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OPTIMISED PRELIMINARY ECONOMIC ASSESSMENT OF THE TRÊS ESTRADAS PHOSPHATE PROJECT UNLOCKS SIGNIFICANT NEW VALUE

- NPV of USD 400 million (AUD 535 million) at a 7.5% discount rate
- Post-tax IRR of 43% and a pre-tax IRR of 50.4%
- Production rate of 466,000 tonnes per year of phosphate concentrate ('phosrock') and 1.6 million tonnes per year of calcite
- Initial Capital Expenditure of USD 118 million
- Updated Três Estradas pit-constrained resource of 74.7 million tonnes grading 4.13% P₂O₅
- Open pit operation with a life of mine of 14 years
- Total of 59 million tonnes mined at a strip ratio of 3.1:1 (waste to phosphate)
- Phosphate concentrate grading 30 to 31% P₂O₅
- OPEX of USD 98/tonne of phosphate concentrate or USD 65/tonne pro-rated on Phosphate/Calcite revenues basis
- Calcite concentrate grading 48.55 % CaO with superior reactivity with a PRNT of 97%
- Assessment of phosphate demand in the region, potential for securing off take contracts and debt funding, past success of management financing mining projects through to production, and the support of strategic shareholders indicates securing the necessary funding to build the project is probable and realistic

Brazilian fertiliser developer Aguaia Resources Limited (ASX: AGR) ("Aguaia" or "Company") is pleased to announce the completion of a resource update and a new and optimised Preliminary Economic Assessment (PEA) of its flagship Três Estradas phosphate deposit. The Company retained Millcreek Mining Group from Utah, USA to complete the independent engineering and resource studies.

Resource

The audited pit-constrained resource is estimated to be 74.7 million tonnes with an average grade of 4.13% P₂O₅, comprising 745,000 tonnes of measured resource grading 4.42% P₂O₅, 15.07 million tonnes of indicated resource grading 4.75% P₂O₅ and 58.89 million tonnes of inferred resource grading 3.97% P₂O₅.

The proposed project will also include a resource of 2.75 million tonnes grading 4.37% P₂O₅ from the nearby Joca Tavares carbonatite, which includes 915,000 tonnes of measured resource grading 3.98% P₂O₅, 1.5 million tonnes of indicated resource grading 4.31% P₂O₅ and 329,000 tonnes of inferred resource grading 5.74% P₂O₅.

Mining and Processing

The phosphate recoveries recently defined at Eriez Flotation Division of 84% for fresh carbonatite and 80% for oxide using column flotation, together with a high quality by-product calcite, resulted in a substantial increase in the economic value of the mineralized rock. The updated mining plan forecasts a total of 59 million tonnes of ROM mined at a strip ratio of 3.1:1 (waste to phosphate). This represents about 50% increase to the scale of the project compared to last year's PEA that projected 40 million tonnes of ROM.

The project includes an open-pit, truck and shovel operation, mining both the Três Estradas and Joca Tavares deposits over a life of mine of 14 years. With a capacity of 500,000 tpy of phosphate concentrate the average annual feed to the processing plant will be 4.5 million tonnes, resulting in a life of mine production of 6.6 million tonnes of phosphate concentrate and another 22.7 million tonnes of calcite, averaging about 466,000 tons of phosphate concentrate and 1.6 million tonnes of by-product calcite annually.

The processing plant will include a primary crusher, SAG mill and a sequence of rougher-cleaner-cleaner-scavenger column flotation to produce a 30 to 31% P₂O₅ concentrate. The tailings of the phosphate rougher flotation will then be subject to magnetic separation and mica flotation to produce a high-quality calcite concentrate. The plant capacity is 4.5 Mt annually or 13,700 tonnes per day (90% availability 328 days).

Robust Project Economics

The preliminary financial model indicates a pre-tax IRR of 50.4% and a post-tax IRR of 43% with an NPV of USD 400 million (AUD 535 million) using a 7.5% discount rate. The NPV is based on the following assumptions:

The PEA assumes a long-term phosphate concentrate price of USD 210/tonne and a calcite price of USD 47/tonne as defined by respected Brazilian agribusiness market analyst, Agroconsult and BRL/USD foreign exchange of 3.8. The Três Estradas project will have a life of mine of 14 years, preceded by 3 years of construction and ramp-up of production, that will require an initial capital expenditure of USD 118 million (USD 134.6 million including contingency) plus pre-production operating costs of USD 10.2 million and pre-production revenue of USD 26.9 million, for a net initial capital expenditure of USD 118 million. The high efficiency of the column flotation circuit translated into an operational cost of USD 98/tonne of phosphate concentrate and USD 7.3/tonne of calcite. When operating costs are distributed by the phosphate and calcite revenue, the phosphate concentrate cost of production drops to USD 65/tonne and the calcite by-product operational cost increases to USD 17.7/tonne

Financing Options

In the PEA, Millcreek reviewed a number of factors when addressing the prospects for financing a project such as Três Estradas. These included:

- The local southern Brazil phosphate and calcite markets, the competitive landscape, announced down-stream capacity expansions of SSP (for which phosrock is the feedstock) and recent significant acquisitions of Brazilian phosphate companies;
- The funding participation of existing and strategic shareholders, the potential for off-take agreements, as well as for associated project funding;
- Availability of bank and Government sponsored project debt on competitive terms in the region for such projects;
- The ability of the Company and its project development team to raise equity as required and the competitive landscape from a perspective of investment and asset acquisition in the agriculture industry of Brazil.

Based upon this review and in the context of the current market, Millcreek found it is reasonable to assume that Aguia, and its project development team (including strategic shareholders), have the experience and ability to source the funding necessary to build and commission the project.

As at June 30, 2016, Aguia had a cash position of AUD 2.9 million, which is sufficient funding to support planned activities into 2017.

Management commentary

Technical Director Fernando Tallarico commented, “These new and robust economic results satisfy our objective of designing a simple and efficient project that delivers significant value for Aguia shareholders. The introduction of column floatation was a definitive positive factor that supported the redesign to a more efficient and higher performing mill circuit. The new recoveries will allow us to mine about 50% more tonnes of mineralised rock compared to the previous project design which contemplated a more complicated operation. After demonstrating that the production of calcite was viable and that this by-product was of exceptionally high quality, the project became even more robust. Finally, the option of producing only phosrock and not competing in the SSP market translated into project versatility and lower capital cost.”

Justin Reid, Managing Director of Aguia, commented, “Our focused and methodical technical approach at Três Estradas has set the stage for Aguia to deliver a great return to our shareholders. The hard work of our technical team over the last 12 months has been remarkable and we look forward to aggressively moving Três Estradas forward into full Bankable Feasibility and continue with our permitting process which is well advanced. Exploration and development drilling activities at Três Estradas and surrounding projects is also a priority. We currently have AUD 2.9 million in the bank which is sufficient funding to meet our current work plan for the rest of the year and into 2017.”

“This updated PEA has unlocked considerable value from the Três Estradas project which is now very capable of delivering high quality phosphate and calcite at a materially lower cost than is currently being supplied to the southern Brazil market. This represents a major opportunity for Aguia underpinned by a robust and growing agricultural sector in Brazil.”

NOTE:

- For details on calcite metallurgical results, refer to announcement of 5 July 2016, “Metallurgical Tests Confirm High Quality Calcite By-Product from Três Estradas Phosphate Project”.
- For details on the phosphate metallurgical results, refer to announcement of 6 June 2016, “Aguia Reports Positive New Column Flotation Results at its Flagship Três Estradas Phosphate Project”.
- For details on the 2015 PEA, refer to announcement of 19 August 2015, “Positive Preliminary Economic Assessment Demonstrates Robust Economics for Três Estradas”
- For details on the Três Estradas Resource, refer to announcement of 27 April 2015, “Aguia Significantly Increases Três Estradas Phosphate Resource by 130% to 70.1 million tonnes”.

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About Aguia:

Aguia is a fertiliser company focused on the exploration and development of phosphate and potash projects in Brazil to supply the Brazilian agriculture sector. 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.

Forward Looking Statements:

This news release contains forward looking statements, which relate to future events or future performance, including, but not limited to, the completion of the size of the Placement, receipt of regulatory approvals and timing thereof, the Company’s business strategies and plans for the use of such Placement proceeds, capital expenditure programs and estimates relating to timing and costs, and reflect management’s current expectations and assumptions, including, but not limited to the timing and receipt of necessary regulatory approvals and completion of the Placement and stability of general economic and financial market conditions. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, and similar expressions is intended to identify forward looking statements. Such forward looking statements reflect management’s current beliefs and are based on assumptions made by and information currently available to the Company. Readers are cautioned that these forward looking statements are neither promises nor guarantees, and are subject to risks and uncertainties, including imprecision in estimate capital expenditures and operating expenses, stock market volatility, general economic and business conditions, risks associated with liquidity and capital resource requirements, that may cause future results to differ materially from those expected and the forward looking statements included in this news release should not be unduly relied upon. These forward looking statements are made as of the date hereof and the Company does not assume any obligation to update or revise them to reflect new events or circumstances save as required under applicable securities legislation. This news release does not constitute an offer to sell securities and the Company is not soliciting an offer to buy securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

JORC Code Competent Person Statements:

The information in this report that relates to an Independent Technical Report that was prepared by Millcreek Mining Group and entitled "*Preliminary Economic Assessment of the Três Estradas Phosphate Project*". This document is dated July 7, 2016 and has been reviewed by and signed-off by Mr. Steven B. Kerr, P.G, C.P.G., Principal Consultant (Geology), Mr. Douglas R. Moore, Principal Consultant (Mining) and Mr. Alister D. Horn, Principal Consultant (Mining), all of whom are full-time employees of Millcreek Mining Group which was retained by Agua Resources Limited to prepare the conceptual mining study and by Mr. Paul Hampton, Senior Associate, KSN Mineral Process Associates, LLC acting as a consultant to Millcreek Mining Group. Mr. Kerr supervised the exploration and geologic review as well as the resource estimation components of the study and is a member of the American Institute of Professional Geologists (C.P.G.-10352). Mr. Moore and Mr. Horn supervised the mine planning and are Qualified Professional members of good standing in the Mining and Metallurgical Society of America (MMSAQP-01370 and MMSAQP-01369). Mr. Hampton supervised the metallurgical testing and mineral processing components of the study and is a Qualified Professional member in good standing of the Mining and Metallurgical Society of America (MMSAQP-01394). Mr. Moore also supervised the economic components of the study and assisted Mr. Hampton. Messrs Kerr, Moore, Horn and Hampton have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken in this study to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")'. Messrs Kerr, Moore, Horn and Hampton consent to the inclusion in this report of the matters based on the Millcreek study in the form and context in which it appears.

The information in this report that relates to Exploration Targets, 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 the company. Dr Tallarico has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Tallarico consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.