



Agua Resources Limited

ABN 94 128 256 888

Interim Report - 31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Agua Resources Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2017.

Directors

The following persons were directors of Agua Resources Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Justin Reid
David Gower
Brian Moller
Alec Pismiris
Paul Pint
Diane Lai (appointed 7 July 2017)

Principal activities

The principal activities during the year of the consolidated entity were the continued exploration and development of resource projects, predominantly phosphate in Brazil, and investment in the resources sector. No significant change in the nature of these activities occurred during the half-year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,494,040 (31 December 2016: \$2,126,922).

During the half-year ended December 2017 (the "HY"), Agua continued to focus on advancing the development of its Três Estradas phosphate asset located in the state of Rio Grande do Sul in Southern Brazil (Figure 1). The Company reported the results of trade-off studies and test work being conducted as part of the Bankable Feasibility Study that indicates a significant reduction in projected CAPEX and OPEX for Três Estradas and completed a pilot plant program that returned excellent recoveries and concentrate grades for both fresh and oxidized carbonatites.

The most important milestone during the HY was the announcement of a new JORC/43-101 Mineral Resource Statement that substantially increased the Measured and Indicated categories based on the infill drilling conducted earlier in 2017. The Company completed a private placement for A\$10.5 million and completed a listing on the TSX Venture Exchange in Canada.

Agua also began a new regional exploration program during the December quarter to identify additional oxidized carbonatite sources that could ultimately contribute to the Três Estradas Project. Initial results from auger drilling at the Mato Grande claim released after the end of the HY were very encouraging.

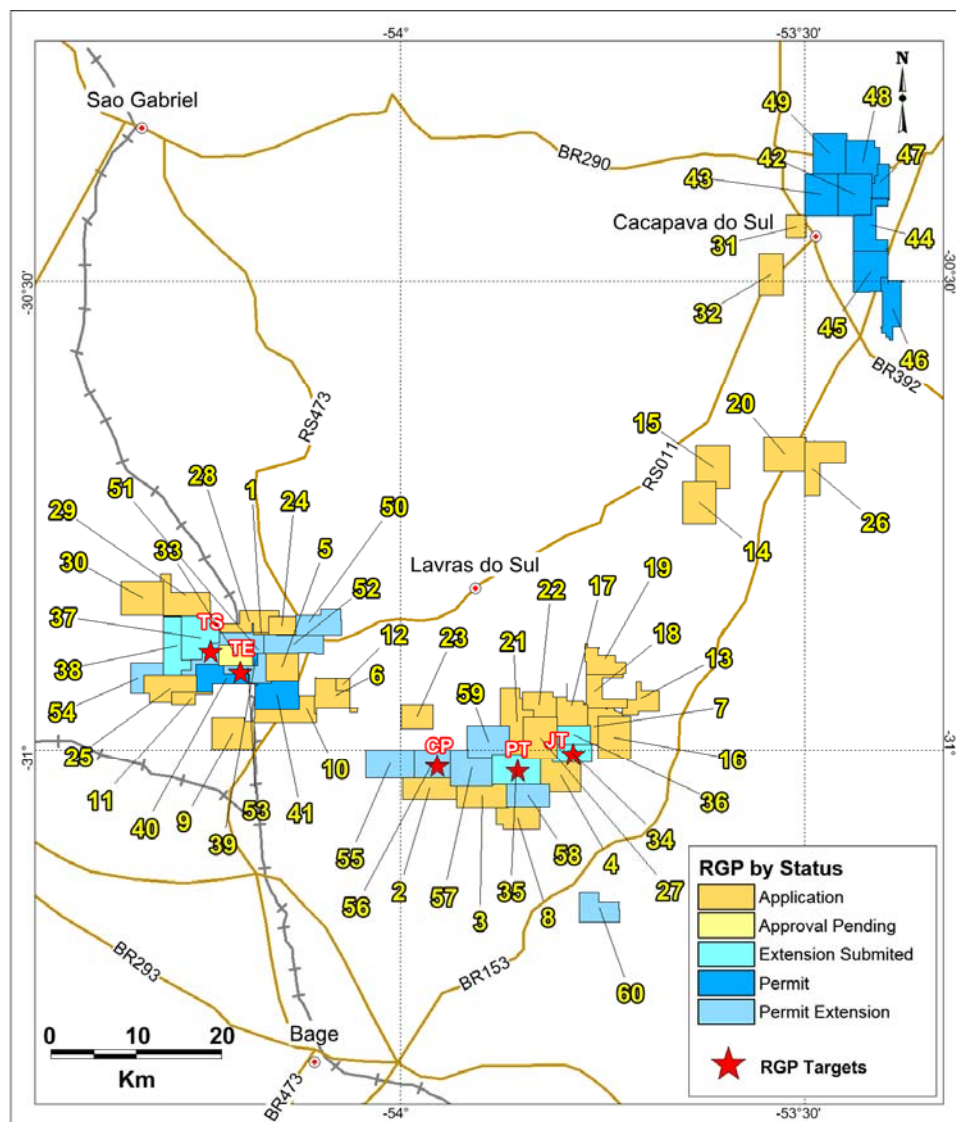


Figure 1: Rio Grande Tenement Map – Refer to Tenement Register for License Details

Mine site revision

As a result of trade-off studies completed earlier in the year, Agüa will proceed with a phased project approach mining the high-grade oxide ore in the initial years of production. As a result, the mine site design was completely revised, supported by systematic geotechnical drilling and modelling by Walm. Recirculation of process water, and other engineering improvements allow for the water reservoir to be reduced 74%, the tailings dam to be reduced 56% and the waste piles to be reduced 38%. This significant reduction of the project footprint triggered a requirement for a revision and update to the EIA, which was submitted and well received by FEPAM, the State environmental agency. The reduction of the footprint will contribute to substantial capital savings during construction.

Update to the Mineral Resource Statement

The updated Mineral Resource Statement (the “Mineral Resource Statement”) released in September 2017 was based on the results of an extensive drilling campaign carried out by Agüa between December 2016 and June 2017. During this period, Agüa completed 61 core holes (9,708m) and 90 reverse circulation holes (4,496m). The primary goal of this drilling campaign was to increase the geologic assurance and classification of the inferred resources identified in the 2016 resource statement related to the Tres Estradas project. The drilling campaign was successful in converting most of the Inferred Resources from the 2016 resource estimate to Measured and Indicated categories as well as discovering and delineating additions to the Tres Estradas deposit, including a new extension to the deposit.

The entire dataset was subject to independent revision and auditing by Millcreek Mining Group who signed off on the new resource statement for the project. The resource estimate meets the criteria required to be compliant with both JORC and NI 43-101 standards.

The Mineral Resource Statement now includes 83 million tonnes grading 4.1% P₂O₅ of Measured and Indicated resources. Thus, 79% of the current resource model now falls in the Measured & Indicated category, whereas the previous model comprised only 21% of Measured and Indicated resources.

In addition to a high rate of conversion of Inferred Resources to Measured and Indicated resources, the Mineral Resource Statement also identified a new shallow zone of mineralization within the existing borders of the Tres Estradas pit shell.

Table 1: Mineral Resource Statement*, Três Estradas Phosphate Project, Rio Grande do Sul, Brazil September 19, 2017

		Tonnage (Tx1,000)	P₂O₅%	CaO%	MgO%	Fe₂O₃%	SiO₂%	Al₂O₃%
Oxidized	Measured	851	9.95	17.72	5.69	18.53	29.19	4.84
	Indicated	4,487	8.60	15.55	5.01	18.01	32.84	6.22
	Total Measured & Indicated	5,338	8.81	15.90	5.12	18.09	32.26	6.00
	Inferred	45	5.41	20.17	5.61	12.17	29.81	6.80
Fresh Rock	Measured	35,345	3.87	33.97	8.06	8.16	11.68	1.98
	Indicated	42,527	3.72	33.43	7.66	8.19	13.60	2.60
	Total Measured & Indicated	77,872	3.78	33.67	7.84	8.18	12.73	2.31
	Inferred	21,800	3.66	33.65	8.06	7.94	12.94	2.36
Grand Total Measured & Indicated		83,210	4.11	32.53	7.67	8.81	13.98	2.55
Grand Total Inferred		21,845	3.67	33.62	8.06	7.95	12.98	2.36

* Mineral Resources are not mineral reserves and have not demonstrated economic viability. All figures are rounded to reflect relative accuracy of the estimates. The mineral resources are reported within a conceptual pit shell using a cut-off grade of 3.0% for all mineralized domains. Optimization parameters include a mining recovery of 100%, 0% dilution, process recovery of 87% P₂O₅ for saprolites and 80% P₂O₅ recovery for fresh rock, concentrate grade of 35.0% for saprolite and 32.0% for fresh rock, pit slopes of 34° for saprolite/51° & 55° for fresh rock, selling price of US\$215 for P₂O₅ concentrate and exchange rate of 3.2 R\$ to US\$.

The key changes between the Mineral Resource Statement and the previous estimate presented in 2016 include:

- The previous estimate in 2016 identified 15.07 million tonnes (MT) of Measured plus Indicated resources at a P₂O₅ grade of 4.75% using a 3.0% cut-off. The new estimate identifies 83.2MT of Measured plus Indicated resources at a 4.11% P₂O₅ grade using a 3.0% cut-off. Inferred Resources have decreased from 58.9MT to 21.8MT in the Mineral Resource Statement.
- Tighter estimation parameters were implemented in the Mineral Resource Statement.
- Rock density values were incorporated into the block model versus the usage of average density values for each of the mineralized domains.
- The 2016 mineral resource statement included resources for the Joca Tavares deposit. There has been no additional work done at Joca Tavares and resources from that deposit are not included in this Mineral Resource Statement.

Completion of Pilot Plant Testing

The pilot plant program was conducted at the Eriez Flotation Division ("EFD"), a world leader in advanced flotation technology and a wholly owned subsidiary of Eriez Manufacturing Co.

After this extensive pilot-scale program, recoveries and grades were forecasted accounting for scaling from pilot plant to industrial scale production. An overall process recovery of 87% producing concentrate grading 35% P₂O₅ is forecasted for the processing of the oxidized (saprolite) ore, and a process recovery of 80% with a concentrate grading 32% P₂O₅ is forecasted for the fresh carbonatite. These results improved on the previous bench-scale flotation tests performed at Eriez and announced on June 6, 2016 and demonstrate that Três Estradas has a metallurgical performance very similar to other operating carbonatite mines in the world such as Vale's Cajati mine in Brazil and Yara's Siilinjärvi mine in Finland.

	2016		2017	
	Recovery	P ₂ O ₅ Grading	Recovery	P ₂ O ₅ Grading
Oxide	80%	31%	87%	35%
Fresh Carbonatite	84	30.2%	80%	32%

Table 3: Comparison of metallurgical results from bench scale tests conducted in 2016 versus pilot plant results conducted in 2017

Ongoing Test Work in Support of BFS

During the HY, Agua announced positive results from ongoing test work programs being undertaken for the BFS. These results delivered the information necessary to define the process flow diagrams, mass and energy balance, and most importantly, allow the Agua engineering team to finalize the trade-off studies. The most significant results included:

- Confirmation of the optimal run of mine (ROM) rate at 3Mtpy with production of phosphate concentrate capped at 300ktpy.
- Validation of the phased approach to mine the higher grade oxidized ore in the initial years of the operation at a scale of approximately 1.4 Mtpy of ROM, with a process recovery of 87%, producing 300ktpy of phosphate concentrate grading 35% P₂O₅.
- Optimization of the crushing and grinding circuit for the initial phase of mining and processing the high-grade oxidized ore.
- Comminution test work at Metso also allowed the design of an optimized milling circuit for the oxide phase, which will employ only one rod mill for grinding with a capacity of 1.4Mtpy. This approach is anticipated to significantly reduce the capital and operating costs of the milling circuit compared to the 4.5Mtpy capacity SAG mill that was planned in the PEA.
- The results of the commercial scale pilot plant program developed at Eriez allowed the optimization of the flotation circuit in the oxide phase which will require only four columns, two roughers and two cleaners
- Filtration test work developed at Pocock demonstrated that press-filtering of the phosphate concentrate prior to drying will allow a significant reduction of the size of the drying unit. This represents further savings on the drying operational costs that will also be significantly reduced by using locally sourced thermal coal instead of diesel as contemplated in the PEA.
- A market study demonstrated that no further processing is required to produce commercial aglime from the tailings of the phosphate flotation circuit to meet local consumption requirements. This simplification of the circuit will result in further capital and operational cost savings while providing an ongoing secondary revenue stream from production.
- Filtration tests of the aglime conducted at Pocock demonstrate that press-filtering alone should dewater the Aglime to achieve commercial specifications. This simplification will introduce significant capex and opex savings, particularly when compared to the 1Mtpy capacity dryer that was contemplated in the PEA.

Finally, the entire data set that was produced in this extensive program will support the engineering team in the equipment design and general arrangements of the processing units.

Regional Exploration Activities

With the updated resource delineation drilling of the Três Estradas Mineral Resource complete, Agua resumed exploration of neighbouring properties. The aim is to identify additional oxidized carbonatite sources that could ultimately contribute to the Três Estradas Project. Based on regional mapping and airborne geophysical data, Agua identified a number of exploration targets surrounding the Três Estradas and Joca Tavares carbonatites (Figure 2).

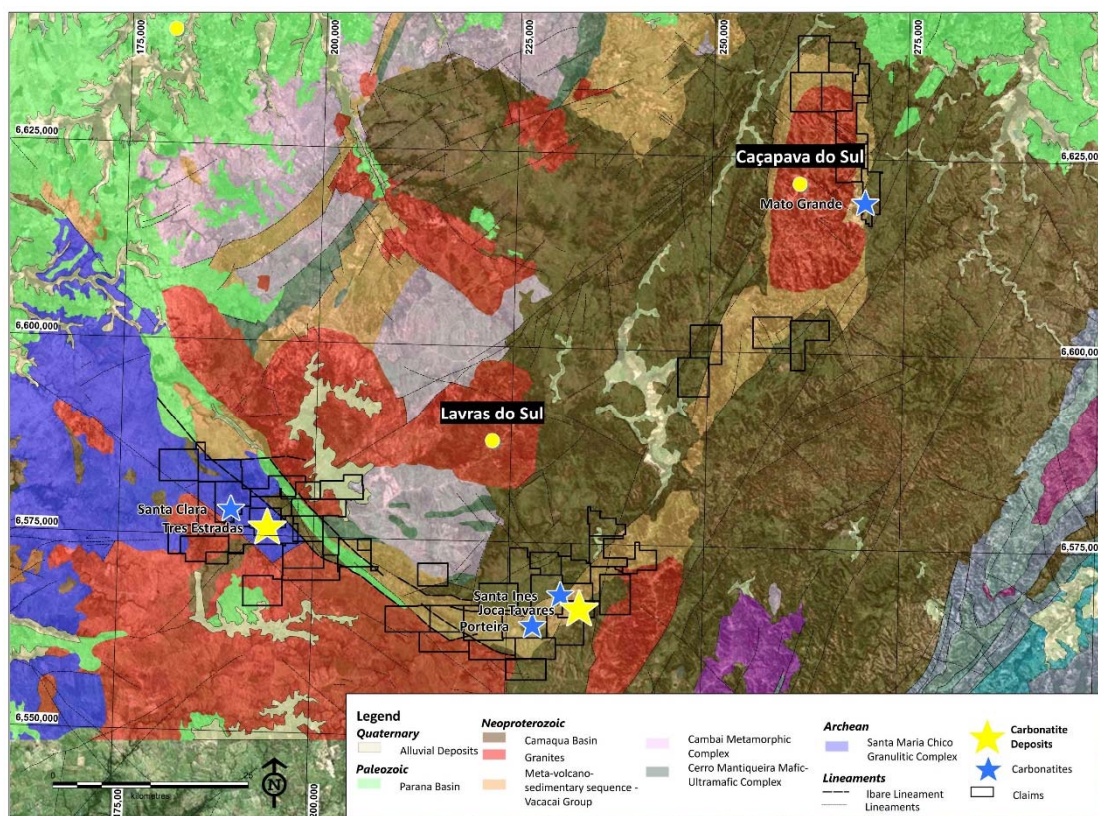


Figure 2. Regional geological map of the Rio Grande project, highlighting the Três Estradas and Joca Tavares carbonatites and the exploration targets that the Company is currently exploring: Santa Clara, Mato Grande, Porteira and Santa Ines.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2017 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Justin Reid
Managing Director

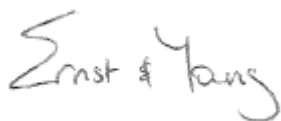
27 February 2018

Auditor's Independence Declaration to the Directors of Agua Resources Limited

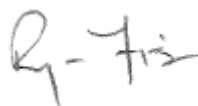
As lead auditor for the review of Agua Resources Limited for the six month period ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Agua Resources Limited and the entities it controlled during the period.



Ernst & Young



Ryan Fisk
Partner
27 February 2018

Agua Resources Limited

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31 December 2017



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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

Suite 2, Level 10
70 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 27 February 2018.

Agua Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2017



		Consolidated		Consolidated	
		3 months ended	3 months ended	6 months ended	6 months ended
	Note	31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		\$	\$	\$	\$
Other income	3	6,397	192,890	19,404	196,476
Expenses					
Employee benefits expense		(93,952)	(122,713)	(184,911)	(186,314)
Legal & professional		(87,580)	(236,436)	(152,532)	(238,266)
Depreciation and amortisation expense		(3,781)	(3,967)	(7,540)	(7,649)
Corporate expense		(751,538)	(574,904)	(1,000,931)	(849,239)
Exploration expenditure expensed		(1,543)	(205,024)	(1,543)	(408,564)
Business development		(248,306)	(262,813)	(378,110)	(309,996)
Share-based payments		(693,798)	-	(721,166)	-
Administration expense		(235,301)	(178,423)	(423,464)	(323,370)
Movement in fair value of financial derivatives		1,051,822	-	1,356,753	-
Loss before income tax expense		(1,057,580)	(1,391,390)	(1,494,040)	(2,126,922)
Income tax expense		-	-	-	-
Loss after income tax expense for the period attributable to the owners of Agua Resources Limited		(1,057,580)	(1,391,390)	(1,494,040)	(2,126,922)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		(925,371)	736,924	(564,565)	477,507
Other comprehensive income for the period, net of tax		(925,371)	736,924	(564,565)	477,507
Total comprehensive income for the period attributable to the owners of Agua Resources Limited		(1,982,951)	(654,466)	(2,058,605)	(1,649,415)
		Cents	Cents	Cents	Cents
Basic earnings per share		(0.90)	(1.63)	(1.28)	(2.68)
Diluted earnings per share		(0.90)	(1.63)	(1.28)	(2.68)

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 December 2017



		Consolidated	
		31 December	30 June 2017
	Note	2017	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	3,150,577	6,731,733
Trade and other receivables		223,836	136,307
Total current assets		<u>3,374,413</u>	<u>6,868,040</u>
Non-current assets			
Property, plant and equipment		52,039	57,479
Exploration and evaluation	5	31,646,100	27,242,357
Total non-current assets		<u>31,698,139</u>	<u>27,299,836</u>
Total assets		<u>35,072,552</u>	<u>34,167,876</u>
Liabilities			
Current liabilities			
Trade and other payables	6	602,542	1,354,235
Derivative financial instruments	7	1,424,779	1,522,117
Total current liabilities		<u>2,027,321</u>	<u>2,876,352</u>
Total liabilities		<u>2,027,321</u>	<u>2,876,352</u>
Net assets		<u>33,045,231</u>	<u>31,291,524</u>
Equity			
Issued capital	8	96,940,553	93,849,407
Reserves	9	(1,771,355)	(1,927,956)
Accumulated losses		(62,123,967)	(60,629,927)
Total equity		<u>33,045,231</u>	<u>31,291,524</u>

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

Aguia Resources Limited
Statement of changes in equity
For the period ended 31 December 2017



Consolidated	Ordinary shares \$	Performance shares \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	81,654,154	241,400	(1,013,025)	(56,806,178)	24,076,351
Loss after income tax expense for the period	-	-	-	(2,126,922)	(2,126,922)
Other comprehensive income for the period, net of tax	-	-	477,507	-	477,507
Total comprehensive income for the period	-	-	477,507	(2,126,922)	(1,649,415)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	8,042,000	-	-	-	8,042,000
Lapse of performance shares	-	(241,400)	-	241,400	-
Balance at 31 December 2016	<u>89,696,154</u>	<u>-</u>	<u>(535,518)</u>	<u>(58,691,700)</u>	<u>30,468,936</u>
Consolidated	Ordinary shares \$	Performance 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	-	-	-	(1,494,040)	(1,494,040)
Other comprehensive income for the period, net of tax	-	-	(564,565)	-	(564,565)
Total comprehensive income for the period	-	-	(564,565)	(1,494,040)	(2,058,605)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	3,091,146	-	-	-	3,091,146
Share-based payments	-	-	721,166	-	721,166
Balance at 31 December 2017	<u>96,940,553</u>	<u>-</u>	<u>(1,771,355)</u>	<u>(62,123,967)</u>	<u>33,045,231</u>

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

Aguia Resources Limited
Statement of cash flows
For the period ended 31 December 2017



Note	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Receipt from Vicenza option payment	-	183,433
Payments to suppliers and employees	(2,494,079)	(2,086,259)
Interest received	19,404	13,043
Net cash used in operating activities	(2,474,675)	(1,889,783)
Cash flows from investing activities		
Payments for exploration and evaluation	(4,716,245)	(2,643,036)
Net cash used in investing activities	(4,716,245)	(2,643,036)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	3,625,379	8,042,000
Repayment of borrowings	-	(213,949)
Net cash from financing activities	3,625,379	7,828,051
Net increase/(decrease) in cash and cash equivalents	(3,565,541)	3,295,232
Cash and cash equivalents at the beginning of the financial period	6,731,733	2,900,765
Effects of exchange rate changes on cash and cash equivalents	(15,615)	19,611
Cash and cash equivalents at the end of the financial period	<u>3,150,577</u>	<u>6,215,608</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 half-year reporting period ended 31 December 2017 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 2017 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, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2017, except for the adoption of the following new standard / interpretation effective as of 1 July 2017:

- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

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

The consolidated entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Accounting Standards and Interpretations issued but not yet effective

AASB 9 Financial Instruments

A finalised version of AASB 9 which contains accounting requirements for financial instruments, replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. The consolidated entity is in the process of determining the potential impact of the new standard on the consolidated entity's financial report. This standard applies to annual reporting periods beginning on or after 1 January 2018.

AASB 15 Revenue from Contracts with Customers

AASB / IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group is in the process of determining the potential impact of the new standard on the Group's financial report. This standard applies to annual reporting periods beginning on or after 1 January 2018. There is currently no revenue stream from operations within the Group, therefore it is expected that there will be no material impact of the above standard to the Group. This will be reassessed should the company begin deriving revenue from operations.

AASB 16 Leases

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. The consolidated entity is in the process of determining the potential impact of the new standard on the consolidated entity's financial report. This standard applies to annual reporting periods beginning on or after 1 January 2019.

Note 1. Significant accounting policies (continued)

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This standard amends AASB 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the:

- Effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This standard applies to annual reporting periods beginning on or after 1 January 2018. The consolidated entity is in the process of determining the potential impact of the amendments on the consolidated entity's financial report.

Going concern

The consolidated entity has incurred net losses after tax of \$1,494,040 (2016: \$2,126,922) and net cash outflows from operating and investing activities of \$7,190,920 (2016: \$4,532,819) for the half-year ended 31 December 2017.

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) to meet its minimum committed exploration expenditures, other principal activities and working capital requirements through to 31 March 2019. The Directors of the Company are currently reviewing various capital raising opportunities and strategies such as issuance of equity or debt to ensure that sufficient cash is raised to meet its obligations as and when they come due. The Directors believe that they will be successful in raising the necessary funding to continue operations in the normal course of operation as has been evidenced by the previous ability to raise capital, such as the private placement financings of \$4.6 million during the half -year period ended 31 December 2017. The Directors also manage discretionary spending to ensure there is sufficient working capital at all times.

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.

The financial report has been prepared on a 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.

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. Other income

	Consolidated		Consolidated	
	3 months ended	3 months ended	6 months ended	6 months ended
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest	6,397	9,457	19,404	13,043
Vicenza option payment *	-	183,433	-	183,433
Other income	6,397	192,890	19,404	196,476

* The Mata da Corda tenements were subject to an Option Agreement between Agua and Vicenza Mineração e Participações S.A. ("Vicenza") under which all of the Mata da Corda tenements had previously been transferred to Vicenza. The Option Agreement was terminated during the second quarter of 2016 and Vicenza made a final payment to Agua of \$183,433.

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Cash at bank	3,150,577	6,731,733

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Brazilian Phosphate project - at cost	44,306,737	39,902,994
Less: Accumulated impairment	(12,660,637)	(12,660,637)
	31,646,100	27,242,357

Note 6. Current liabilities - trade and other payables

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Trade payables	417,260	247,662
Accrued expenses	39,334	994,078
Other payables	145,948	112,495
	<u>602,542</u>	<u>1,354,235</u>

Refer to note 11 for further information on financial instruments.

Note 7. Current liabilities - derivative financial instruments

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Warrants	<u>1,424,779</u>	<u>1,522,117</u>

Refer to note 11 for further information on financial instruments.

Refer to note 12 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 December 2017, these warrants were revalued to reflect their fair value at reporting date. The fair value at reporting date was deemed to be \$1,424,779 and the movement in the fair value (\$1,356,753) is recognised as a gain to the statement of profit and loss and other comprehensive income.

Note 8. Equity - issued capital

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>117,198,326</u>	<u>105,863,326</u>	<u>96,940,553</u>	<u>93,849,407</u>

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	105,863,326		93,849,407
Shares issued	3 July 2017	5,000,000	\$0.40	1,999,992
Derivative financial liability - warrants	3 July 2017	-	\$0.00	(506,500)
Shares issued	7 July 2017	6,335,000	\$0.40	2,585,067
Derivative financial liability - warrants	7 July 2017	-	\$0.00	(752,915)
Share issue costs		-	\$0.00	(234,498)
Balance	31 December 2017	<u>117,198,326</u>		<u>96,940,553</u>

Movements in unlisted options / warrants

Details	Date	Options	\$
Balance	1 July 2017	8,639,418	-
Warrants* issued for placement	3 July 2017	4,137,500	-
Warrants* issued for placement	7 July 2017	3,167,500	-
Options issued to employee	27 November 2017	150,000	-
Option issues to directors and employees / consultants	5 December 2017	<u>7,520,000</u>	-
Balance	31 December 2017	<u>23,614,418</u>	-

* note that options are known as warrants in the Canadian market.

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 9. Equity - reserves

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Foreign currency reserve	(6,433,935)	(5,869,370)
Share-based payment reserve	4,580,395	3,859,229
Capital contribution reserve	<u>82,185</u>	<u>82,185</u>
	<u>(1,771,355)</u>	<u>(1,927,956)</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.

Note 9. Equity - reserves (continued)

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.

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 2017	(5,869,370)	3,859,229	82,185	(1,927,956)
Foreign currency translation	(564,565)	-	-	(564,565)
Share-based payments during the period	-	721,166	-	721,166
Balance at 31 December 2017	<u>(6,433,935)</u>	<u>4,580,395</u>	<u>82,185</u>	<u>(1,771,355)</u>

Note 10. Equity - dividends

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

Note 11. 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.

Note 11. Financial instruments (continued)

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.

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.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 31 December 2017	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	417,260	-	-	-	417,260
Other payables	-	145,948	-	-	-	145,948
Accruals	-	39,334	-	-	-	39,334
Total non-derivatives		602,542	-	-	-	602,542
	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 30 June 2017	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	247,662	-	-	-	247,662
Other payables	-	112,495	-	-	-	112,495
Accruals	-	994,078	-	-	-	994,078
Total non-derivatives		1,354,235	-	-	-	1,354,235

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

Note 11. Financial instruments (continued)

Fair value of financial instruments

Other than the derivatives financial liability - warrants as disclosed in Note 8 and Note 13, the consolidated entity does not have any other financial assets and financial liabilities that are measured at fair value on a recurring basis.

The directors consider that the carrying amounts of trade and other receivables, and trade and other payables approximate their fair values as at 31 December 2017.

Note 12. 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 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Derivatives financial liability - warrants	-	1,424,779	-	1,424,779
Total liabilities	-	1,424,779	-	1,424,779

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 13. 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 (appointed 7 July 2017)

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 13. 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 December 2017	31 December 2016
	\$	\$
Short-term employee benefits	978,999	1,010,932
Share-based payments	466,884	-
	<u>1,445,883</u>	<u>1,010,932</u>

Note 14. 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 13.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Payment for goods and services:		
Payment for legal services from HopgoodGanim of which Mr Brian Moller is a partner.	10,501	9,357
Payment for accounting and company secretary services from Franks & Associates Pty Ltd of which Mr Andrew Bursill is an associate.	42,231	36,807

Other than the transactions noted above, 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 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 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 16. Earnings per share

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Loss after income tax attributable to the owners of Agua Resources Limited	<u>(1,494,040)</u>	<u>(2,126,922)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>116,937,402</u>	<u>79,463,480</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>116,937,402</u>	<u>79,463,480</u>
	Cents	Cents
Basic earnings per share	(1.28)	(2.68)
Diluted earnings per share	(1.28)	(2.68)

Note 17. Share-based payments

On 28 July 2017, the Company issued 150,000 unlisted options to various employees and contractors. Each option is exercisable at \$0.54 and has an expiry date 28 July 2022. Based on Black-Scholes model, each option is valued at \$0.182 these options were valued at \$27,368 and has been recognised in the profit or loss as share based payment.

On 5 December 2017, the Company issued 7,520,000 unlisted options to directors and employees. Each option is exercisable at \$0.60 and has an expiry date of 5 December 2017. 2,675,000 options vest when the Company completes a bankable feasibility study (expected to be completed by March 2018), and another 2,675,000 vest upon the granting of the preliminary licence relating to the Tres Estrades Phosphate Project (expected to be completed by December 2018). The remaining 2,170,000 have no vesting condition. Based on Black Scholes valuation model, each option is valued at \$0.1369 and a total \$693,798 has been recognised in the profit or loss as share-based payments.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:


Issue date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/07/2017	28/07/2022	\$0.37	\$0.54	90.00%	-	1.85%	\$0.182
05/12/2017	05/12/2020	\$0.37	\$0.60	75.00%	-	2.17%	\$0.137

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Justin Reid", written over a horizontal line.

Justin Reid
Managing Director

27 February 2018

Independent Auditor's Review Report to the Members of Agua Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Agua Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report (which describe the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

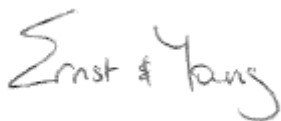
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year

ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

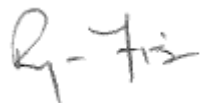
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
27 February 2018