



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 31<sup>st</sup> JULY 2012

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## **JUNE 2012 QUARTERLY REPORT**

Emerging phosphate and potash exploration and development company Agua Resources Limited (ASX: **AGR**) ("Agua" or "Company") is pleased to present its June 2012 quarterly activities report.

### **Milestones**

During the June 2012 quarter, Agua achieved a number of significant milestones including:

- An initial JORC compliant resource at the Company's flagship Três Estradas ("TE") phosphate project
- Excellent initial beneficiation test work results from TE
- An updated phosphate strategy in order to accelerate the development of its project assets including early start up

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### **Summary**

#### **Phosphate**

At the Três Estradas ("TE") phosphate project, Agua announced an initial JORC compliant inferred resource estimate and excellent metallurgical results from first pass test work. Additional TE project highlights include:

- Stage one drilling program results returned a significant new early stage phosphate discovery in the state of Rio Grande do Sul in southern Brazil
- The initial JORC compliant inferred resource comprises 21Mt @ 4.6% P<sub>2</sub>O<sub>5</sub> including a higher grade oxide zone from surface of 1.8Mt @ 10.9% P<sub>2</sub>O<sub>5</sub>
- The initial inferred resource estimate was derived from shallow auger holes and 19 core holes drilled to 100 metres depth over a length of 1,160 metres
- Significant potential to expand the resource with additional drilling below 100 metres and along the carbonatite zone which extends for an additional length of 1,400 metres
- Metallurgical recoveries up to 83.4% and concentrate grades up to 33.9% P<sub>2</sub>O<sub>5</sub>
- Results indicate the potential to produce a commercial concentrate using standard methods and reagents available in the market
- Overall grade and preliminary metallurgical results are similar to carbonatite hosted open-cut operating mines in Brazil and globally that are presently mined to depths of 220 metres (Siilinjarvi, Finland) and 375 metres (Cajati, Brazil)
- A second stage drilling program has commenced aimed at significantly expanding the initial JORC compliant inferred resource

## **Potash**

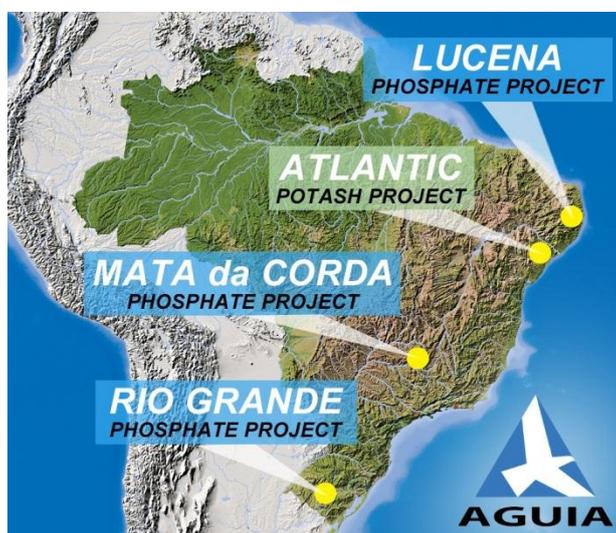
At the Atlantic potash project, adjacent to Brazil's only operating potash mine (within the Sergipe Basin), the Company achieved the following outcomes:

- Re-negotiated and signed an agreement with Lara Exploration ("Lara") to acquire up to a 100% interest in Lara's Potash Projects (LPP) in north east Brazil
- Under the new agreement, Aguia has re-negotiated an extension to the minimum work commitment such that the 12 month period is now effective from the date of the renewal of certain exploration licences
- Should the exploration licenses not be renewed within 24 months, Aguia has the option to terminate the agreement

## **Near Term Focus**

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

**Figure 1: Location of Aguia Projects, Brazil**



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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.

## Phosphate Projects

### Rio Grande Projects

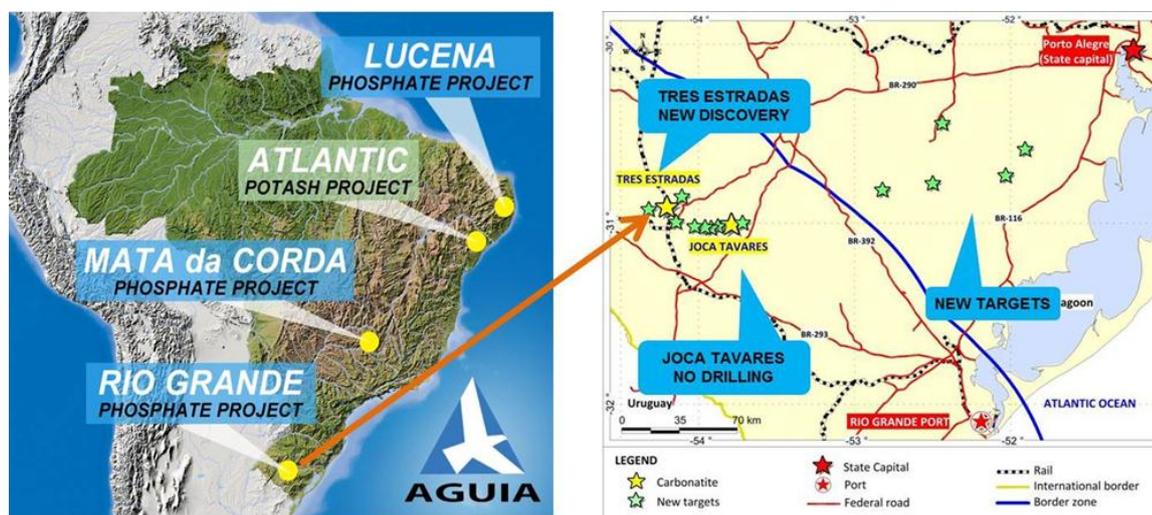
Agua has an exclusive option to acquire 100% of the Três Estradas (“TE”) and Joca Tavares (“JT”) carbonatite style phosphate projects from Companhia Brasileira do Cobre (“CBC”).

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 around 1.0 million tonnes  $P_2O_5^2$  or around 30% of Brazilian consumption, with no currently active phosphate mines in the states.

The TE, JT and other Agua projects will be logistically advantaged to supply into this region, compared with other phosphate mined in Minas Gerais, Goiás or imports.

Figure 2: Location of Rio Grande Phosphate Projects, SE 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 ( $P_2O_5$ ) Deposits Within Carbonatite Hosted Rocks<sup>3</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 (Agua)	Brazil	21 <sup>4</sup>	4.6%	76%	28% <sup>5</sup>	Exploration / Development

<sup>2</sup> Source: ANDA, 2010 consumption data

<sup>3</sup> JSA Consultoria e Assessoria Técnica, Company data

<sup>4</sup> Inferred resource calculated from 40% of potential target length and to 100 metres depth

<sup>5</sup> Based on preliminary beneficiation test work, optimisation test work underway

### Initial JORC Mineral Resource

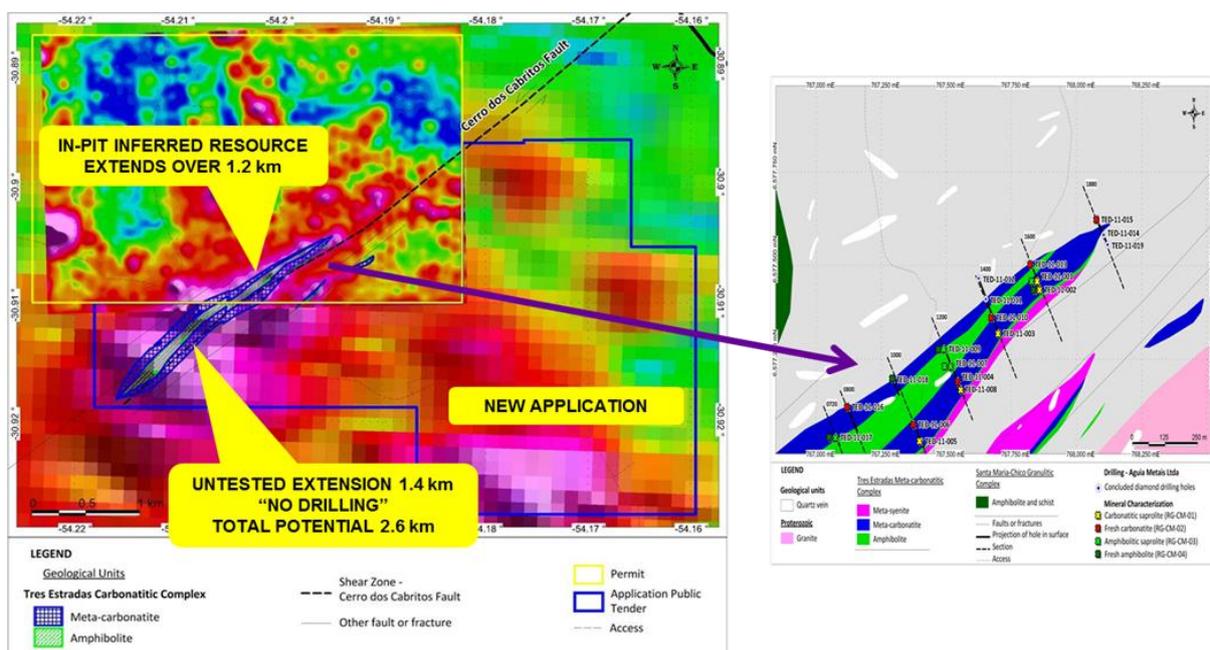
Aguia completed a first stage drilling program in late 2011 and commissioned leading independent global consulting company SRK Consulting to prepare the initial Mineral Resource Statement. The mineral resources were reported within a conceptual pit shell at a 3.0% P<sub>2</sub>O<sub>5</sub> cut-off grade.

The initial JORC compliant inferred resource comprised of 21Mt @ 4.6% P<sub>2</sub>O<sub>5</sub> including a higher grade oxide zone from surface of 1.8Mt @ 10.9% P<sub>2</sub>O<sub>5</sub>.

The initial resource was based on limited drilling (19 core holes) of the TE phosphate project to a vertical depth of 100 metres over a length of 1,160 metres. The Company believes there is significant potential to expand the resource with additional drilling below 100 metres and along the carbonatite zone which extends for an additional length of 1,400 metres.

The summary report by SRK including the competent person’s statement was announced to the market on 15 June 2012.

**Figure 3: Três Estradas Project In-Pit Inferred Resource Outline & Untested Extension Zones (Left Image) and Drill Hole Location Plan (Right Image)**



### Results of Beneficiation Test Work

Four composite diamond core samples were collected and submitted to the University of Sao Paulo (“USP”) in Brazil to evaluate the flotation characteristics of the samples. These samples comprised of the following rock types:

- Oxidised carbonatite
- Fresh carbonatite
- Oxidised amphibolite
- Fresh amphibolite

The Company received excellent metallurgical results from initial beneficiation test work. (Refer to ASX announcement 22 May 2012). A summary of the flotation test work results is shown in Table 2.

**Table 2: Flotation Test Work Results**

Sample	Recovery	P <sub>2</sub> O <sub>5</sub>	SiO <sub>2</sub>	Fe <sub>2</sub> O <sub>3</sub>
EB-01, Oxidised Carbonatite	83.4%	32.6%	6.5%	8.4%
EB-02, Fresh Carbonatite	75.5%	28.2%	2.2%	1.3%
EB-03, Oxidised Amphibolite	61.9%	33.9%	2.6%	1.1%

The results from this work were very positive, indicating that the mineralisation, with the exception of the fresh amphibolite, has the potential to produce a commercial phosphate concentrate.

John Sinden, Aguia's Specialist Processing Engineer, noted that the results from sample EB-02 are very similar to operational parameters from material that is mined at Yara's Siilinjärvi operation in Finland and Vale's Jacupiranga operation in Brazil. These comparisons are summarised in Table 3 below.

**Table 3: Phosphate Deposit Metallurgical Comparisons**

Name of Deposit	P <sub>2</sub> O <sub>5</sub> Head Grade	Recovery	P <sub>2</sub> O <sub>5</sub> Conc. Grade	Stage
Siilinjärvi (Yara)	4%	84%	35%	Production
Jacupiranga (Vale)	5%	78%	36%	Production
EB-02, Fresh Carbonatite, Initial Test Work (Agua)	4%	76%	28%	Exploration

Further optimisation test work is currently being carried out on these samples with results expected in the current quarter.

### Joca Tavares ("JT")

The JT project is located 41 kilometres east-south-east from the TE project. No systematic exploration has been conducted since its discovery by the Companhia de Pesquisa de Recursos Minerais ("CPRM").

Encouraging results from surface rock grab samples collected by Aguia have returned assays up to 11.4% P<sub>2</sub>O<sub>5</sub>. The dimensions of the target zone will be investigated by Aguia, including mapping, rock chip sampling and programs of drilling.

Some of the projects 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. This legal aspect was in place under the past Brazilian military government (1964 to 1985). The law has already changed from 300 to 150 kilometres. A proposal to change the law from 150 to 50 kilometres has already past the senate and awaits hearing in the lower house.

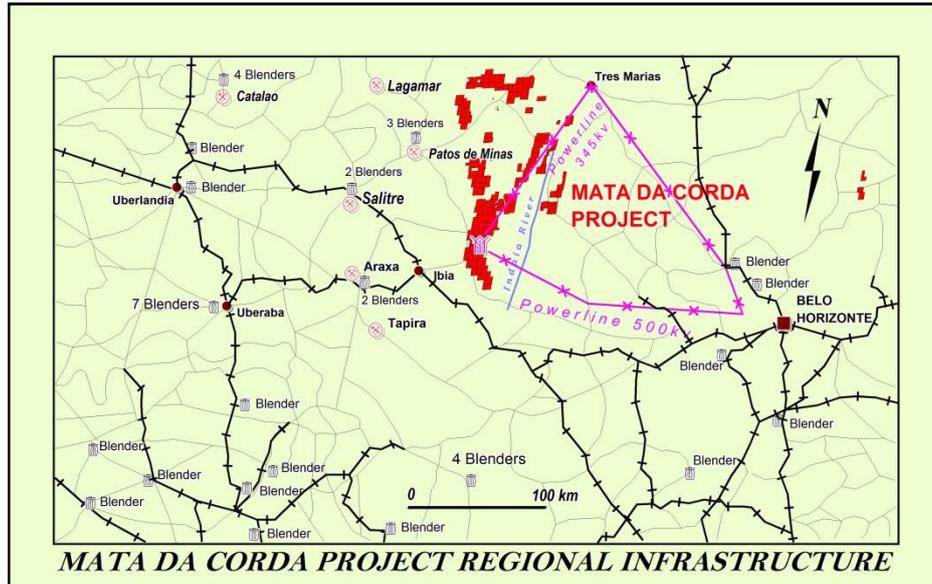
### Mata da Corda Phosphate Project ("MCP")

The MCP is located within 150 kilometres of the three largest phosphate mines in Brazil; Araxá – Vale (290Mt @ 14.9% P<sub>2</sub>O<sub>5</sub>), Tapira – Vale (744Mt @ 8.4% P<sub>2</sub>O<sub>5</sub>) and Catalão – Anglo/Vale (203Mt @ 8.8% 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 (Figure 4).

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

MCP is held in a joint venture with Vicenza Mineracao e Participacoes S.A. ("Vicenza") who is the operator and has an option to acquire 70% of the project.

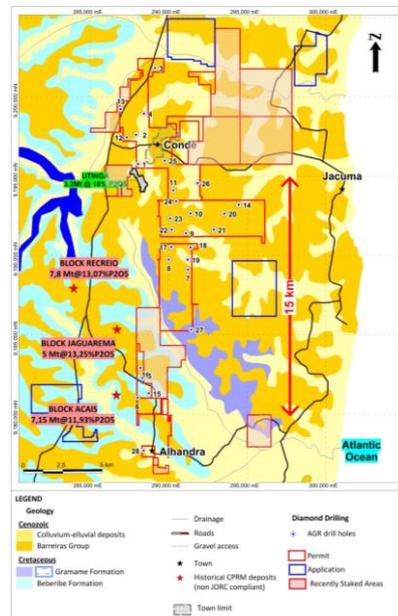
**Figure 4: Location of the Mata da Corda Project Relative to Operating Phosphate Mines, Major Fertiliser Bulk Blenders and Infrastructure including Roads, Railways, Power and Water**



### Lucena Phosphate Project (“LPP”)

The Company has previously reported assays from a 28 hole drilling program spaced over a 20 kilometre zone. Twenty two holes returned phosphate mineralisation over thicknesses ranging from 1.0 to 13.7 metres. Numerous high grade intersections were received including assays up to 23.3% P<sub>2</sub>O<sub>5</sub>.

**Figure 5: Lucena South Showing Known Deposits and Previous Drill Hole Locations**



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 metres depth with thickness in the range of 0.5 to 7.0 metres. The grades found vary from 3.1% to 21.9% P<sub>2</sub>O<sub>5</sub>.

The Company is completing desktop resource targeting for future drill testing on prospective near surface priority target zones.

## Potash Projects

### Atlantic Potash Project

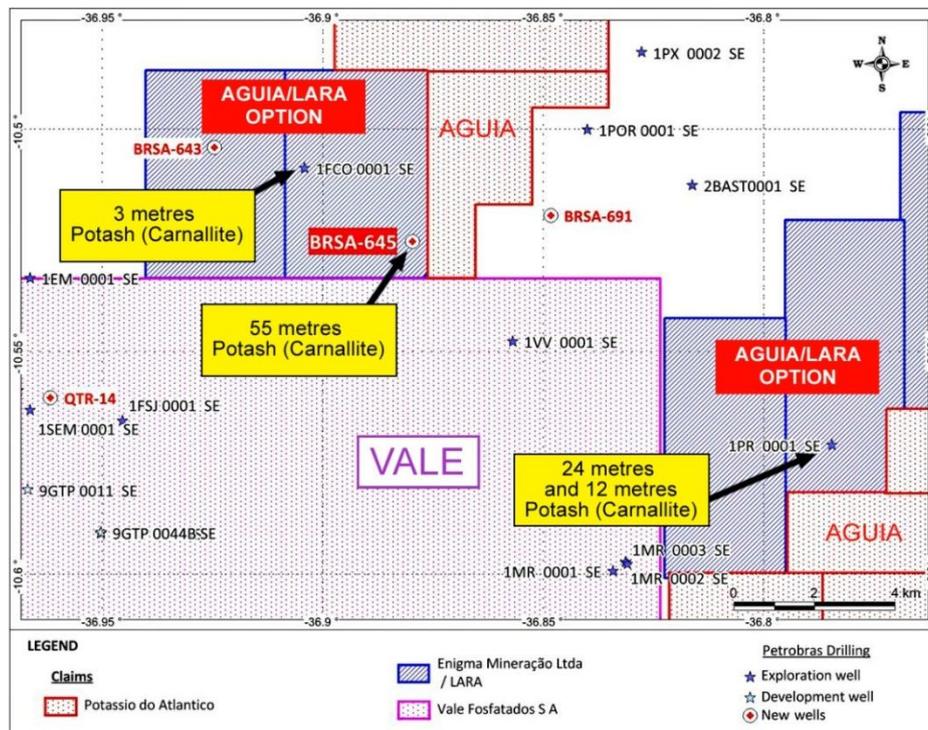
The Company refers to its announcement dated 23 January 2012 in relation to the signing of a Letter of Intent (“LOI” or “Agreement”) with Lara Exploration Ltd (“Lara”) to acquire up to a 100% interest in Lara’s Potash Projects (“LPP”) located adjacent and adjoining to Aguiá’s Atlantic Potash Project in north east Brazil.

During the quarter the Company signed a new Agreement, Aguiá has re-negotiated an extension to the minimum work commitment such that the 12 month period is now effective from the date of the renewal of certain exploration licences that comprise the Sergipe Potash Project.

Should the exploration licenses not be renewed within 24 months, Aguiá has the option to terminate the Agreement. At this stage, it is uncertain when the exploration licenses will be renewed.

This extension is consistent with the Company’s strategy and associated timeframes to ensure all of its resources are focused on its phosphate projects including Rio Grande.

**Figure 6: Location of Lara projects, Historical Oil and Gas Exploration Wells and Significant Historic Potash Intersections**



### About the Atlantic Potash Project

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.

Aguiá, through its wholly owned subsidiary Potássio do Atlantico Ltda (“Paltda”), has acquired 106 exploration claims totaling approximately 178,000 hectares (1,780 km<sup>2</sup>) consisting of five property areas in the Sergipe-Alagoas basin.

Potash mineralisation was discovered in the Sergipe-Alagoas Basin by Petrobras during oil and gas exploration in the 1950’s and 1960’s. In Sergipe, sylvinitic dominant potash deposits occur in the regions of Taquari-Vassouras and Santa Rosa de Lima. The discovery of sylvinitic 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.

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.

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. The harbour is located 15 kilometres North of Aracaju and it is used for the transport of oil, potash and heavy equipment.

#### **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 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.