

25<sup>th</sup> July 2013

## JUNE 2013 QUARTERLY REPORT

Aguia Resources Limited (ASX: **AGR**) (“Aguia” or “Company”) is pleased to present its June 2013 quarterly activities report.

### Milestones

During the June 2013 quarter, Aguia achieved a number of significant milestones including:

- Granting of Três Estradas South and Joca Tavares exploration tenements
- Excellent initial high grade phosphate auger drilling results from the Joca Tavares prospect with intersections of up to **14.7 metres grading 10.8% P<sub>2</sub>O<sub>5</sub>** from surface
- Rationalisation and improvement of the Company’s share structure with the cancellation of the majority of performance shares, providing a more transparent capital structure for investors
- Post the reporting period the Company completed a Placement of **33.6 million new ordinary shares to raise \$1.68 million** and announced a **Share Purchase Plan**

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### Summary

#### Phosphate

At the Rio Grande phosphate projects the Company announced the granting of the Três Estradas South and Joca Tavares exploration tenements. The granting of these tenements will allow the Company to potentially further expand the JORC compliant mineral resource<sup>1</sup> of 28.5M tonnes at 4.3% P<sub>2</sub>O<sub>5</sub><sup>2</sup>, at Três Estradas and has allowed the Company to carry out an initial auger drilling programme at Joca Tavares.

Initial auger drilling at Joca Tavares has returned excellent results, including:

- **14.7 metres @ 10.8 P<sub>2</sub>O<sub>5</sub> from surface (hole ended in mineralisation)**
  - Includes 10.7 metres @ 12.7% P<sub>2</sub>O<sub>5</sub>
- **6.4 metres @ 8.2% P<sub>2</sub>O<sub>5</sub> from surface (hole ended in mineralisation)**
  - Includes 2.4 metres @ 12.6% P<sub>2</sub>O<sub>5</sub>
- **5.5 metres @ 7.7 P<sub>2</sub>O<sub>5</sub> from surface (hole ended in mineralisation)**
  - Includes 3.5 metres @ 9.9% P<sub>2</sub>O<sub>5</sub>

The Company has also carried out ground magnetic surveys over Joca Tavares and Três Estradas South and commenced soil and auger drilling at Três Estradas South to confirm the extension of the carbonatite complex through the newly granted tenement.

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<sup>1</sup> See Aguia Resources Ltd, ASX release of 28<sup>th</sup> February 2013.

<sup>2</sup> SRK Consulting: Cut-off of 3.0% P<sub>2</sub>O<sub>5</sub>.

## **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.

## **Corporate**

During the quarter the Company took steps to improve and rationalise its share structure through the early termination and expiry of the majority of performance shares issued as consideration for the acquisition of certain potash and phosphate assets. The transactions have resulted in the cancellation and or expiry of a total of 115.27m performance shares and the issue of 9.41m ordinary new shares (escrowed for 12 months) and 14.11m options (exercisable at \$0.30 each, expiring 31 May 2015).

This resolves all obligations relating to underlying agreements related to acquiring certain assets in Brazil and allows the Company to pursue its goal of becoming a major fertiliser developer.

Post the end of the quarter the Company placed 33,630,000 ordinary shares raising \$1,681,500 before costs and announced a Share Purchase Plan. The Placement was well supported by a number of new and existing sophisticated and professional investors.

The funds raised will be used to supplement the Company's existing working capital and to further advance the Rio Grande phosphate projects in southern Brazil.

## **Near Term Focus**

The Company will continue its efforts to commercialise its flagship Rio Grande phosphate project through resource expansion, scoping of the high grade oxide zone and further phosphate beneficiation optimisation test work.

The Três Estradas resource remains open to the southwest within the adjacent tenement that contains an additional 1.4 kilometres of outcropping carbonatite host rocks and there is significant potential to upgrade the size of the resource through further drilling.

The new discovery at Joca Tavares project is located 41 kilometres east-south-east from the Três Estradas project and work by the Company has outlined carbonatite and carbonatite breccia over an area of 1350m x 400m with excellent first pass auger drilling results.

Continued programs of shallow auger drilling are underway at both Três Estradas and Joca Tavares with further assay results pending.

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## **About Agua**

Agua 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. Agua 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 a large landholding in the area that includes an exclusive option to acquire 100 per cent of the Três Estradas and Joca Tavares carbonatite style phosphate projects from Companhia Brasileira do Cobre (“CBC”) and an additional 13 projects that it has acquired in its own right.

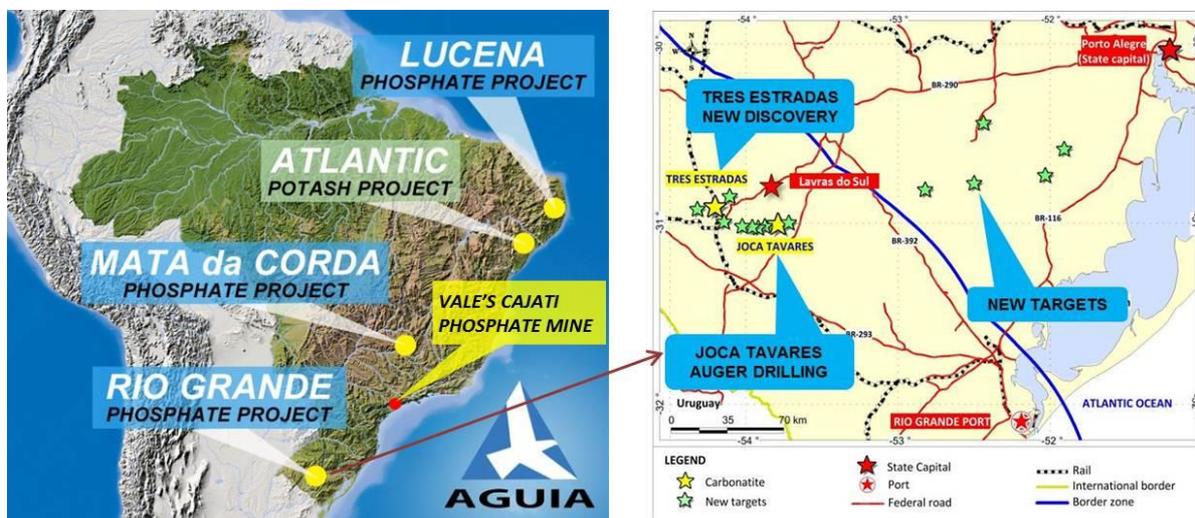
The projects are located in the state of Rio Grande do Sul - the southernmost Brazilian state adjacent to the border with Uruguay. The region has well developed infrastructure with excellent roads, rail, power, port and services.

The three southern States of Rio Grande do Sul, Santa Catarina and Paraná currently consume over 1 million tonnes  $P_2O_5^3$  or almost 30% of Brazilian consumption, however there are currently no producing phosphate mines in the region.

The Três Estradas, Joca Tavares and other Agua projects will be logistically advantaged to supply the region compared with phosphate mined in Minas Gerais and Goiás and imports.

Brazil is heavily reliant on imports for approximately 50 per cent of its phosphate needs.

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



The Três Estradas project represents a significant new phosphate discovery with characteristics similar to existing producers in Brazil. Importantly, 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 from carbonatite host rocks.

Table 1: Comparative Phosphate ( $P_2O_5$ ) Deposits Within Carbonatite Hosted Rocks<sup>1</sup>

Name of Deposit	Location	Tonnage (Mt)	Head Grade	Recovery	Concentration Grade	Stage
Siilinjärvi (Yara)	Finland	465	4.0%	84%	35%	Production
Cajati (Vale)	Brazil	100	5.5%	78%	36%	Production
Três Estradas (Agua)	Brazil	28.5 <sup>2</sup>	4.3%	65-83%	31-36% <sup>3</sup>	Exploration / Development

#### Notes

1. JSA Consultoria e Assessoria Técnica, Company data

2. JORC-compliant resource calculated from 40% of potential target length and to 100 metres depth. This includes 9.6Mt @ 4.96%  $P_2O_5$  indicated and 18.9Mt @ 3.88%  $P_2O_5$  inferred resources.

3. Based on preliminary beneficiation test work, optimisation test work underway

<sup>3</sup> = Data Source: ANDA, 2012 consumption data.

The operating carbonatite mines in Brazil 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. Initial test work demonstrates that the ore from Três Estradas beneficiates to a commercial grade.

### Três Estradas Project

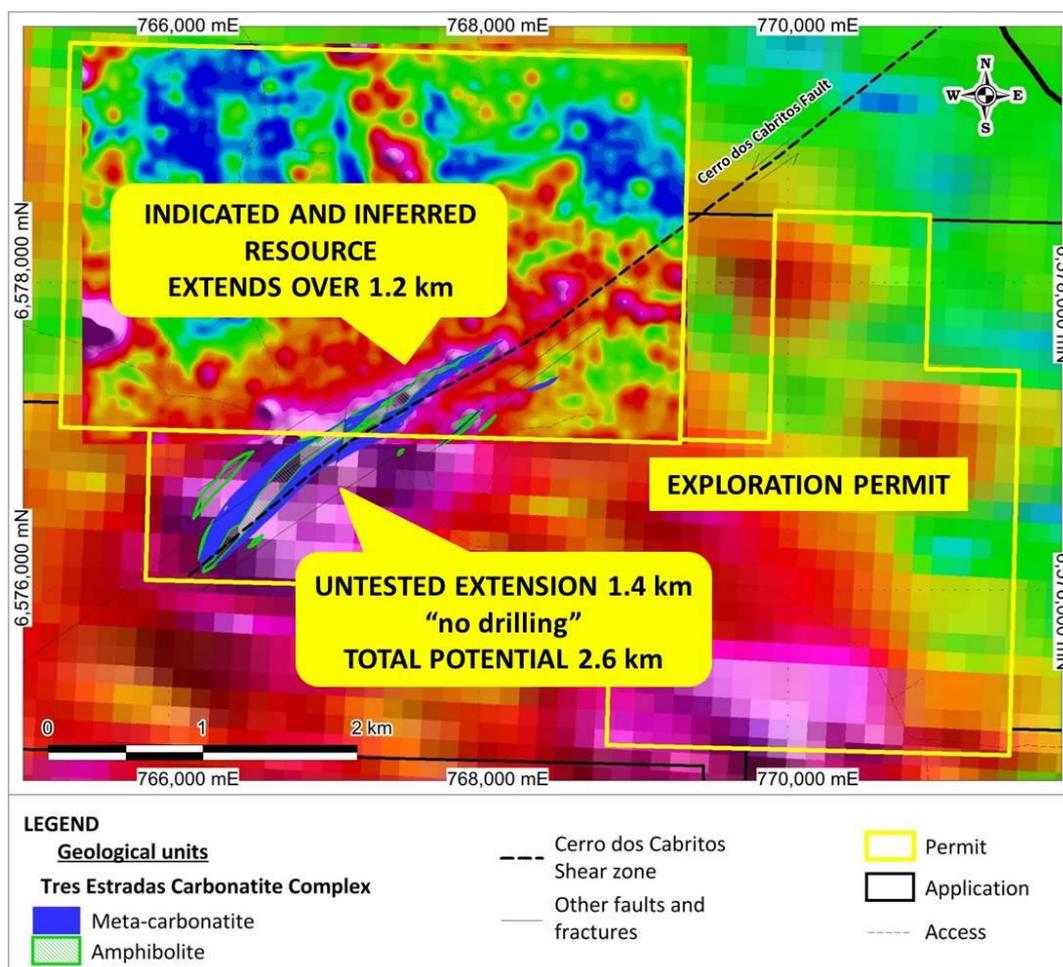
At the Três Estradas phosphate project the Company announced the granting of the tenement immediately to the south of the area that hosts the current JORC-compliant resource.

This is a significant development. As seen in Figure 2 below, the current resource remains open to the southwest within the new tenement that contains an additional 1.4 kilometres of outcropping carbonatite host rocks with significant potential to upgrade the size of the resource. When considered with the positive results of the initial metallurgical test work, which is comparable to other producing Brazilian mines, the Company believes that the project has the potential to develop into a robust operation.

The Company has now completed soil and rock sampling, geological mapping and a ground magnetics survey over the extent of the carbonatite.

As announced last quarter the Company completed an upgrade to the JORC compliant resource to 28.5Mt @ 4.3% P<sub>2</sub>O<sub>5</sub> (including 9.6Mt @ 4.96% P<sub>2</sub>O<sub>5</sub> indicated and 18.9Mt @ 3.88% P<sub>2</sub>O<sub>5</sub> inferred resources), a 34% increase on tonnage from the maiden resource. This includes a JORC-compliant higher grade oxide zone from surface of 1.65Mt @ 10.5% P<sub>2</sub>O<sub>5</sub>, (including 1.28Mt @ 10.74% P<sub>2</sub>O<sub>5</sub> indicated and 0.37Mt @ 9.79% P<sub>2</sub>O<sub>5</sub> inferred resources). This upgrade was prepared by leading independent global consulting company SRK and is reported within a conceptual pit shell at a cut-off grade of 3.0% P<sub>2</sub>O<sub>5</sub> and extends to 200m below surface.

**Figure 2: Três Estradas Project In-Pit Resource Outline and Untested Extension Zones**

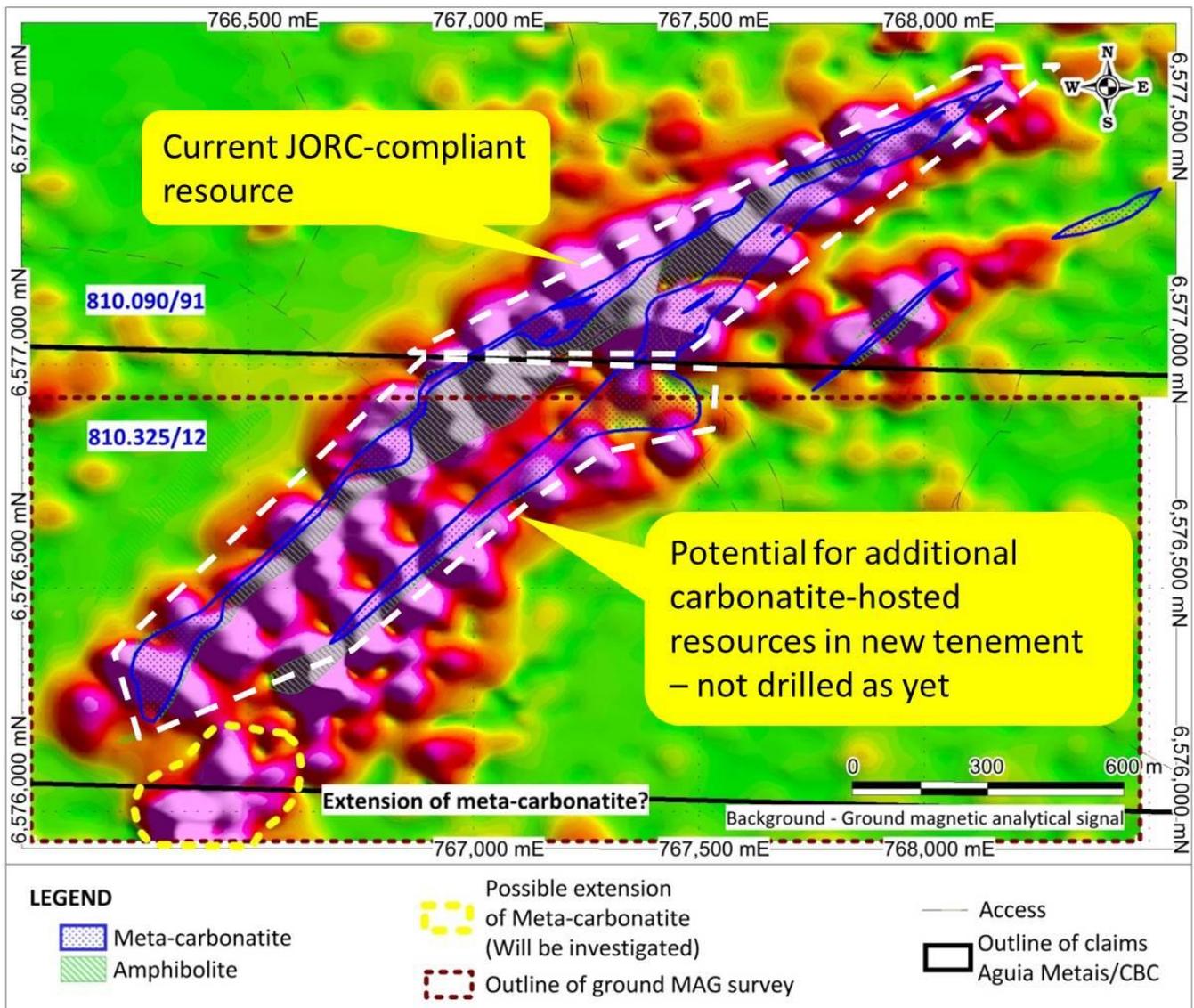


The Company has now completed a ground magnetics survey (100m x 25m station spacing) and geological mapping over the southern tenement, as shown in Figure 3 below. This follows on from earlier soil and rock chip sampling and has confirmed the extension of the carbonatite through the southern tenement.

The Company is currently drilling shallow auger drill holes to refusal to better define the carbonatite zones with results of this work to be used to plan upcoming reverse circulation drilling to test the oxide potential of the southern extension.

Results of the shallow auger drilling will be reported in the September quarter.

**Figure 3: Três Estradas Project Ground Magnetics and Geological Mapping**



## Joca Tavares

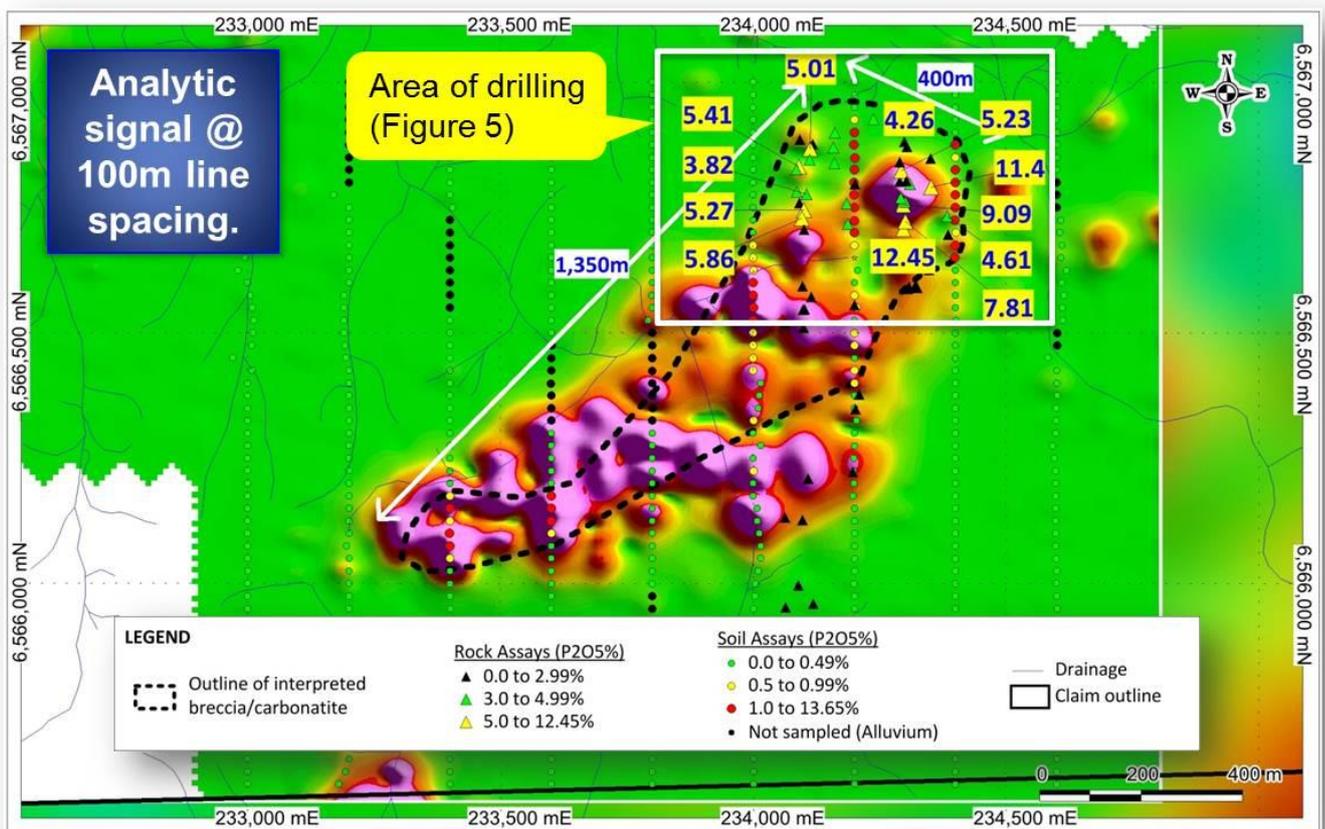
The Joca Tavares project is located 41 kilometres east-south-east from the Três Estradas project (Figure 1). No systematic exploration has been conducted since its discovery by the Companhia de Pesquisa de Recursos Minerais (“CPRM”, the Brazilian Geological Survey).

The tenement covering the carbonatite was granted during the quarter and the Company has now completed detailed programs of ground magnetic surveys, mapping, rock and soil sampling, with ongoing auger drill sampling to delineate the dimensions of the Joca Tavares carbonatite for follow up programs of reverse circulation drill testing (Figures 4 and 5).

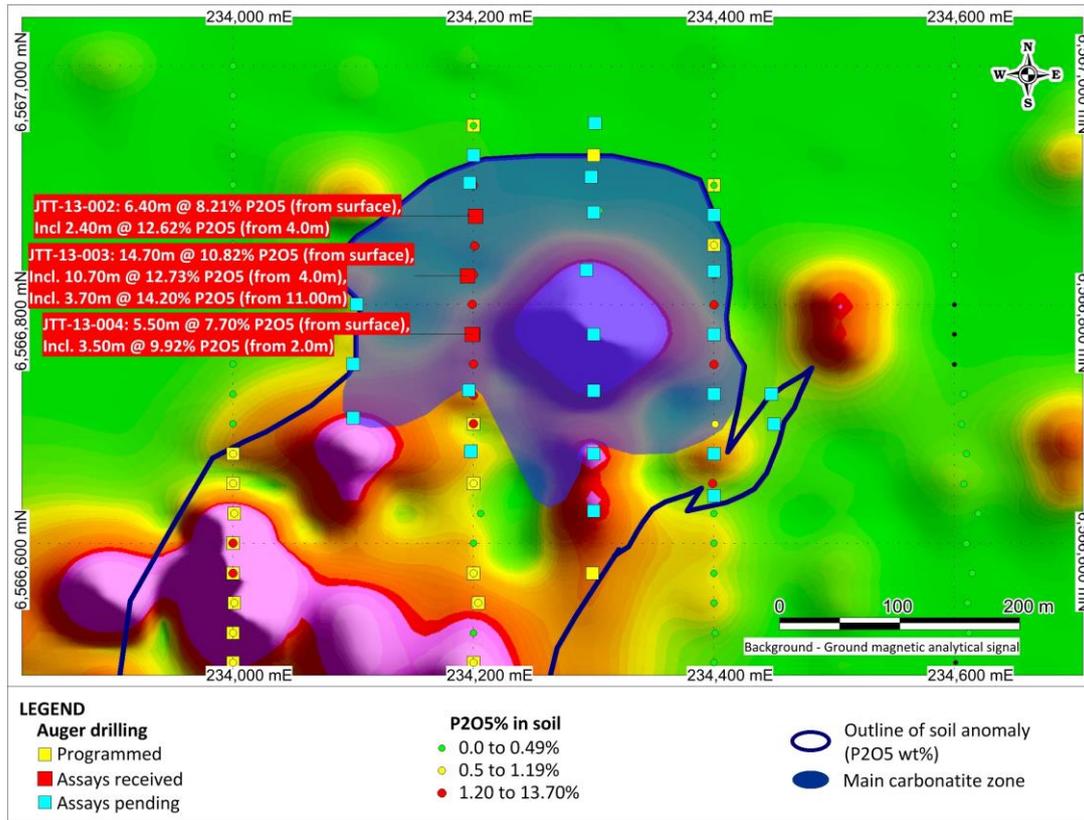
To date 25 shallow auger drillholes on four 100 metre spaced lines have been completed. As announced to the ASX on June 21, 2013 assays from the first 4 holes have been received and returned significant intersections of phosphate mineralisation from surface at similar grades to the recent discovery at Três Estradas (Figure 5, Table 2).

Joca Tavares has not been previously drill tested and these early results indicate phosphate bearing carbonatite host rock is present over an extensive area. All the holes were drilled to refusal and mineralisation is open at depth.

**Figure 4: Ground magnetic image of Joca Tavares, interpreted outline of carbonatite, soil and rock chip assay results**



**Figure 5: Joca Tavares - Ground magnetic image, location of auger drilling and phosphate assay results**



**Figure 6: Photos of phosphate bearing carbonatite outcropping at surface – drilling target**



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%. The Company will be required to enter into a joint venture with a Brazilian owned company to develop the tenements. Accordingly Agua has set up a company called Agua Fertilizers in which Agua Resources owns 49% and Brazilian interests 51%, and which incorporates shareholder agreements channelling all economic benefits back to Agua Resources. This arrangement is not expected to materially alter the Company's potential economic return on the funds invested as part of the exploration program.

## Lucena Phosphate Project (“LPP”)

As reported last period, the Company announced an initial JORC compliant Inferred Mineral Resource for the Lucena Phosphate Project (“LPP”) in the state of Paraíba in north eastern Brazil of 55Mt grading 6.42%  $P_2O_5$ .

The Company commissioned SRK to prepare the initial JORC compliant Mineral Resource Statement. The mineral resources are reported within a conceptual pit shell at a cut-off grade of 3.0%  $P_2O_5$ .

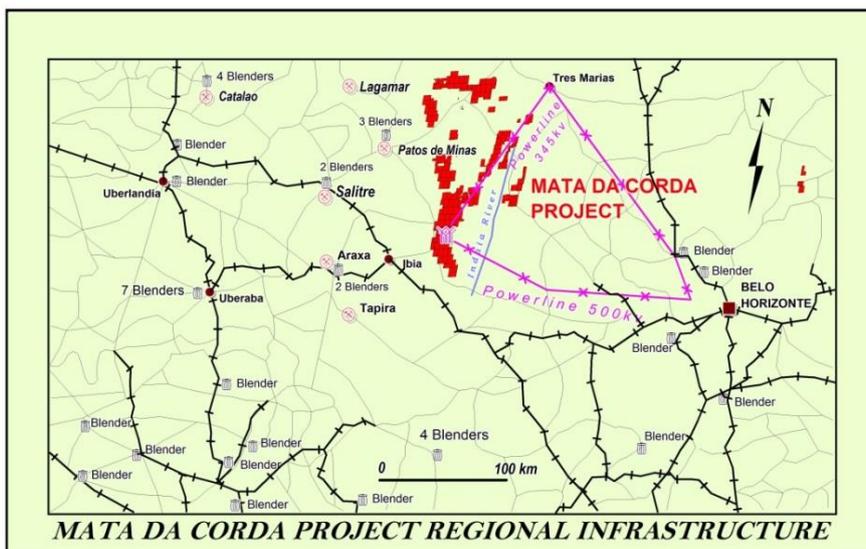
This resource was based on drilling carried out from August 2011 to October 2012 in which Agua completed 49 core drill holes in two separate drilling campaigns, 40 of which were used to estimate the JORC compliant mineral resource. The details of the resource estimate can be found in the SRK memo in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

## Mata da Corda Phosphate Project (“MCP”)”)

MCP 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.

The MCP is located within 150 kilometres of the four largest phosphate mines in Brazil; Vale’s Araxá (290Mt resource @ 14.9%  $P_2O_5$ ), Tapira mines (744Mt @ 8.4%  $P_2O_5$ ), Catalão mines (224Mt @ 8.96%  $P_2O_5$ ) and Anglo American’s Catalão mine (257Mt @ 7.43%  $P_2O_5$ ). These four mines account for 84% of the installed capacity for phosphate rock production in Brazil and over 90% of current proven reserves. Within this existing transportation corridor there are 32 major bulk fertiliser blenders (Figure 8).

**Figure 7: Location of the Mata da Corda Project Relative to Operating Phosphate Mines, Major Fertiliser Bulk Blenders and Infrastructure including Roads, Railways, Power and Water**



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.

## **Potash Projects**

### **Atlantic Potash Project**

During the quarter the Company has continued to review data from historic work to aid in planning future activities on the project.

As previously announced the Company was served with a formal court notice from Prest Performance Services Limitada ("Prest") on 20<sup>th</sup> June 2013 containing a demand of BRL\$4,500,000 (approximately AU\$2.15 million) for an alleged breach of a drilling contract for drilling services that were undertaken on behalf of its Brazilian subsidiary Potassio do Atlantico Ltda (PAL) in the first half of 2012 on some of PAL's potash assets.

As noted in the Company's previous announcement, the Company believes that its subsidiary, PAL, has acted appropriately at all times and is not in breach of the contract and both PAL and the Company will vigorously defend the action. The Company will update the market when further information comes to hand.

## **Corporate**

### **Performance Shares**

During the quarter the Company significantly improved its capital structure through the cancellation of the majority of performance shares issued as consideration for the acquisition of certain potash and phosphate assets, thus removing a significant overhang. This has resulted in the cancellation of a total of 115.27m performance shares with the issue of 9.41m ordinary shares and 14.11m options.

### **Potash Performance Shares**

The Company reached an agreement with over 94% of the Potash Performance Shareholders to the early termination of the potash performance shares. In consideration the Company agreed to issue 1 fully paid ordinary share escrowed for 12 months from date of issue (**Consideration Share**) and 1.5 options (with an expected expiry date of 31 May 2015, exercisable at \$0.30 each) (**Consideration Option**) for each 8 Potash Performance Shares held.

The transaction was subject to shareholder approval and received strong support at a meeting of shareholders on 31 May 2013. This resulted in the cancellation of 75.27m Potash Performance Shares with the issue of 9.41m new ordinary shares and 14.11m options.

### **Phosphate Performance Shares**

The Company announced to the market on 8 April 2013 (Refer ASX Announcement) an Initial JORC compliant inferred mineral resource from the Lucena Project of 55Mt grading 6.42% P<sub>2</sub>O<sub>5</sub>.

Under the commercial terms of the Phosphate Performance Shares the JORC compliant mineral resource reported for the Lucena project has not met the performance milestones to trigger the issue of any ordinary shares. The Phosphate Performance Shares expired on 24 June 2013.

### **Share Placement**

On the 3<sup>rd</sup> July 2013 the Company completed a placement of 33,630,000 new ordinary shares raising \$1,681,500 before costs. The Placement was well supported by a number of new and existing sophisticated and professional investors. The funds raised will be used to supplement the Company's existing working capital and to further advance the Rio Grande phosphate projects in southern Brazil.

## 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% P<sub>2</sub>O<sub>5</sub> (total initial contained phosphate of 1.21Mt P<sub>2</sub>O<sub>5</sub>). This includes indicated resources of 9.59Mt @ 4.96% P<sub>2</sub>O<sub>5</sub> and inferred resources of 18.90Mt @ 3.88% P<sub>2</sub>O<sub>5</sub>.

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

## Appendix

**Table 2: Joca Tavares Auger Sampling Results**

HOLE_ID	UTM_E	UTM_N	RL (m)	Lithology	DEPTH (m)	FROM (m)	TO (m)	WIDTH (m)	GRADE (P <sub>2</sub> O <sub>5</sub> %)
JTT-13-001	234200	6566925	257	Siltstone	4.50			Not Mineralised	
JTT-13-002	234202	6566874	261	Carbonatite	6.40	0.00	6.40	<b>6.40</b>	<b>8.21</b>
					Includes	4.00	6.40	<b>2.40</b>	<b>12.62</b>
						14.70	0.00	14.70	<b>14.70</b>
JTT-13-003	234195	6566824	275	Carbonatite	Includes	4.00	14.70	<b>10.70</b>	<b>12.73</b>
					Includes	11.00	13.70	<b>3.70</b>	<b>14.20</b>
						5.50	0.00	5.50	<b>5.50</b>
JTT-13-004	234200	6566775	262	Carbonatite	Includes	2.00	5.50	<b>3.50</b>	<b>9.92</b>

All holes are vertical. Holes are assayed at 1m intervals, with bottom samples shorter where the hole depth is not a full metre value. Samples are assayed by XRF at SGS laboratories. Intersections are calculated using length-weighted assay values generally at 3% and 10% P<sub>2</sub>O<sub>5</sub> downhole cutoffs.