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ENGINEERING TRADE-OFF STUDIES INDICATE A SIGNIFICANT REDUCTION IN CAPEX AND OPEX FOR AGUIA'S FLAGSHIP TRÊS ESTRADAS PHOSPHATE PROJECT

Highlights:

- **Highly experienced team of contractors engaged to develop the Bankable Feasibility Study of the Três Estradas Phosphate Project in Southern Brazil - now over 50% complete**
- **Production scale has been optimised, maximising project value and establishing a seamless integration into the Southern Brazil phosphate market**
- **First 4-5 years of production will focus on high grade oxide material of +10% P₂O₅ which minimises the need for crushing and flotation infrastructure at start-up**
- **Both initiatives of Optimizing Production Scale and Mining high grade ore will likely substantially reduce initial CAPEX**
- **Proposed use of locally produced coal rather than diesel for drying the phosrock is expected to reduce operating costs**
- **Other trade off studies are ongoing and will be included in the final BFS which will reflect further material reductions in both CAPEX and OPEX once mine is operating**

Brazilian fertilizer developer Agua Resources Limited (ASX: AGR) ("Agua" or "Company") is pleased to update shareholders on the optimised engineering trade-off studies being undertaken on the Três Estradas Phosphate Project in southern Brazil. The trade-off studies are being undertaken as part of the work to prepare the Bankable Feasibility Study ("BFS") of the Três Estradas Phosphate Project and follows a Preliminary Economic Assessment (PEA) that was undertaken in July 2016.

Agua has engaged a highly experienced team of 11 complementary consultants and engineering companies to prepare the BFS of the Três Estradas Phosphate Project.

This BFS team of contractors and consultants are working together under Agua's coordination and are delivering significant improvements for the detailed engineering of the project. These include:

- Reducing the target run of mine (ROM) from 4.5 mtpy to 3.0 mtpy and capping the phosrock production at 300ktpy. This will contribute to maximising the project value for shareholders while providing a seamless integration into the southern Brazil phosphate market.
- Phasing the construction of the plant by mining the high-grade ore during the initial years of operation which will result in initial production of approximately 1.2 mtpy and maintain phosrock output at 300ktpy. Aguia believes that based on the work undertaken since the PEA it is reasonable to conclude that this will require much lower initial CAPEX than previously anticipated.
- Reducing OPEX through a cheaper source of energy. The trade off study confirmed thermal coal produced in the area is the best energy solution for drying the phosrock, instead of diesel as contemplated in the PEA. Aguia believes that based on the work undertaken since the PEA it is reasonable to conclude that this change of heat source will reduce OPEX by approximately US\$14/t of concentrate. Long term supply of coal is readily available in the region.
- Scaling production at the commencement of operations, and focusing primarily on high grade oxide feed, will result in reductions to processing infrastructure including tailings impoundment, water dams, waste rock storage and, and the overall site footprint. It is anticipated that phased production will allow for internal cash flow to pay for the remaining CAPEX required to upsize the operation when it transitions from mining the oxide ore to phase two of development and production from fresh rock carbonatite sources.

Aguia's Head of Engineering Guilherme Jácome commented: "Our experienced team of contractors and consultants have delivered very material project improvements from these trade off studies, and are well into the process of producing a high quality BFS. We have confirmed important parameters such as the change in the production scale and phasing strategy, which will allow the project to be easily financeable, faster to construct, and have lower market penetration risk. Additionally, the savings in energy consumption will improve the cost competitiveness together with other initiatives under study."

Technical Director Dr. Fernando Tallarico added: "We are very encouraged by the recent developments from our engineering team and are confident we will deliver a quality BFS resulting in a robust operation. We will focus on every detail of the design of this project to deliver an efficient operation with reduced OPEX and CAPEX."

Managing Director Justin Reid added: "This interim step to our Bankable Feasibility Study, illustrates that our plan to commence operations with the mining of high-grade oxide has the potential to deliver a much higher IRR, materially drop our CAPEX and ultimately result in a robust project that can be developed cost effectively, and produce quality product very efficiently for a market that has no local supply source. We look forward to delivering the final financial metrics to our shareholders as we finish the BFS, which is now more than 50% complete, finalising the mine model, and delivering an updated resource model and mine plan in the coming months. This is an important and valuable step for our project and I commend the work of the team. They have created material value for our growing shareholder base."

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About Aguia:

Agua Resources Limited, ("Agua") is an ASX listed company whose primary focus is on the exploration and development of phosphate projects in Brazil. Agua has an established and highly experienced in-country team based in Belo Horizonte, Brazil with corporate offices in Sydney, Australia. Agua's key projects are located in Rio Grande do Sul, a prime farming area which is 100% dependent on phosphate imports. The Rio Grande phosphate deposits exhibit high quality and low cost production characteristics, and are ideally located with proximity to road, rail, and port infrastructure. Agua's experienced management team has a proven track record of advancing high quality mining assets to production in Brazil.