around 30% of Brazilian consumption, with no active phosphate mines in these States.

The project will be logistically advantaged to supply into this region compared with either phosphate mined in Minas Gerais, Goiás or imports.

A second diamond drilling program is now underway comprising of 21 holes totalling 3,870 metres (see Figure 3 for proposed 2012 program holes).

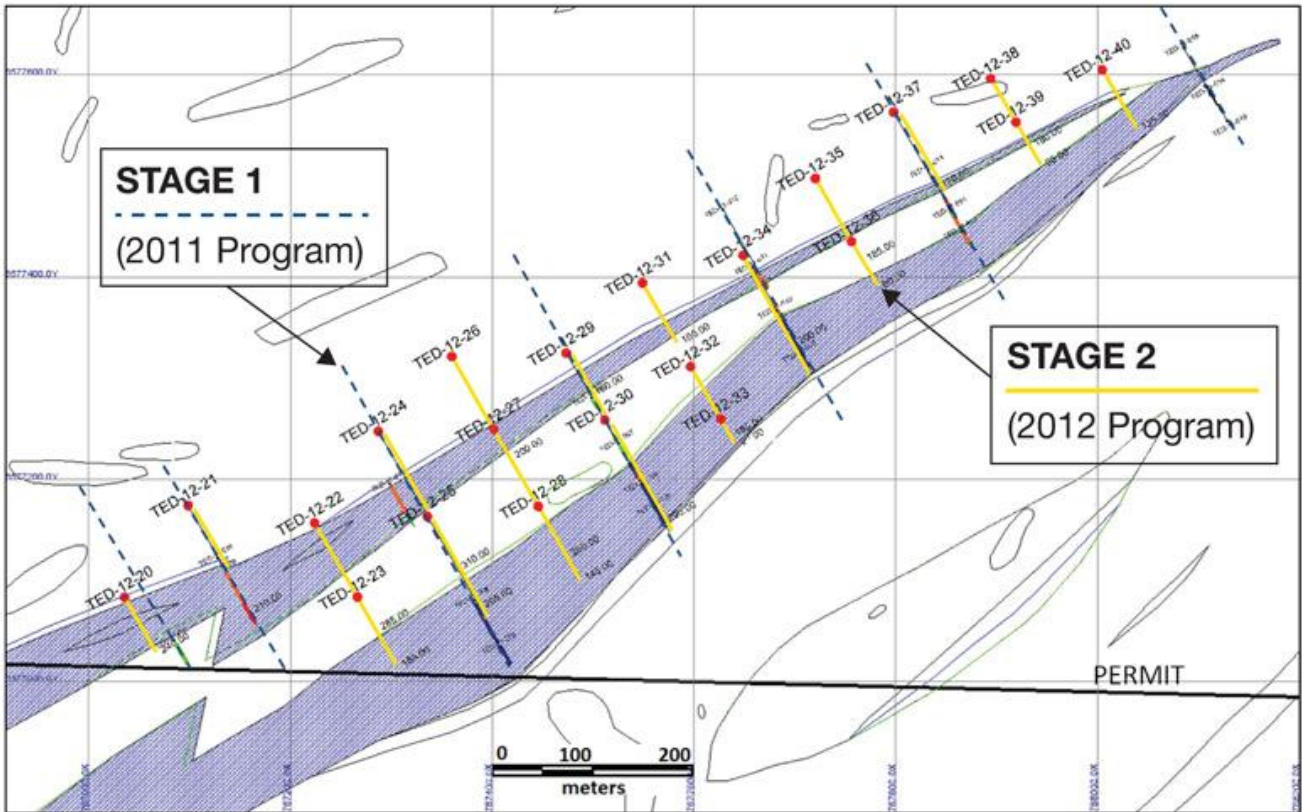
On confirmation of further positive beneficiation results and a JORC resource, the Company intends on commencing a project scoping exercise to produce a concentrated rock phosphate product.

**Figure 2: Três Estradas Project In-Pit Inferred Resource Outline and Untested Extension Zones (Left Image) and Drill Hole Location Plan (Right Image)**



<sup>3</sup> Source: ANDA, 2010 consumption data

Figure 3: Três Estradas Project Proposed 2012 (Stage Two) Diamond Drilling Program – Hole Locations



### JORC Code Competent Person Statements

The Três Estradas Phosphate Project has a current JORC compliant inferred mineral resource of 21.33Mt @ 4.63% P<sub>2</sub>O<sub>5</sub> (total initial contained phosphate of 0.99Mt P<sub>2</sub>O<sub>5</sub>).

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Fernando Tallarico, who is a member of the Association of Professional Geoscientists of Ontario. Dr Tallarico is a full-time employee of Agua 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.