



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28<sup>th</sup> JULY 2011

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## JUNE 2011 QUARTERLY REPORT

The Directors of Agua Resources Limited (**ASX: AGR**) ("**Agua**" or "**Company**") are pleased to present its June 2011 quarterly report.

### **Highlights:**

Completed the acquisition of Potassio do Atlantico Ltda (PALTDA) which holds the highly prospective and potentially large-scale Atlantic Potash Project in NE Brazil.

- The Project is located approximately 30 kilometres to the south of Brazil's only operating potash mine, Vale's Taquari-Vassouras underground mine.
- The Project covers a large land position of approximately 178,000 hectares (1,780km<sup>2</sup>) in the attractive carnallite and sylvinite potash bearing Sergipe-Alagoas basin.
- Environmental Drilling Licences approved for initial four exploration drill wells.
- Drilling contractor and drilling support services to be finalised and announced shortly with drilling anticipated to commence in the 3<sup>rd</sup> quarter 2011.
- Projects are located in one of largest global potash markets close to existing infrastructure including roads, water, power, gas and end-users.
- Brazil currently imports around 90 per cent of its potash needs.

At the Lucena Phosphate Project ("LPP") the Company announced initial drilling results.

- Assays from first eleven holes spaced over a 20 kilometre zone have now been received with eight holes returning phosphate mineralisation.
- Numerous high grade intersections were received including assays up to 23.25% P<sub>2</sub>O<sub>5</sub>.

The Company entered into an Option Agreement to acquire two potentially large-scale phosphate projects located in the state of Rio Grande do Sul in SE Brazil.

- Agua have an exclusive option to acquire 100 per cent of the Tres Estradas ("TE") and Joca Tavares ("JT") carbonatite style phosphate projects from Companhia Brasileira do Cobre ("CBC").
- The projects show early stage signs similar to the carbonatite style hosted phosphate deposits mined by Vale within Brazil. Examples include the Araxa (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.
- Surface rock chip sampling has returned high grade phosphate mineralisation including 31.70%, 25.80% and 22.90% P<sub>2</sub>O<sub>5</sub> at TE and 11.40% P<sub>2</sub>O<sub>5</sub> at JT.

### **Corporate**

- Completed a \$15 million share placement through the issue of 18.3 million new ordinary shares to sophisticated and professional investors at 82 cents per share.



Figure 1: Location of the Aguia Projects, Brazil

## Going Forward

Over the next 6-12 months the Company will continue to focus on its current projects and other opportunities within Brazil. These activities include:

- Initial drill program on Area 1 at the Atlantic Potash Project focusing on the discovery and delineation of a Mineral Resource estimate that can be reported in accordance with the JORC Code.
- At the Lucena Phosphate Project, drilling continues and further results will be reported once assays have been received.
- Drilling programs will be finalised to test the Tres Estradas phosphate project which has a walk up drill ready target zone extending for over one kilometre with thicknesses up to 100 metres.
- Continued reconnaissance exploration at Mata da Corda, including mapping and sampling to identify areas for further drill testing.
- The Company continues to identify and evaluate further growth opportunities within the phosphate and fertiliser sector in South America.

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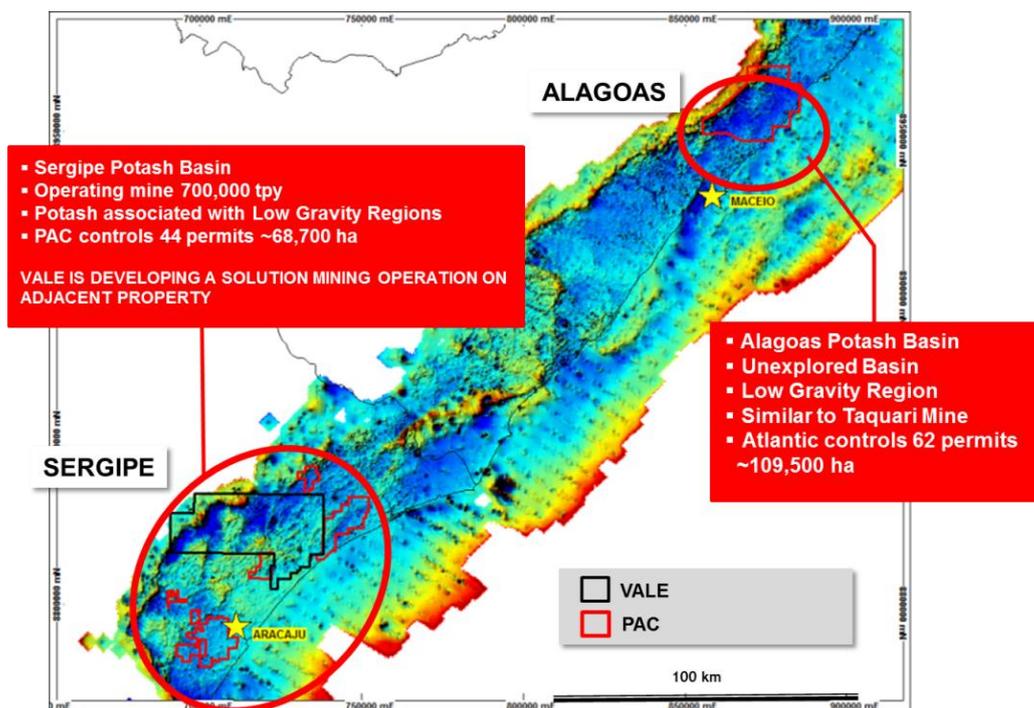
## About Aguia

Aguia is focused on the exploration and development of phosphate rock and potash projects in Brazil. 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. Aguia is well positioned to capitalise on the growing demand for phosphorous 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.

## Atlantic Potash Project

The Company completed the acquisition of Potassio do Atlantico Ltda (PALTDA) during the quarter and through this subsidiary now holds a 100% interest in 106 exploration claims totaling approximately 178,000 hectares (1,780 km<sup>2</sup>) in the Sergipe-Alagoas basin that comprise the Atlantic Potash Project. An initial drill program is planned to commence this quarter at the project and will focus on the discovery and delineation of a Mineral Resource estimate that can be reported in accordance with the JORC Code.

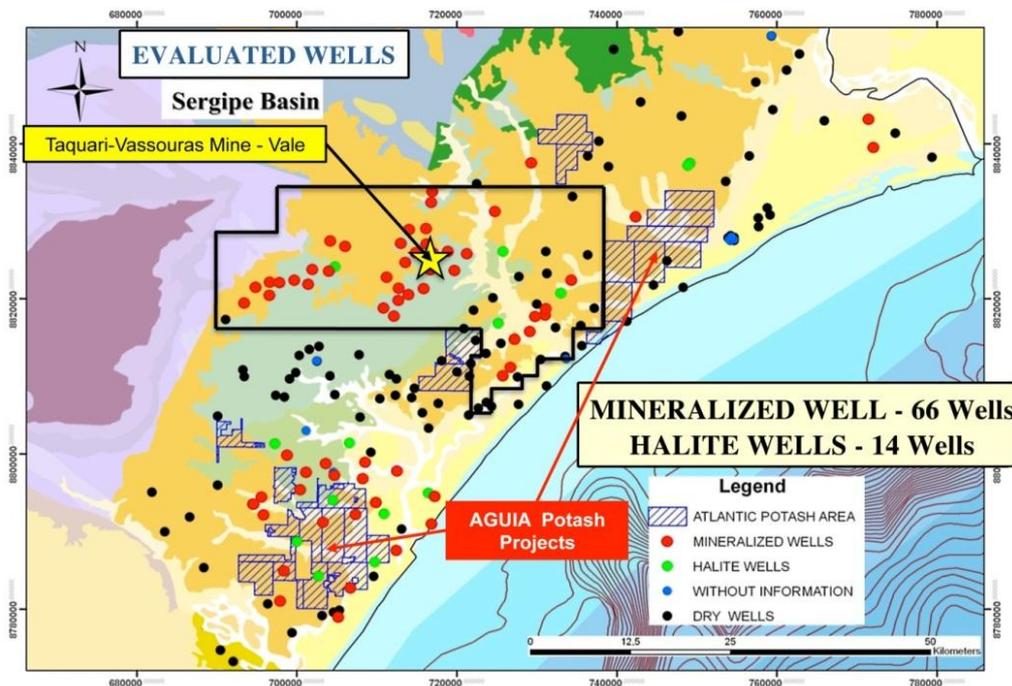
The Atlantic Potash Project is located in the northeastern portion of Brazil in the State of Sergipe. The Project sits to the west and northeast of the city of Aracaju, the capital of Sergipe State with a population of 570,000 inhabitants and a large scale harbour.



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

The Project is well located with excellent infrastructure (roads, water, and energy). Fertiliser 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 coke, urea, cement, wheat and fertilisers.

Potash mineralisation was discovered in the Sergipe-Alagoas Basin by Petrobras during oil and gas exploration in the 1950's and 60's. In Sergipe, sylvinite dominant potash deposits occur in the regions of Taquari-Vassouras and Santa Rosa de Lima. The discovery of sylvinite mineralisation resulted in the commencement of mining at the Taquari-Vassouras underground mine in 1985, first by Petromisa and later transferred to VALE in 1991 (Figure 3).



**Figure 3: Drill hole location plan of historical Petrobras drilling relative to location of Agua's Atlantic Potash Project and the Vale Taquari-Vassouras Mine to the north.**

The Sergipe Basin also hosts significant potash deposits comprised of carnallite. In anticipation of the sylvinite deposit becoming exhausted, Vale is developing a carnallite solution mining project within the basin, and has built a functioning pilot plant (2008) which has proved solution mining of carnallite in the Sergipe basin is commercially feasible with the aim of establishing capacity for 1.2 mtpa KCl by 2015. Environmental permitting has been granted.

## Drilling Program

The initial drilling by Agua will comprise four holes to be completed by late 2011, early 2012.

Drilling will target a large carnallite resource similar to the style of mineralisation being developed by Vale hosted within the Muribeca Formation. The Muribeca Formation hosts an important evaporitic sequence at depths of between 1,500-1,700 meters.

The locations of the first four wells are based on interpretation of historical drilling completed by Petrobras and detailed assessment of 2D seismic (Figure 4).

The drilling program will be supervised by Mr Paulo Souza, General Manager, Potash. Mr Souza is an experienced mining engineer with 27 years' experience in mine planning and operation, including potash development projects with Vale. He was the key engineer involved in the design and development of Vale's Carnallite Project and Pilot Plant situated adjacent to the Atlantic Potash Project (Figure 3).

Through a detailed tender process Agua has identified a preferred drilling contractor and drilling support services which will be finalised and announced shortly. Drilling is anticipated to commence this quarter.

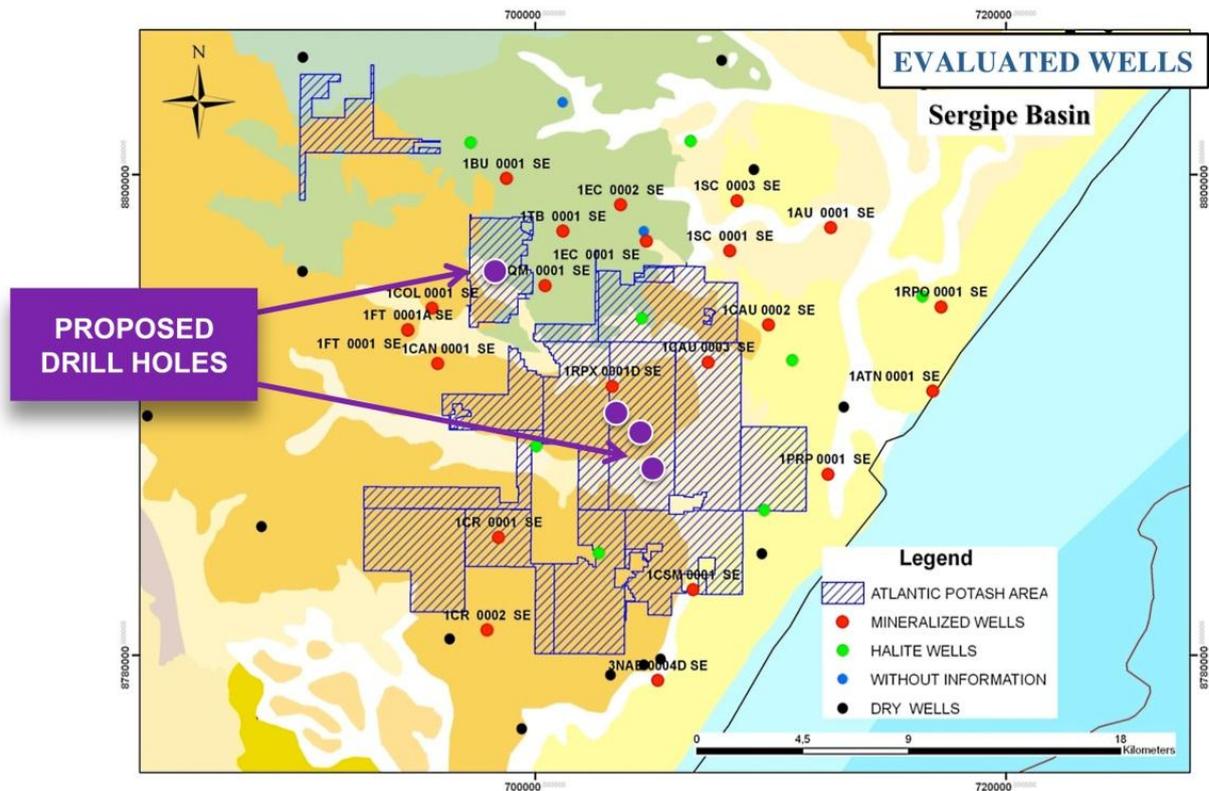


Figure 4: Location of Area 1, location of proposed holes and historical drilling

## 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 sub-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.

## PALTDA Studies/Assessment Completed

Potash occurrences reported in petroleum wells highlighted the potential of the project to PALTDA. A detailed assessment of approximately 300 drill holes and over 32,000 km of 2D seismic data resulted in the staking of five project areas by PALTDA (Areas 1-5) in 2008. Of the historical holes 24 are located within the properties and 61 are located within 3 kilometres of the property.

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

## Brazilian Phosphate Projects

### Lucena Drilling Results

Twenty three wide spaced holes totalling 1,660.75 metres have now been completed. Assays from the first sixteen holes have now been received and were reported during the quarter.

High grade intersections up to 23.25% P<sub>2</sub>O<sub>5</sub> were returned from the initial drilling with thicknesses ranging from 1.0 to 7.2 metres.

Desktop modelling outlines large areas for shallow drill testing targeting the main mineralised interval located at the bottom of the Gramame Formation (limestone) near the top of the Itamaraca Formation (sandstone).

Drilling will continue to test the area along strike and adjacent to mineralised intersections.

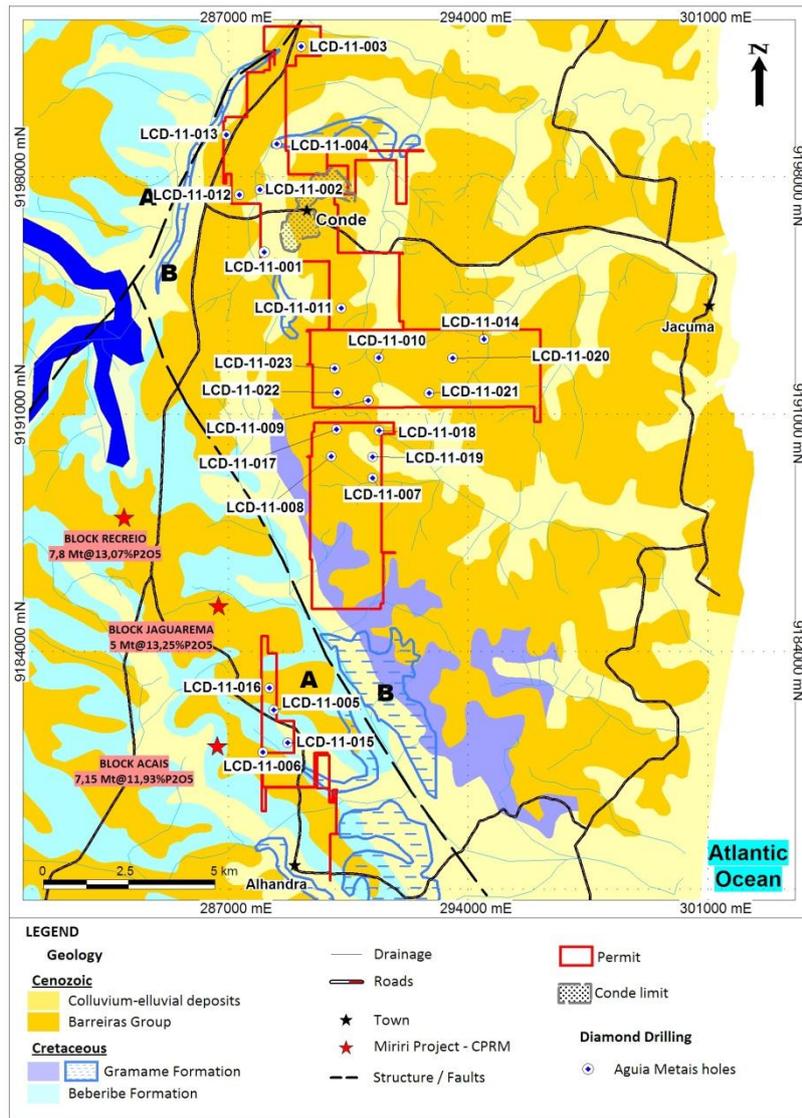
The drilling program will test for significant widths and thicknesses of phosphate mineralisation to define a resource that would enable the rapid development of a start-up project. Based on the fact that Brazil is heavily reliant on imports of up to 50 per cent of its phosphate needs it is envisaged that the final product would be sold domestically.

Further drilling results will be released to the market when assays are received. Best results are summarised in Table 1 and Figure 5. Drillcore from Lucena is shown in Figure 6.

Hole No.	From (m)	To (m)	Width* (m)	Grade P <sub>2</sub> O <sub>5</sub> %
11-001	12.35	13.50	1.15	15.94
11-002	11.00	12.00	1.00	2.15
11-003	Not mineralised			
11-004	Not mineralised			
11-005	61.15	64.00	2.85	4.90
	71.45	75.00	3.55	12.72
<i>Includes</i>	73.50	74.50	1.00	23.25
11-006	25.60	27.50	1.90	15.09
<i>Includes</i>	26.00	27.00	1.00	20.48
11-007	37.00	38.80	1.80	6.59
11-008	71.55	78.75	7.20	4.68
<i>Includes</i>	73.50	77.50	4.00	6.01
<i>Includes</i>	75.50	76.50	1.00	8.57
<i>Includes</i>	83.00	87.50	4.50	5.64
	83.00	85.25	2.25	7.41
	83.70	85.25	1.55	8.61
11-009	42.00	44.50	2.50	4.60
<i>Includes</i>	43.00	44.00	1.00	6.55
	49.65	53.00	3.35	5.15
	49.65	50.70	1.05	12.94
11-010	Not mineralised			
11-011	40.50	41.80	1.30	4.26
11-012	Not mineralised			
11-013	37.05	38.50	1.45	2.51
11-014	18.00	19.75	1.75	3.22
	55.00	56.50	1.50	3.60
11-015	14.60	16.50	1.90	5.05
11-016	55.50	62.00	6.50	5.00
<i>Includes</i>	60.00	62.00	2.00	9.14
	60.50	61.50	1.00	11.52

**Table 1: Summary of significant drilling results.**

\* Reported width approximates true width as mineralised horizons are flat lying and drill holes are vertical



**Figure 5: Lucena South showing known deposits and drill hole locations.**



**Figure 6: Photos of Diamond Drill Core - Left: Drill hole LCD-11-05 returned 3.55metres @12.72% P2O5, including 1metre @23.25% P2O5 and Right: Drill hole LCD-11-09 returned 3.35metres @5.15% P2O5 including 1.05metre @12.94% P2O5.**

## About the Lucena Phosphate Project ('LPP')

The LPP covers 72,568 hectares (725km<sup>2</sup>) all located within a 50km radius around the city of João Pessoa, capital of the Paraíba state in north eastern Brazil.

CPRM discovered shallow phosphate mineralisation up to 22% P<sub>2</sub>O<sub>5</sub> in several deposits of the basin, including the Recreio, Acais and Jaguarema deposits (see Figure 1) located to the west of the Lucena South Project. Phosphate mineralisation is hosted by a limestone unit (Gramame Formation) that extends through the project towards the east.

The mineralisation is typical of sedimentary phosphorite deposits associated with upwelling zones with low sedimentation rate and can be associated with zones where cold water meets warmer waters allowing the precipitation of phosphate. Phosphorite is a variety of sedimentary rock composed by 10% of phosphate, usually francolite Ca<sub>5</sub>[(F,O)](PO<sub>4</sub>,CO<sub>3</sub>)<sub>3</sub> - that represents a "fibrous apatite and fluorapatite".

The main mineralised interval is located at the bottom of the Gramame Formation (limestone) near the top of the Itamaraca Formation (sandstone). The depth of the mineralisation varies from 15 to 94 meters depth with thickness in the range of 0.5 to 7.0 metres. The grades found vary from 3.1% to 21.85% P<sub>2</sub>O<sub>5</sub>.

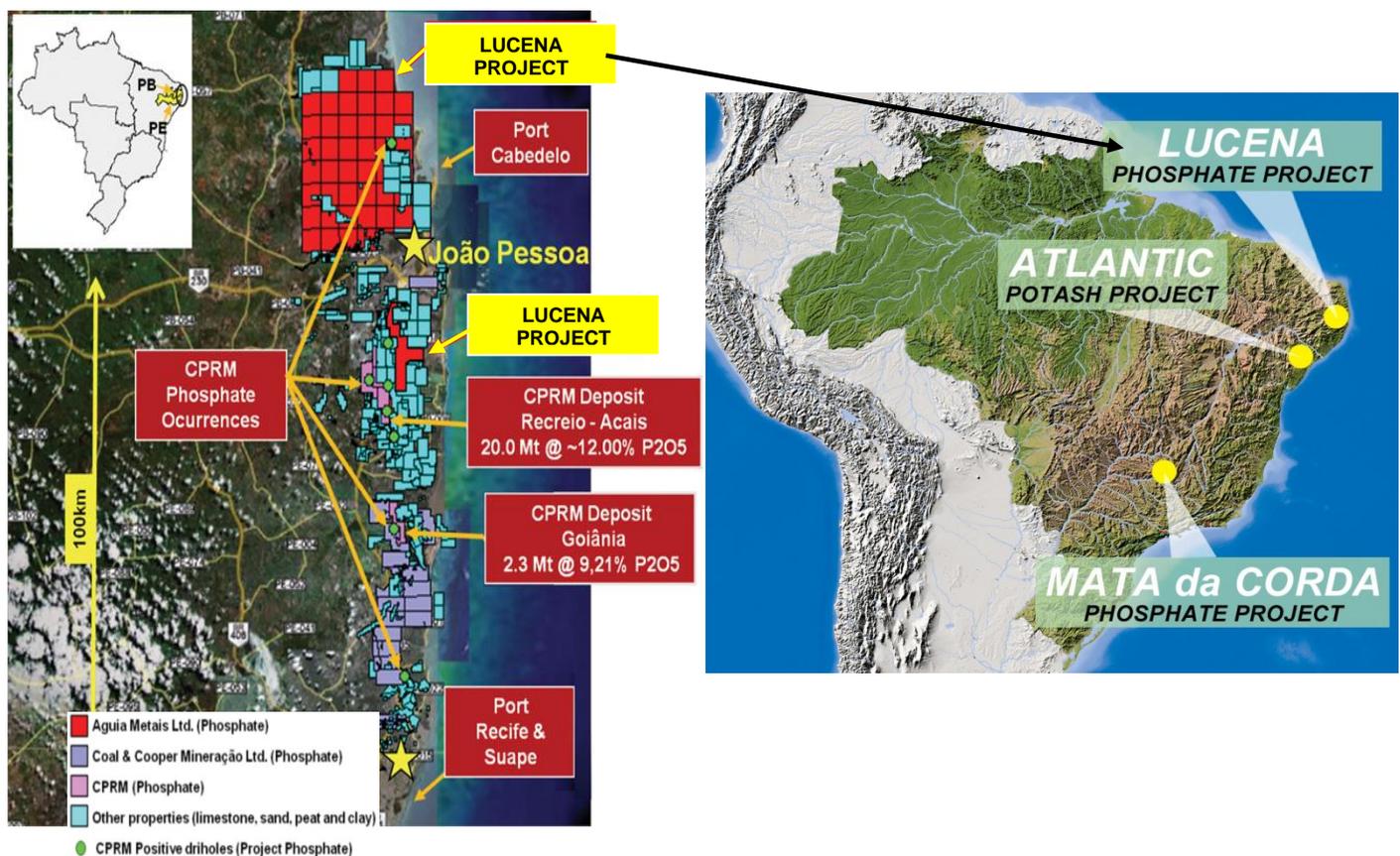


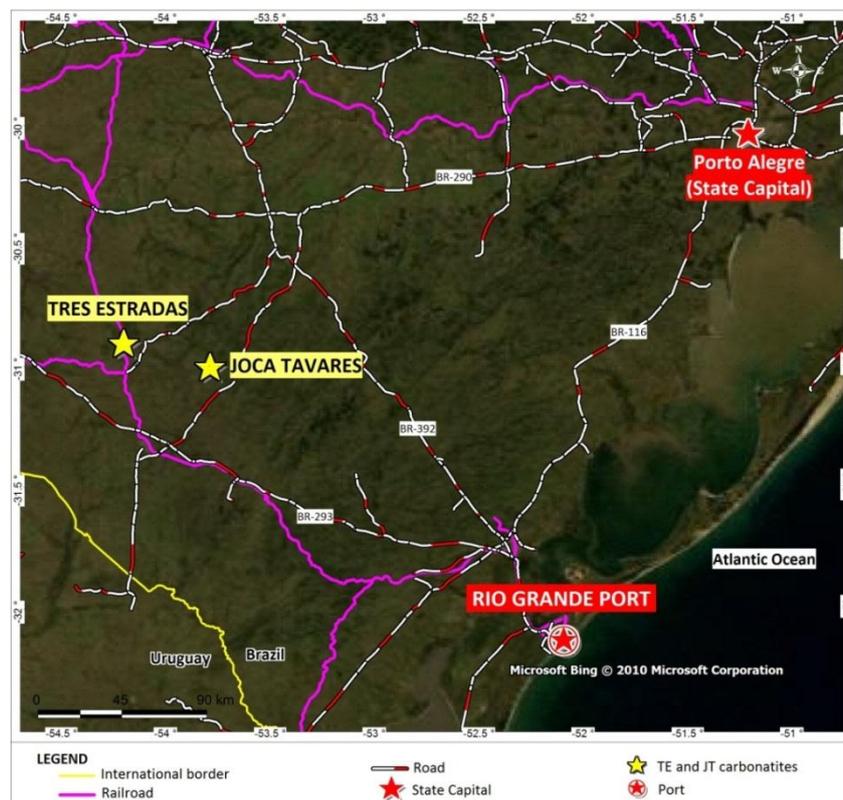
Figure 7: LPP location map showing existing phosphate deposits and Project location

## Rio Grande Phosphate Projects

Agua has an exclusive option to acquire 100 per cent of the Tres Estradas (“TE”) and Joca Tavares (“JT”) carbonatite style phosphate projects from Companhia Brasileira do Cobre (“CBC”).

The TE and JT Carbonatite Projects are located 325 km and 377 km, respectively from the city of Porto Alegre, the capital of the State of Rio Grande do Sul, the southernmost Brazilian state towards the border with Uruguay.

The region is well developed being well serviced by roads, power, port and services. The The two carbonatites were discovered by the Brazilian Geological survey (“CPRM”) and are now held by Companhia Brasileira do Cobre (“CBC”) via one exploration permit (TE) and one application permit (JT) over the carbonatite pipes.



**Figure 8: Location of the Projects in Rio Grande do Sul State, SE Brazil**

### Tres Estradas

The TE project was historically explored for gold in a Joint Venture between CBC and Santa Elina. Three diamond drill holes that were targeting gold, intersected broad zones of carbonatites with associated phosphate mineralisation. Drill hole FD3E-03 returned 80 metres @ 3.41% P<sub>2</sub>O<sub>5</sub> (from 16 metres) including 17 metres @ 4.94% P<sub>2</sub>O<sub>5</sub> (from 56 metres) and drill hole FD3E-01 returned 96 metres @ 2.56% P<sub>2</sub>O<sub>5</sub> (from 39 metres) including 35 metres @ 3.45% P<sub>2</sub>O<sub>5</sub> (from 68 metres).

The first 15 metres of these holes were not sampled and have the potential to host higher grade oxide ore as indicated by grab surface rock samples collected by Agua that have returned assays up to 31.70%, 25.80% and 22.90% P<sub>2</sub>O<sub>5</sub>.

Exploration programs of surface sampling and drilling will test the TE target over a strike length of one kilometre and widths up to greater than 100 metres.

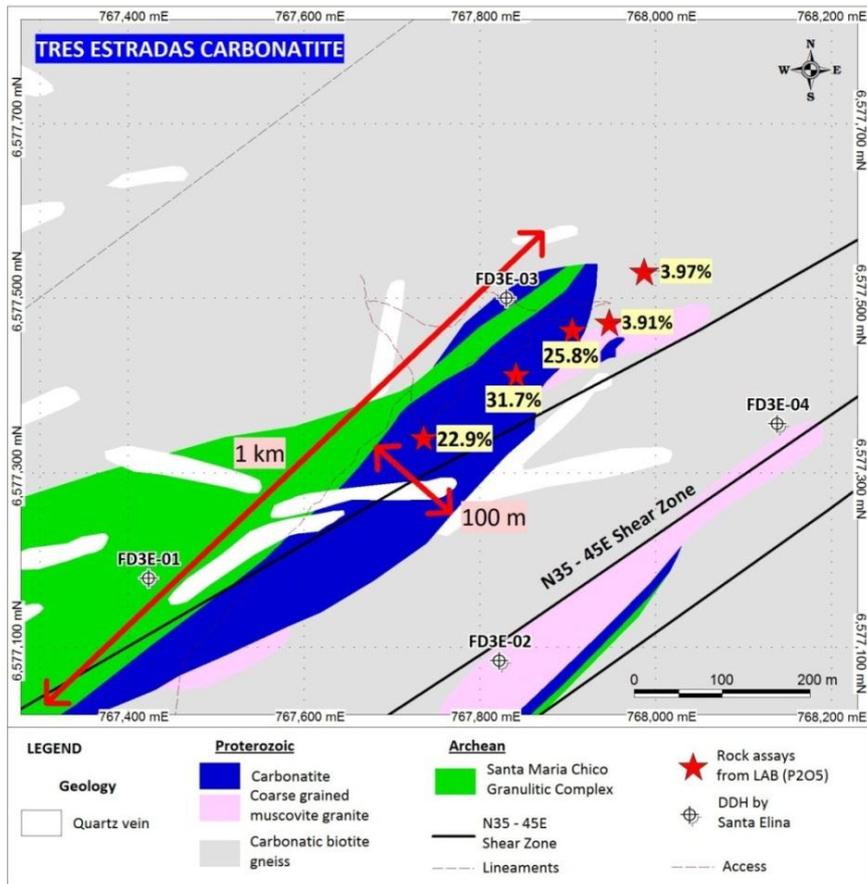


Figure 9: TE Project, Geology and Surface sampling results

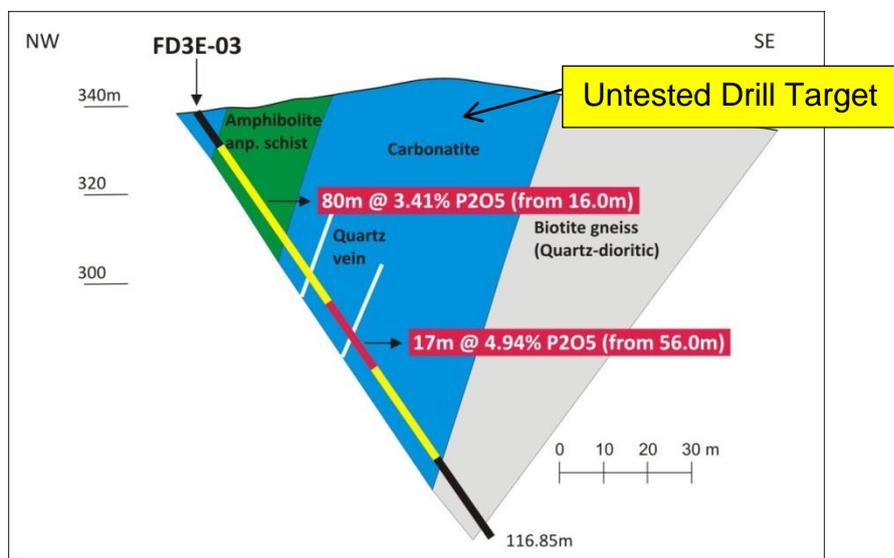


Figure 10: Cross Section showing Drill hole FD3E-03 and untested shallow oxide zone.

## Joca Tavares

The JT project (under application) is located 41 kilometres ESE from the TE project. No systematic exploration has been conducted since its discovery by the CPRM.

Encouraging results from surface rock grab samples collected by Agua have returned assays up to 11.40% P<sub>2</sub>O<sub>5</sub>.

The dimensions of the target zone will be investigated by Agua, including mapping, rock chip sampling and programs of drilling once the application has been granted.

### Carbonatite Associated Phosphate Deposits – Brazil

The largest phosphate mines in Brazil are all associated with carbonatites as can be seen in Table 2. Typically these deposits, including Tapira, Cajati and Araxa, have a higher grade oxide zone sitting above lower grade primary ore.

Company	Project	Status	Type	Reserve (Mt)	Av. Grade P <sub>2</sub> O <sub>5</sub> (%)	Conc. Grade P <sub>2</sub> O <sub>5</sub> (%)	Prod. Capacity (ktpa)
				(A) (B)		(C)	(D)
Vale	Tapira	Operating	Carbonatite	1,309.2	7.69	35.5	2,030
Copebrás/ Anglo	Ouvidor	Operating	Carbonatite	256.7	7.63	38.0	1,300
Vale	Araxá	Operating	Carbonatite	88.7	11.12	35/ 33	910
Vale	Catalao	Operating	Carbonatite	223.6	8.96	36/ 34	1,209
Vale	Cajati	Operating	Carbonatite	85.1	5.45	36.0	528
Vale	Patos	Operating	Metasediments	304.6	12.36	24.0	150
Vale	Salitre	Development	Carbonatite	852.0*	10.74	-	1,600 forecast
Vale	Anitápolis	Development	Carbonatite	54.0*	9.01	-	300 forecast

**Table 2: Major Phosphate Deposits Brazil**

\*denotes resource figures

**Sources:**

(A) > Resource and Grades: Salitre – DNPM 1975 / Anitápolis: DOU 1980 (DOU = Official Diary of Brazil)

(B) > Reserve and Grades: DNPM 2006 Mineral Annuary

(C) > Concentration, Beneficiation/ Production: ANDA Annuary 2008

(D) > Major phosphate rock producer by Bete, Inc for Cargill Fertilizer, Inc 1988.

The operating mines are highly profitable due to their excellent mineralogy enabling the ores to be beneficiated to a suitable concentrate grade (>32% P<sub>2</sub>O<sub>5</sub>) and their close proximity to markets including fertiliser blenders and end users.

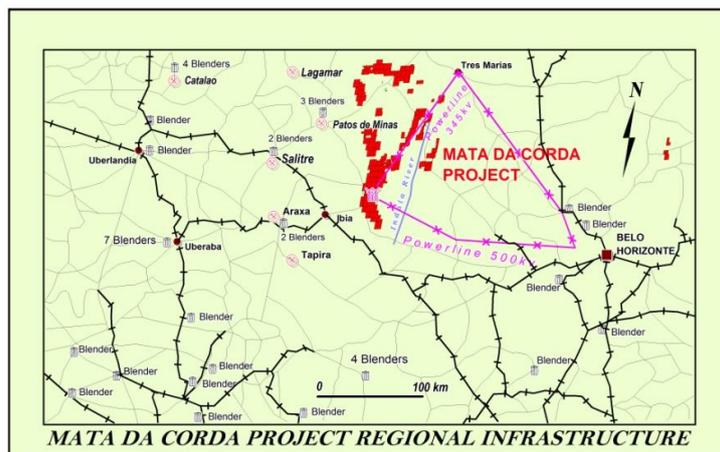
The commercial terms of the Agreement allow Agua the option to acquire 100 per cent of the projects through:

- Minimum commitment of a 600 metre diamond drilling program within 24 months.
- Has the right to conduct exploration on the projects for a term of up to 36 months (“Option Term”).
- Agua can elect to acquire the Projects through the issue of 5,000,000 fully paid ordinary shares at any time up to 120 days after the expiry of the Option Term.
- In addition CBC retains the first right of refusal to purchase, at market prices and conditions, any future calcium carbonate production as a sub product from phosphate production.
- The projects being acquired are located within the Brazilian border control zone (150 kilometres from the international border) restricting foreign ownership of the tenements to 49%. Should the option be exercised to acquire the tenements at the conclusion of the exploration program, the Company will be required to enter into a joint venture with a Brazilian owned company to develop the tenements. This arrangement is not expected to materially alter the Company’s potential economic return on the funds invested as part of the exploration program.

## Mata da Corda Phosphate Project ('MCPP')

The MCPP is located within 150km of the three largest phosphate mines in Brazil; Araxá – Vale (290Mt @ 14.88% P<sub>2</sub>O<sub>5</sub>), Tapira – Vale (744Mt @ 8.35% P<sub>2</sub>O<sub>5</sub>) and Catalão – Anglo/Vale (203Mt @ 8.80% P<sub>2</sub>O<sub>5</sub>). These three mines account for 95% of the phosphate rock production in Brazil. Within this existing transportation corridor there are 32 major bulk fertiliser blenders.

The MCPP is well located with excellent logistics. It is close to infrastructure (roads, water, railway and energy), potential primary (agriculture) customers, fertiliser blenders and is on the main transportation route for the expanding agricultural districts of Mato Grasso Brazil.



**Figure 11: Location of the Mata da Corda Project relative to operating phosphate mines, major fertiliser bulk blenders and infrastructure including roads, railways, power and water**

Regional mapping and reconnaissance work, including rock chip sampling, trenching and scout drilling continued during the quarter on Blocks 1, 7, 8 and 9.

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 Aguiá 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.

Hole_ID	UTM_E	UTM_N	Azimuth	Dip	Depth (m)
LCD-11-001	288048	9195780	0	90	117.15
LCD-11-002	287919	9197620	0	90	43.80
LCD-11-003	289126	9201838	0	90	30.90
LCD-11-004	288422	9198960	0	90	35.55
LCD-11-005	288329	9182283	0	90	95.05
LCD-11-006	288007	9181037	0	90	42.00
LCD-11-007	291218	9189118	0	90	41.80
LCD-11-008	290007	9189745	0	90	99.35
LCD-11-009	291089	9191408	0	90	67.65
LCD-11-010	291385	9192661	0	90	56.00
LCD-11-011	290292	9194117	0	90	52.45
LCD-11-012	287326	9197466	0	90	60.40
LCD-11-013	286944	9199238	0	90	64.40
LCD-11-014	294464	9193210	0	90	60.20
LCD-11-015	288734	9181312	0	90	45.30
LCD-11-016	288203	9182924	0	90	88.25

**Table 3: Lucena Drill hole Location data.**