



Aguia Resources Limited

ABN 94 128 256 888

Unaudited Quarterly Financial Report

For the nine months ended 31 March 2019

Management Comments on Unaudited Consolidated Financial Statements

14 May 2019

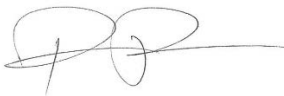
To the Shareholders of Agua Resources Limited

The accompanying unaudited quarterly consolidated financial statements of Agua Resources Limited for the nine months ended 31 March 2019 have been prepared by management and have been approved by the Board of Directors of the Company.

The Company's independent auditor has not prepared a review of these quarterly consolidated financial statements for the nine months ended 31 March 2019.

For further commentary on the operations of Agua during the quarter ended 31 March 2019, please refer to the Quarterly Activities report lodged on the ASX and TSX and posted on Agua's website.

Agua Resources Limited

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Paul Pint
Executive Chairman

A handwritten signature in black ink, appearing to be "Justin Reid" in a cursive style.

Justin Reid
Managing Director

| | |
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General information

The financial report consists of financial statements, notes to the financial statements and the directors' declaration.

Agua Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 5, 126 Phillip Street
Sydney NSW 2000

Principal place of business

Rua Antonio de Albuquerque n156, 1504
Bairro Savassi - Belo Horizonte / MG - Brazil
CEP: 30112-010

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 May 2019.

Aguia Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 March 2019



| Note | Consolidated | | Consolidated | |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 | 9 months ended 31 March 2019 | 9 months ended 31 March 2018 |
| | \$ | \$ | \$ | \$ |
| Interest income | 702 | 2,622 | 3,442 | 22,026 |
| Expenses | | | | |
| Employee benefits expense | (28,051) | (93,976) | (301,045) | (278,887) |
| Legal & professional | (59,399) | (139,089) | (140,954) | (291,621) |
| Depreciation and amortisation expense | (4,039) | (3,805) | (11,847) | (11,345) |
| Corporate expense | (304,517) | (275,103) | (978,305) | (1,276,034) |
| Exploration expenditure expensed | (1,761) | (1,789) | (3,194) | (3,332) |
| Business development | (139,067) | (144,635) | (388,469) | (522,745) |
| Share-based payments | - | - | (152,586) | (721,166) |
| Administration expense | (322,793) | (415,077) | (713,145) | (838,541) |
| Movement in fair value of financial derivatives | 137,331 | 449,428 | 553,151 | 1,806,181 |
| Loss before income tax expense | (721,594) | (621,424) | (2,132,952) | (2,115,464) |
| Income tax expense | - | - | - | - |
| Loss after income tax expense for the period attributable to the owners of Aguia Resources Limited | (721,594) | (621,424) | (2,132,952) | (2,115,464) |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Foreign currency translation | (371,226) | 216,755 | 410,352 | (347,810) |
| Other comprehensive income / (loss) for the period, net of tax | (371,226) | 216,755 | 410,352 | (347,810) |
| Total comprehensive income / (loss) for the period attributable to the owners of Aguia Resources Limited | (1,092,820) | (404,669) | (1,722,600) | (2,463,274) |
| | Cents | Cents | Cents | Cents |
| Basic earnings per share | (0.46) | (0.53) | (1.51) | (1.81) |
| Diluted earnings per share | (0.46) | (0.53) | (1.51) | (1.81) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Agua Resources Limited
Statement of financial position
As at 31 March 2019



| | | Consolidated | |
|----------------------------------|-------------|---------------------------------|----------------------------|
| | Note | 31 March 2019 \$ | 30 June 2018 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 766,929 | 3,405,149 |
| Trade and other receivables | | 31,173 | 30,089 |
| Other assets | | 71,528 | 39,478 |
| Total current assets | | <u>869,630</u> | <u>3,474,716</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 42,526 | 48,519 |
| Exploration and evaluation | 4 | 35,656,524 | 31,653,643 |
| Total non-current assets | | <u>35,699,050</u> | <u>31,702,162</u> |
| Total assets | | <u>36,568,680</u> | <u>35,176,878</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5 | 498,458 | 321,400 |
| Derivative financial instruments | 6 | 41,752 | 594,903 |
| Total current liabilities | | <u>540,210</u> | <u>916,303</u> |
| Total liabilities | | <u>540,210</u> | <u>916,303</u> |
| Net assets | | <u>36,028,470</u> | <u>34,260,575</u> |
| Equity | | | |
| Issued capital | 7 | 104,310,052 | 100,972,143 |
| Reserves | 8 | (3,275,712) | (3,838,650) |
| Accumulated losses | | (65,005,870) | (62,872,918) |
| Total equity | | <u>36,028,470</u> | <u>34,260,575</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Agua Resources Limited
Statement of changes in equity
For the period ended 31 March 2019



| Consolidated | Ordinary shares \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--------------------------------------------------------------|-------------------------------|------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2017 | 93,849,407 | (1,927,956) | (60,629,927) | 31,291,524 |
| Loss after income tax expense for the period | - | - | (2,115,464) | (2,115,464) |
| Other comprehensive income for the period, net of tax | - | (347,810) | - | (347,810) |
| Total comprehensive income for the period | - | (347,810) | (2,115,464) | (2,463,274) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 3,043,273 | - | - | 3,043,273 |
| Share-based payments (note 16) | - | 721,166 | - | 721,166 |
| Balance at 31 March 2018 | <u>96,892,680</u> | <u>(1,554,600)</u> | <u>(62,745,391)</u> | <u>32,592,689</u> |
| Consolidated | Ordinary shares \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2018 | 100,972,143 | (3,838,650) | (62,872,918) | 34,260,575 |
| Loss after income tax expense for the period | - | - | (2,132,952) | (2,132,952) |
| Other comprehensive income for the period, net of tax | - | 410,352 | - | 410,352 |
| Total comprehensive income for the period | - | 410,352 | (2,132,952) | (1,722,600) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 7) | 3,337,909 | - | - | 3,337,909 |
| Share-based payments (note 16) | - | 152,586 | - | 152,586 |
| Balance at 31 March 2019 | <u>104,310,052</u> | <u>(3,275,712)</u> | <u>(65,005,870)</u> | <u>36,028,470</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Agua Resources Limited
Statement of cash flows
For the period ended 31 March 2019



| | Consolidated | |
|--------------------------------------------------------------------|--------------------------|--------------------------|
| | 31 March 2019 | 31 March 2018 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (2,614,608) | (3,560,013) |
| Interest received | 3,442 | 22,026 |
| | <u>(2,611,166)</u> | <u>(3,537,987)</u> |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | (3,539,670) | (6,388,511) |
| | <u>(3,539,670)</u> | <u>(6,388,511)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares, net of transaction costs | 3,509,312 | 3,577,506 |
| | <u>3,509,312</u> | <u>3,577,506</u> |
| Net decrease in cash and cash equivalents | (2,641,524) | (6,348,992) |
| Cash and cash equivalents at the beginning of the financial period | 3,405,149 | 6,731,733 |
| Effects of exchange rate changes on cash and cash equivalents | 3,304 | (4,584) |
| | <u>766,929</u> | <u>378,157</u> |
| Cash and cash equivalents at the end of the financial period | <u>766,929</u> | <u>378,157</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim nine month reporting period ended 31 March 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of this new Standard did not have any material impact to the current and prior period reporting.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$2,132,952 (2018: \$2,115,464) and net cash outflows from operating and investing activities of \$6,150,835 (2018: \$9,926,498) for the 9 months period ended 31 March 2019.

Note 1. Significant accounting policies (continued)

The consolidated entity has not generated significant revenues from operations and the directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration expenditure, other principal activities and working capital requirements without the raising of additional capital. The company will be required to raise additional funding (which may include equity, debt or extensions to existing debt facilities) of at least \$6 million to meet its minimum committed exploration expenditures, other principal activities and working capital requirements through to 31 May 2020. The company continues to review various capital raising opportunities.

Should the company be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment being mining and exploration in Brazil. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM comprises mainly direct exploration expenditure in assessing performance and allocation of resources and as such no segment result or segment revenues are disclosed. All the company's non-current assets (including exploration assets) are held in Brazil.

The information reported to the CODM is on a monthly basis.

Note 3. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|---------------------|
| | 31 March | 30 June 2018 |
| | 2019 | 2018 |
| | \$ | \$ |
| Cash at bank | 766,929 | 3,405,149 |

Note 4. Non-current assets - exploration and evaluation

| | Consolidated | |
|---------------------------------------|---------------------|---------------------|
| | 31 March | 30 June 2018 |
| | 2019 | 2018 |
| | \$ | \$ |
| Brazilian Phosphate project - at cost | 46,584,207 | 44,235,361 |
| Less: Accumulated impairment | <u>(12,660,637)</u> | <u>(12,660,637)</u> |
| | <u>33,923,570</u> | <u>31,574,724</u> |
| Brazilian Copper project - at costs | <u>1,732,954</u> | <u>78,919</u> |
| | <u>35,656,524</u> | <u>31,653,643</u> |

Note 4. Non-current assets - exploration and evaluation (continued)

| Consolidated | Brazilian Phosphate project \$ | Brazilian Copper project \$ | Total \$ |
|--------------------------|-----------------------------------------|--------------------------------------|-------------------|
| Balance at 1 July 2018 | 31,574,724 | 78,919 | 31,653,643 |
| Additions | 1,945,527 | 1,654,035 | 3,599,562 |
| Exchange differences | 403,319 | - | 403,319 |
| | <u>33,923,570</u> | <u>1,732,954</u> | <u>35,656,524</u> |
| Balance at 31 March 2019 | | | |

Note 5. Current liabilities - trade and other payables

| | Consolidated | |
|------------------|---------------------|---------------------|
| | 31 March | |
| | 2019 | 30 June 2018 |
| | \$ | \$ |
| Trade payables | 140,125 | 165,398 |
| Accrued expenses | 123,333 | 55,034 |
| Other payables | 235,000 | 100,968 |
| | <u>498,458</u> | <u>321,400</u> |

Refer to note 10 for further information on financial instruments.

Note 6. Current liabilities - derivative financial instruments

| | Consolidated | |
|----------|---------------------|---------------------|
| | 31 March | |
| | 2019 | 30 June 2018 |
| | \$ | \$ |
| Warrants | <u>41,752</u> | <u>594,903</u> |

Refer to note 10 for further information on financial instruments.

Refer to note 11 for further information on fair value measurement.

A total of 13,180,418 warrants with the expiry date of 30 June 2020 were issued in various tranches in relation to capital raising in June and July 2017. This represents the 1 for 2 ratio for warrants based on the issued 26,360,835 shares. The exercise price for these options are denominated in Canadian dollars. As the warrants are denominated in foreign currency the value of these warrants is recorded as a derivative financial liability. Using the Black-Scholes model, these warrants have a fair value of between A\$0.2026 and A\$0.2377 each and the total fair value at the date of issue was \$2,781,532.

At 31 March 2019, these warrants were revalued to reflect their fair value at reporting date using the Black-Scholes valuation method, and using the following assumptions: expected dividend yield of 0%, expected volatility of 75%, risk-free interest rate of 2.17% and an expected life of 1.25 and 2.0 years. The fair value at reporting date was deemed to be \$41,752 and the movement in the fair value (\$553,151) is recognised as a gain to the statement of profit and loss and other comprehensive income.

Note 7. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-------------------------------------|--------------------------------|---------------------------------|----------------------------|
| | 31 March 2019 Shares | 30 June 2018 Shares | 31 March 2019 \$ | 30 June 2018 \$ |
| Ordinary shares - fully paid | <u>156,965,921</u> | <u>131,484,126</u> | <u>104,310,052</u> | <u>100,972,143</u> |

Movements in ordinary share capital

| Details | Date | Shares | \$ |
|--------------------------------------|------------------|--------------------|--------------------|
| Balance | 1 July 2018 | 131,484,126 | 100,972,143 |
| Shares issued - Placement | 14 December 2018 | 24,350,861 | 2,944,018 |
| Shares issued - Share based payments | 14 December 2018 | 600,000 | 72,000 |
| Shares issued - Share based payments | 9 January 2019 | 530,934 | 63,712 |
| Shares issued - Placement * | 29 March 2019 | - | 504,000 |
| Share issue costs | | - | (245,821) |
| Balance | 31 March 2019 | <u>156,965,921</u> | <u>104,310,052</u> |

* The Company has received placement of \$504,000 for new ordinary shares issued on 3 April 2019.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 8. Equity - reserves

| | Consolidated | |
|------------------------------|---------------------------------|----------------------------|
| | 31 March 2019 \$ | 30 June 2018 \$ |
| Foreign currency reserve | (8,273,982) | (8,684,334) |
| Share-based payment reserve | 4,916,085 | 4,763,499 |
| Capital contribution reserve | 82,185 | 82,185 |
| | <u>(3,275,712)</u> | <u>(3,838,650)</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Capital contribution reserve

This reserve records the capital contribution arising from unrecognised interest due to non-arm's length interest rate at 1% of the \$1 million loan with Forbes Empreendimentos Ltda, a company associated with three of its current/former directors.

Note 8. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

| Consolidated | Foreign currency reserve \$ | Share-based payment reserve \$ | Capital contribution \$ | Total \$ |
|----------------------------------------|--------------------------------------|-----------------------------------------|-------------------------------|--------------------|
| Balance at 1 July 2018 | (8,684,334) | 4,763,499 | 82,185 | (3,838,650) |
| Foreign currency translation | 410,352 | - | - | 410,352 |
| Share-based payments during the period | - | 152,586 | - | 152,586 |
| Balance at 31 March 2019 | <u>(8,273,982)</u> | <u>4,916,085</u> | <u>82,185</u> | <u>(3,275,712)</u> |

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 10. Financial instruments

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the group does not enter into derivative transactions to mitigate the financial risks. In addition, the group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the group's operations change, the directors will review this policy periodically going forward.

The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The entity does not carry in its books any foreign currency other than its functional currency and therefore the risk associated with foreign currency risk is deemed to be minimal.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The group's main interest rate risk arises from short-term deposits with a floating interest rate. As at the reporting date, the group did not have any significant funds on deposit therefore interest rate risk is minimal.

Note 10. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

There are no significant concentrations of credit risk within the group.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the group will always have sufficient liquidity to meet its liabilities when due. Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 31 March 2019 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-------------------------------------|-------------------------------------------|----------------------|--------------------------------|--------------------------------|--------------------|----------------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 140,125 | - | - | - | 140,125 |
| Other payables | - | 235,000 | - | - | - | 235,000 |
| Accruals | - | 123,333 | - | - | - | 123,333 |
| Total non-derivatives | | 498,458 | - | - | - | 498,458 |

| Consolidated - 30 June 2018 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------------|-------------------------------------------|----------------------|--------------------------------|--------------------------------|--------------------|----------------------------------------------|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 165,398 | - | - | - | 165,398 |
| Other payables | - | 100,968 | - | - | - | 100,968 |
| Accruals | - | 55,034 | - | - | - | 55,034 |
| Total non-derivatives | | 321,400 | - | - | - | 321,400 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 11. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 31 March 2019 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--------------------------------------------|---------------|---------------|---------------|-------------|
| <i>Liabilities</i> | | | | |
| Derivatives financial liability - warrants | - | 41,752 | - | 41,752 |
| Total liabilities | - | 41,752 | - | 41,752 |
| | | | | |
| Consolidated - 30 June 2018 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| <i>Liabilities</i> | | | | |
| Derivatives financial liability - warrants | - | 594,903 | - | 594,903 |
| Total liabilities | - | 594,903 | - | 594,903 |

There were no transfers between levels during the financial period.

Valuation techniques for fair value measurements categorised within level 2

Derivative financial instruments have been valued using Black-Scholes model. This valuation technique maximises the use of observable market data where it is available (including quoted market rates) and relies as little as possible on entity specific estimates.

Note 12. Key management personnel disclosures

Directors

The following persons were directors of Agua Resources Limited during the financial period:

Justin Reid
 Paul Pint
 David Gower
 Brian Moller
 Alec Pismiris
 Diane Lai

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Andrew Bursill - Company Secretary
 Catherine Stretch - Chief Commercial Officer
 Fernando Tallarico - Technical Director
 Ryan Ptolemy - Chief Financial Officer

Note 12. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|--------------------------|--------------------------|
| | 31 March 2019 | 31 March 2018 |
| | \$ | \$ |
| Short-term employee benefits | 915,645 | 1,239,023 |
| Share-based payments | 138,326 | 466,884 |
| | <u>1,053,971</u> | <u>1,705,907</u> |

*share-based payments is the fair value of options granted which have been calculated using the Black-Scholes option-pricing model and the assumptions are disclosed in Note 26 of the June 30, 2018 financial statements.

Note 13. Related party transactions

Parent entity

Agua Resources Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 12.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| | 31 March 2019 | 31 March 2018 |
| | \$ | \$ |
| Payment for goods and services: | | |
| Payment for legal services from HopgoodGanim of which Mr Brian Moller is a partner. | 9,615 | 10,501 |
| Payment for accounting and company secretary services from Franks & Associates Pty Ltd of which Mr Andrew Bursill is an associate. | 33,271 | 53,889 |

Other than the transactions noted below, there were no transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 14. Events after the reporting period

On April 3, 2019, the Company closed a private placement financing for gross proceeds of \$874,708. The funds were raised in connection with the issuance of 7,289,237 ordinary shares via a non-brokered private placement to sophisticated and institutional investors at a price of \$0.12 per ordinary share and certain Directors and Officers of the Company agreed to provide non-interest bearing, unsecured loans to the Company totalling A\$200,000. Agua has the option to repay the Loans in cash or in Ordinary Shares of the Company. The Loans will mature at the earlier of the next meeting of Agua Shareholders or December 31, 2019. Subject to receipt of shareholder approval, the loan amounts will be convertible to Ordinary Shares at a conversion price which will be the greater of i) A\$0.12 or, ii) 5-day VWAP of Agua's shares at the date shareholder approval is obtained.

On April 5, 2019, the Company issued 300,000 options under the Company's existing ESOP as approved by the shareholders at the Company's EGM on 4 April 2017. The options are exercisable at A\$0.14 per option and expire on 5 April 2022.

No other matter or circumstance has arisen since 31 March 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

| | Consolidated | |
|-------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| | 31 March 2019 | 31 March 2018 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Agua Resources Limited | <u>(2,132,952)</u> | <u>(2,115,464)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>141,477,665</u> | <u>117,023,107</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>141,477,665</u> | <u>117,023,107</u> |
| | Cents | Cents |
| Basic earnings per share | (1.51) | (1.81) |
| Diluted earnings per share | (1.51) | (1.81) |

Note 16. Share-based payments

On 14 December 2018, the Company issued 600,000 ordinary shares pursuant to an Option Agreement with Companhia Brasileira do Cobre as announced to the ASX on 7 July 2011. The fair value of these shares was deemed to be \$72,000 (using the same pricing of the share placement completed on the same date) and has been recognised in the financial statements.

On 9 January 2019, the Company issued 530,934 ordinary shares as commission for services provided in relation to the private placement in December 2018. The fair value of these shares was deemed to be \$63,712 (using the same pricing of the share placement completed on the same date) and has been recognised in the financial statements.