



Aguia Resources Limited

ABN 94 128 256 888

Interim Report - 31 December 2018

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 2018.

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

Principal activities

The principal activities during the year of the consolidated entity were the continued exploration and development of resource projects, predominantly phosphate, potash and copper 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 \$1,411,358 (31 December 2017: \$1,494,040).

Refer to the Review of Operations section for further details.

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 2018 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

14 February 2019

During the period ended December 2018 Quarter (the “Half Year” or “HY”), Agua continued to focus on advancing its Três Estradas phosphate asset located in the state of Rio Grande do Sul in Southern Brazil (see Figure 1). The key activity at Três Estradas has been preparation for the upcoming public consultation, which is the final component of the Environmental Impact Assessment and successful completion of which will result in the granting of the Preliminary License. Agua has also been engaged in ongoing exploration of Canhada and Big Ranch, a new zone of copper mineralization discovered earlier in 2018 (see Figure 2).

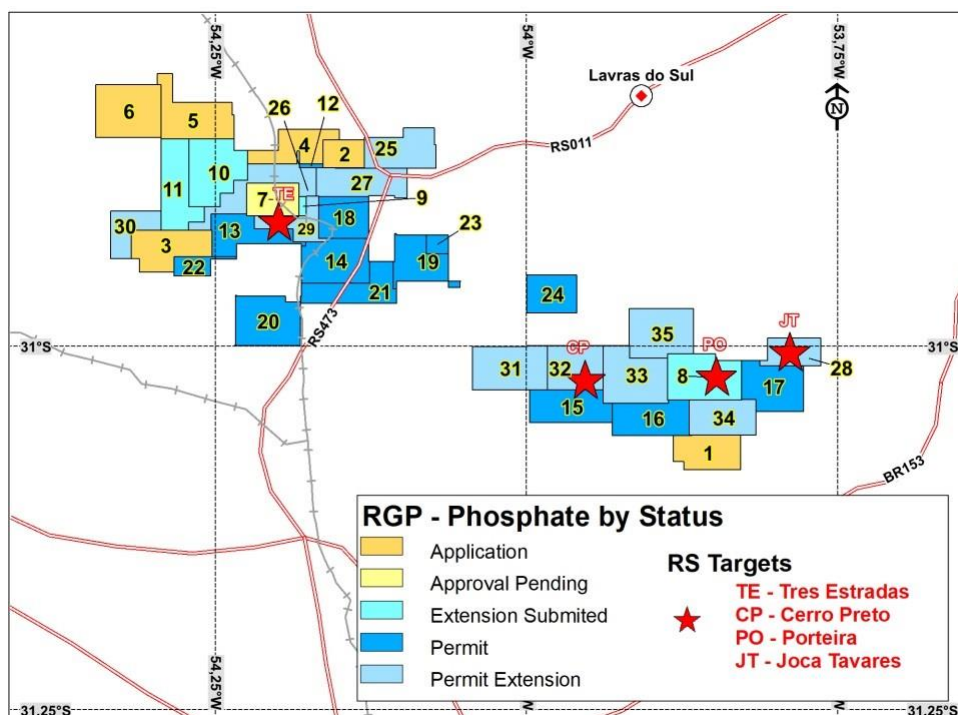


Figure 1: Rio Grande Três Estradas Tenement Map – Refer to Tenement Register for License Details

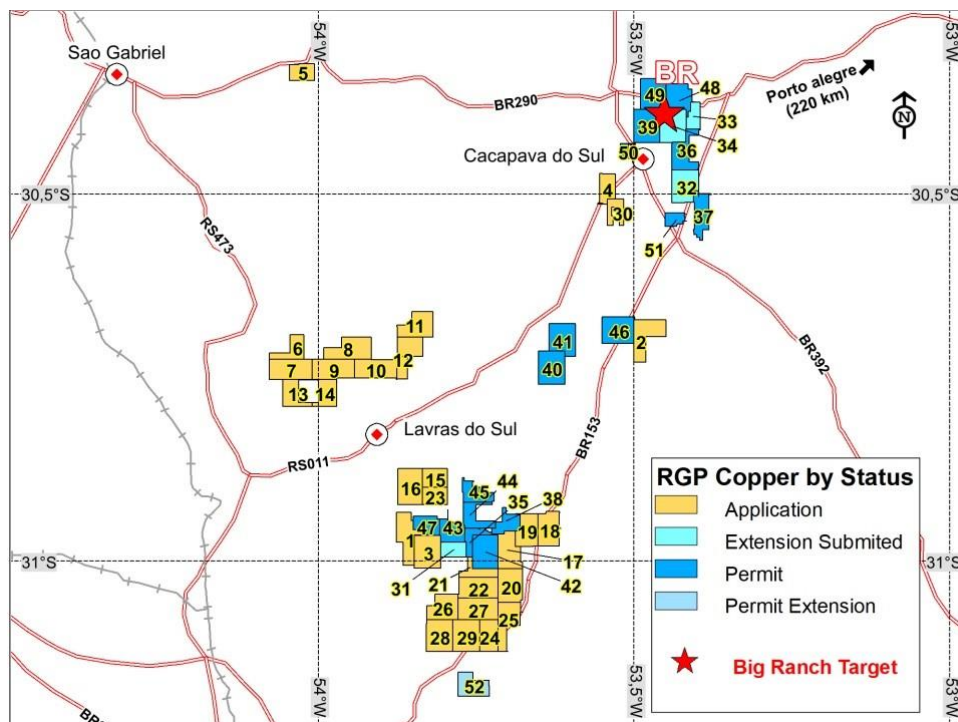


Figure 2: Rio Grande Copper Tenement Map – Refer to Tenement Register for License Details

Três Estradas Activity Focused on EIA Approval Process

Agua’s Environmental Impact Assessment (EIA) was filed with the State Environmental Agency (FEPAM) in October 2016. Subsequently, engineering optimisations identified from trade-off studies resulted in modifications and improvements to the project and a revised version of the EIA was filed in September 2017. During the Fourth Quarter of 2018, FEPAM conducted a final site visit and Agua submitted a response that covered all remaining questions.

Subsequent to the year end, FEPAM advised Agua that the public consultation hearing will take place in Lavras do Sul on March 20, 2019. Community consultation is the key final deliverable in the environmental permitting process for mining projects in Brazil. The event allows members of the community to attend a public forum about the Tres Estradas Phosphate Project at which any stakeholders can provide input, ask questions and voice their opinions. Agua’s team in Lavras do Sul has undertaken an active community outreach program over many months in anticipation of this event. Activities have included education seminars, booths at agricultural fairs, workshops and other events. The response from the local community and government has been very positive to date.

Following the public consultation event, Agua will have completed all requirements to obtain the environmental permit (called the “Preliminary License” or “LP” in Brazil) and expects that the permit will be issued shortly thereafter. This will be a major milestone for the Company. The next phase of development will be obtaining the Installation Permit or “LI”. The LI requires implementation of the programs and requirements prescribed in the LP to ensure Tres Estradas has a minimal impact on the environment and social wellbeing of the community. During this time, Agua will be finalizing the design and plans for the project site, negotiating offtake contracts and sourcing debt for construction. The LI is expected to take up to 12 months to obtain after which construction can commence.

Rio Grande Copper Exploration Continues

In the first Quarter of 2018, Agua announced the identification a new zone of copper mineralisation on ground staked within the Rio Grande Copper Belt, as a result of regional exploration activities in the State of Rio Grande do Sul, Brazil. The Company successfully secured a strategic land package along the Rio Grande Copper Belt, totaling 34,000 hectares across 23 tenements and identified two mineralised targets within the belt: Canhada and Big Ranch (see Figure 3 below).

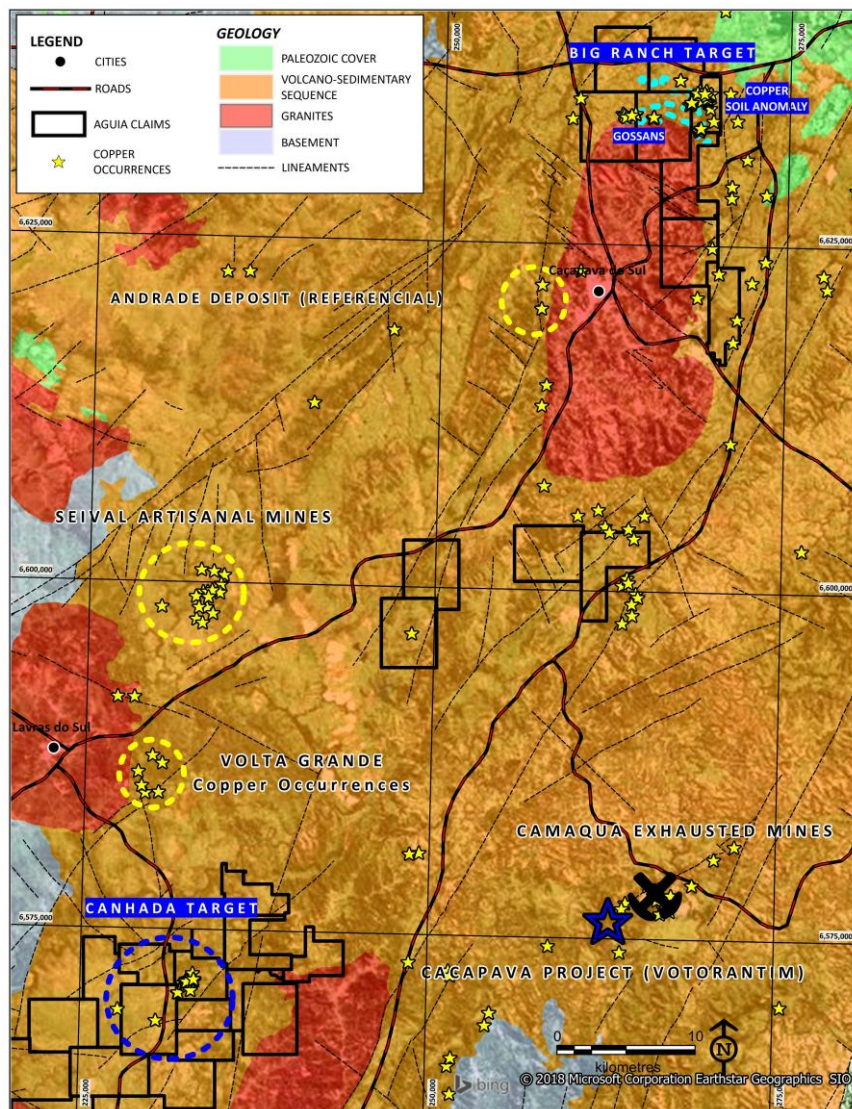


Figure 3. Regional geological map of the Rio Grande Copper Belt, highlighting the distribution of Agua's Claims with the Canhada Target to the southwest of the belt and the Big Ranch Target to the northeast.

The **Canhada** target is located 20 km south of the City of Lavras do Sul, where Agua has its field office, and consists of a 9 km-long by 3 km wide structurally-controlled trend within which a 2 km x 1 km airborne potassium anomaly (which remains open to the northeast) has been identified with an extensive coincident copper-in-soils anomaly in an area where multiple copper occurrences have been identified in bedrock by Agua geologists. Mineralisation occurs as stockworks, veins and disseminated sulphides within the alteration zone. The potassium and associated hematite alteration is a characteristic of IOCG mineralised systems. The host sequence includes andesitic volcanic and pyroclastic rocks that have undergone intense hydrothermal alteration including albitization, cloritization, carbonate alteration and hematite alteration. Copper minerals are associated with potassic and hematitic alteration and include chalcopyrite, bornite, digenite and chalcocite, as well as malachite when weathered, typical of IOCG affinity mineralising systems. Soil sampling along this target will continue and in advance of a systematic exploration program that will include a ground induced polarization ("IP") survey followed by a scout reverse circulation drilling campaign.

The **Big Ranch** target is located along the northern edge of the Caçapava Granite and consists of a 6km x 2km zone that was initially identified as an airborne geophysical anomaly. More specifically, Agua's technical team noticed the anomaly because it is a zone with no airborne radiometric count. These zones are rare and only a few rocks exhibit this signature.

During the HY, sampling along the Big Ranch target returned 13.14 grams per tonne gold (g/t Au) in a gossan sample, one of 17 gossan samples reported below (Table 1). The western zone of Big Ranch became an area of focus earlier this year when a gossan sample returned 7.74 grams per tonne gold (g/t Au) as reported in April 2018.

ID	UTM_E	UTM_N	Au gpt	Cu%	Pb%	Zn%
1	269002	6635559	0.011	0.02	0.03	1.33
2	268989	6635586	0.003	0.01	0.08	2.00
3	262850	6634524	7.740	0.13	0.01	0.03
4	268511	6633475	0.010	0.10	1.52	0.06
5	262957	6634407	0.003	0.17	0.78	0.50
6	262914	6634636	13.140	0.10	0.06	0.06
7	262719	6634476	1.230	0.15	0.04	0.07
8	262603	6634682	4.350	0.07	0.03	0.23
9	262551	6634461	4.170	0.09	0.06	0.25
10	262623	6634636	1.510	0.04	0.05	0.11
11	262602	6634661	1.450	0.07	0.04	0.41
12	262590	6634640	1.700	0.09	0.11	0.29
13	262848	6634565	2.390	0.08	0.03	0.08
14	262807	6634589	4.750	0.11	0.09	0.07
15	262764	6634641	2.990	0.07	0.03	0.06
16	262736	6634655	9.530	0.19	0.03	0.03
17	264063	6635089	2.330	0.07	0.08	0.10

Table 1. Rock sampling results from the Big Ranch Target - Rio Grande Copper Belt.

As sulfide minerals are weathered, the base metals leach out and gold is then relatively enriched and fixated in the gossan, which is the product of the alteration of primary sulfides. This interpretation also extends to the remainder of the gossan samples mapped in the Big Ranch Target, which can potentially reveal a zone of undercover sulfide minerals.

Agua also initiated a trenching program to further investigate the soil geochemistry anomalies and collect more detailed geological information. So far eleven trenches have been opened and are being mapped. 136 channel assays have been returned so far from TR-01, TR-02 and TR-03. Samples were continuously taken at one-metre intervals along the wall of Trench TR-01, totalling 86 meters. The best intercepts include 16 m @ 0.20% copper and 2 m @ 0.32% copper, with the remainder of the trench not returning significant results (Figure 4). Partial results to date from TR-02 and TR-03 were also negligible, but further assays are still pending.

In parallel, Agua covered the entire Big Ranch geochemical anomaly, including the western gossans, with a ground geophysical survey using Induced Polarization (IP) method to design an appropriate drilling program.

In October 2018, Agua commenced a 3,000 metre diamond drilling program at the Big Ranch copper prospect. The main purpose of this campaign was to acquire more data on the geology and nature of the hydrothermally altered rocks at depth, which will provide the necessary information for a more accurate interpretation of the copper and base metals showings identified so far.

Agua identified four Target Areas to be tested in this drilling program (Figure 4). Target Areas 1 to 3 were selected from the geological, geochemical and geophysical data, while Target Area 4 is essentially a geophysical target.

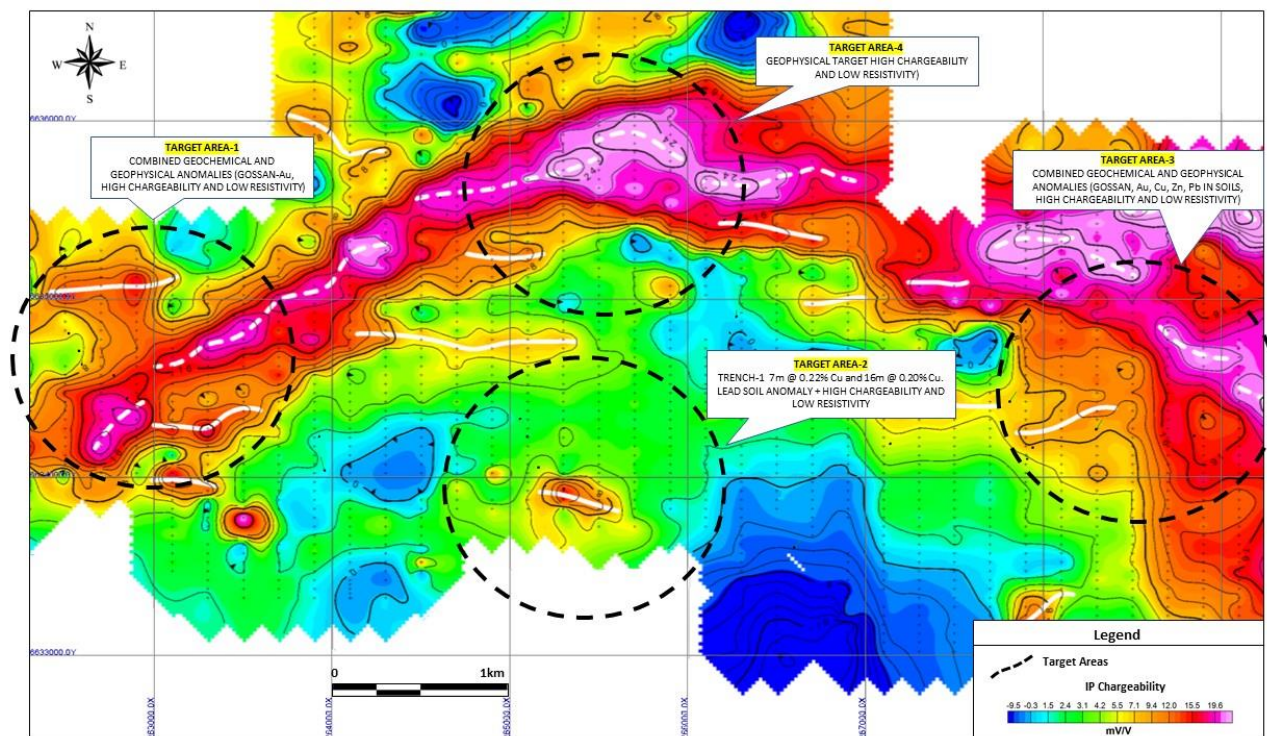


Figure 4. Induced Polarization Chargeability map of the Big Ranch Target highlighting the four Target Areas that will be drilled in the current campaign.

The surrounding geological environment is highly prospective and includes the past producing Camaqua copper mine, a new Zn-Pb project currently being licensed by Nexa Resources (Votorantim Group), and the Andrade copper deposit owned by Brazilian-based Referencial.

Assay results from the Big Ranch drilling are expected to be available during the First Quarter of 2019.

Meanwhile, further progress was made on the exploration of the Canhada Target with the completion of a ground geophysics program. Data collected from the survey is now being analyzed and as with Big Ranch will be used to develop a better understanding of the rock at surface in order to efficiently target further exploration at depth.

Corporate Activity

Prior to the end of the year, Agua closed a private placement financing for gross proceeds of \$2,922,103.32. These funds were raised in connection with the issuance of 24,350,861 ordinary shares (the “Ordinary Shares”) via a non-brokered private placement to sophisticated and institutional investors at a price of \$0.12 per Ordinary Share (the “Placement”).

The Company intends to use the proceeds from the Placement as follows:

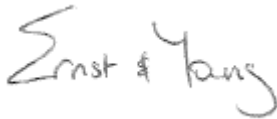
- Ongoing exploration of the Rio Grande Copper prospects (Big Ranch and Canhada) to include drilling and assays;
- Evaluation and acquisition of additional properties around Big Ranch and Canhada;
- Finalization of environmental permitting for the Três Estradas phosphate deposit including public hearings to obtain the Preliminary License;
- Strengthening the balance sheet; and
- Lease maintenance and general working capital purposes.

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

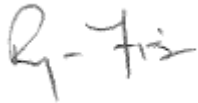
As lead auditor for the review of Aguia Resources Limited for the six-month period ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- 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 Aguia Resources Limited and the entities it controlled during the period.



Ernst & Young



Ryan Fisk
Partner
14 February 2019

Agua Resources Limited

Contents

31 December 2018



Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	22
Independent auditor's review report to the members of Agua Resources Limited	23

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 February 2019.

Agua Resources Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2018



Note	Consolidated		Consolidated	
	3 months ended 31 December 2018 \$	3 months ended 31 December 2017 \$	6 months ended 31 December 2018 \$	6 months ended 31 December 2017 \$
Other income	1,084	6,397	2,740	19,404
Expenses				
Employee benefits expense	(172,129)	(93,952)	(272,994)	(184,911)
Legal & professional expense	(24,264)	(87,580)	(81,555)	(152,532)
Depreciation and amortisation expense	(4,023)	(3,781)	(7,808)	(7,540)
Corporate expense	(379,648)	(751,538)	(673,788)	(1,000,931)
Exploration expenditure expense	(1,433)	(1,543)	(1,433)	(1,543)
Business development expense	(138,308)	(248,306)	(249,402)	(378,110)
Share-based payments	(152,586)	(693,798)	(152,586)	(721,166)
Administration expense	(216,210)	(235,301)	(390,352)	(423,464)
Movement in fair value of financial derivatives	68,113	1,051,822	415,820	1,356,753
Loss before income tax expense	(1,019,404)	(1,057,580)	(1,411,358)	(1,494,040)
Income tax expense	-	-	-	-
Loss after income tax expense for the period attributable to the owners of Agua Resources Limited	(1,019,404)	(1,057,580)	(1,411,358)	(1,494,040)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	1,153,127	(925,371)	781,578	(564,565)
Other comprehensive income / (loss) for the period, net of tax	1,153,127	(925,371)	781,578	(564,565)
Total comprehensive income / (loss) for the period attributable to the owners of Agua Resources Limited	133,723	(1,982,951)	(629,780)	(2,058,605)
	Cents	Cents	Cents	Cents
Basic earnings per share	(0.76)	(0.90)	(1.05)	(1.28)
Diluted earnings per share	(0.76)	(0.90)	(1.05)	(1.28)

Agua Resources Limited
Statement of financial position
As at 31 December 2018



		Consolidated	
		31 December	
	Note	2018	30 June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	3	2,502,234	3,405,149
Trade and other receivables		36,043	30,089
Other assets		91,140	39,478
Total current assets		<u>2,629,417</u>	<u>3,474,716</u>
Non-current assets			
Property, plant and equipment		45,629	48,519
Exploration and evaluation	4	34,836,873	31,653,643
Total non-current assets		<u>34,882,502</u>	<u>31,702,162</u>
Total assets		<u>37,511,919</u>	<u>35,176,878</u>
Liabilities			
Current liabilities			
Trade and other payables	5	748,834	321,400
Derivative financial instruments	6	179,083	594,903
Total current liabilities		<u>927,917</u>	<u>916,303</u>
Total liabilities		<u>927,917</u>	<u>916,303</u>
Net assets		<u>36,584,002</u>	<u>34,260,575</u>
Equity			
Issued capital	7	103,772,764	100,972,143
Reserves	8	(2,904,486)	(3,838,650)
Accumulated losses		(64,284,276)	(62,872,918)
Total equity		<u>36,584,002</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 December 2018



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>
Consolidated	Ordinary shares \$	Performance 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	-	-	-	(1,411,358)	(1,411,358)
Other comprehensive income for the period, net of tax	-	-	781,578	-	781,578
Total comprehensive income for the period	-	-	781,578	(1,411,358)	(629,780)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 7)	2,800,621	-	-	-	2,800,621
Share-based payments	-	-	152,586	-	152,586
Balance at 31 December 2018	<u>103,772,764</u>	<u>-</u>	<u>(2,904,486)</u>	<u>(64,284,276)</u>	<u>36,584,002</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 December 2018



	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,646,416)	(2,494,079)
Interest received	2,740	19,404
	<u>(1,643,676)</u>	<u>(2,474,675)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(2,242,109)	(4,716,245)
	<u>(2,242,109)</u>	<u>(4,716,245)</u>
Cash flows from financing activities		
Proceeds from issue of shares	3,016,018	4,365,059
Share issue transaction costs	(43,994)	(739,680)
	<u>2,972,024</u>	<u>3,625,379</u>
Net decrease in cash and cash equivalents	(913,761)	(3,565,541)
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	10,846	(15,615)
	<u>2,502,234</u>	<u>3,150,577</u>
Cash and cash equivalents at the end of the financial period	<u><u>2,502,234</u></u>	<u><u>3,150,577</u></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 2018 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 July 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 \$1,411,358 (2017: \$1,494,040) and net cash outflows from operating and investing activities of \$3,885,785 (2017: \$7,190,920) for the half-year ended 31 December 2018.

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 \$6.7 million to meet its minimum committed exploration expenditures, other principal activities and working capital requirements through to 31 March 2020. The company continues to review various capital raising opportunities. The Directors are confident that they will be successful in raising capital based on past success.

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 December	
	2018	30 June 2018
	\$	\$
Cash at bank	2,502,234	3,405,149

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Brazilian Phosphate project - at cost	46,408,782	44,235,361
Less: Accumulated impairment	<u>(12,660,637)</u>	<u>(12,660,637)</u>
	<u>33,748,145</u>	<u>31,574,724</u>
Brazilian Copper project - at cost	<u>1,088,728</u>	<u>78,919</u>
	<u><u>34,836,873</u></u>	<u><u>31,653,643</u></u>

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

Consolidated	Brazilian Phosphate project \$	Brazilian Copper project \$	Total \$
Balance at 1 July 2018	31,653,643	-	31,653,643
Additions	1,326,287	1,088,728	2,415,015
Exchange differences	768,215	-	768,215
	<u>33,748,145</u>	<u>1,088,728</u>	<u>34,836,873</u>
Balance at 31 December 2018	<u>33,748,145</u>	<u>1,088,728</u>	<u>34,836,873</u>

Note 5. Current liabilities - trade and other payables

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Trade payables	439,642	165,398
Accrued expenses	137,046	55,034
Other payables	172,146	100,968
	<u>748,834</u>	<u>321,400</u>

Refer to note 10 for further information on financial instruments.

Note 6. Current liabilities - derivative financial instruments

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Warrants	<u>179,083</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.

The derivative financial instruments reflect the fair value of the 20,232,318 warrants that are exercisable in Canadian dollars issued as part of capital raising completed in 2017 and 2018.

At 31 December 2018, 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 1.5 and 2.3 years. The fair value at reporting date was deemed to be \$179,083 and the movement in the fair value (\$415,820) is recognised as a gain to the statement of profit and loss and other comprehensive income.

Note 7. Equity - issued capital

	Consolidated			
	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 \$	30 June 2018 \$
Ordinary shares - fully paid	<u>156,434,987</u>	<u>131,484,126</u>	<u>103,772,764</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
Share issue costs		-	<u>(215,397)</u>
Balance	31 December 2018	<u>156,434,987</u>	<u>103,772,764</u>

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 December 2018 \$	30 June 2018 \$
Foreign currency reserve	(7,902,756)	(8,684,334)
Share-based payment reserve	4,916,085	4,763,499
Capital contribution reserve	82,185	82,185
	<u>(2,904,486)</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 Empreimentos 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	Capital contribution \$	Share-based payment reserve \$	Foreign currency reserve \$	Total \$
Balance at 1 July 2018	82,185	4,763,499	(8,684,334)	(3,838,650)
Share-based payments during the period	-	152,586	781,578	934,164
Balance at 31 December 2018	<u>82,185</u>	<u>4,916,085</u>	<u>(7,902,756)</u>	<u>(2,904,486)</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 future 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 carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	31 December 2018 \$	30 June 2018 \$	31 December 2018 \$	30 June 2018 \$
Canadian dollars	<u>726,754</u>	<u>1,836,603</u>	<u>-</u>	<u>-</u>

Price risk

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

Note 10. 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 2018	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	439,642	-	-	-	439,642
Other payables	-	172,146	-	-	-	172,146
Accruals	-	137,046	-	-	-	137,046
Total non-derivatives		748,834	-	-	-	748,834
	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 2018	%	\$	\$	\$	\$	\$
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.

Fair value of financial instruments

Unless otherwise stated, the carrying values of financial instruments reflect their fair value.

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 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Derivatives financial liability - warrants	-	179,083	-	179,083
Total liabilities	-	179,083	-	179,083

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 Communication 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 December 2018	31 December 2017
	\$	\$
Short-term employee benefits	633,087	978,999
Share-based payments	138,326	466,884
	<u>771,413</u>	<u>1,445,883</u>

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 December 2018	31 December 2017
	\$	\$
Payment for goods and services:		
Payment for legal services from HopgoodGanim of which Mr Brian Moller is a partner.	5,949	10,501
Payment for accounting and company secretary services from Automic Group Pty Ltd (previously Franks & Associates Pty Ltd) of which Mr Andrew Bursill is a Director.	13,171	42,231

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

No matter or circumstance has arisen since 31 December 2018 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 December 2018	31 December 2017
	\$	\$
Loss after income tax attributable to the owners of Agua Resources Limited	<u>(1,411,358)</u>	<u>(1,494,040)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>133,924,971</u>	<u>116,937,402</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>133,924,971</u>	<u>116,937,402</u>
	Cents	Cents
Basic earnings per share	(1.05)	(1.28)
Diluted earnings per share	(1.05)	(1.28)

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 were 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.

Agua Resources Limited
Directors' declaration
31 December 2018



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 2018 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



Justin Reid
Managing Director

14 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Aguia Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2018 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*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the consolidated Group'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 Group's ability to continue as a going concern and therefore, the consolidated Group 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 2018 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*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Ry - Fisk'.

Ryan Fisk
Partner
Sydney
14 February 2019