

24 February 2015

## PHOSPHATE MARKET AND COMPANY UPDATE

### Highlights

- On January 23, the company announced encouraging assay results from 26 trenches (in addition to the original 2 trenches announced October 8, 2014) at the Cerro Preto target.
- On February 5, the company confirmed that 4.3 million shares were issued in the Rights Offering, resulting in proceeds of ~A\$170,000 (16.7% take up).
- Phosphate rock prices have continued to hold up while agricultural commodity prices continued to decline in January. Agricultural commodity prices have started to move up in February.
- Global fertilizer producer and agriculture stocks performed well over the past month. Junior phosphate and potash explorers and developers were down 6.5% and 8.2% m/m, respectively.

### Agua Update

#### **Additional Positive Exploration Results from the Cerro Preto Target**

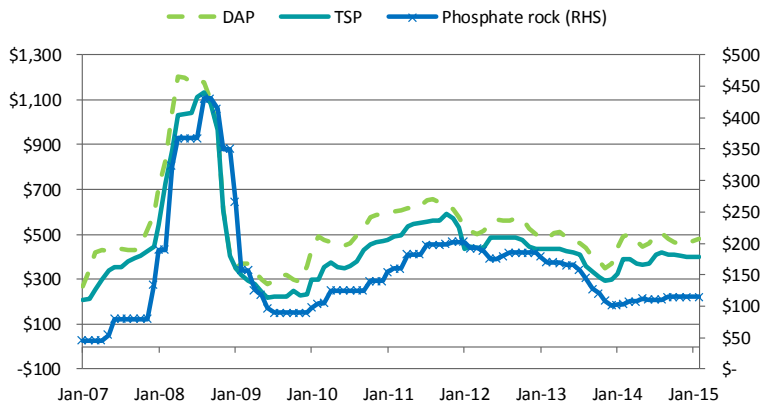
Agua has continued to carry out reconnaissance work over a number of regional targets within the Rio Grande project area. On January 23, the company announced encouraging assay results from 26 trenches (in addition to the original 2 trenches announced October 8, 2014) at the Cerro Preto target, a sediment-hosted phosphate mineralization in the Arroio Marmeleiro Formation (which also hosts the Joca Tavares and Porteira carbonatites as well as several other occurrences of intrusive phosphatic and magnetic breccias in addition to occurrences of nodular and sedimentary phosphatic mineralization). The Cerro Preto target has mineralization related to black phosphorite beds. To date, three beds of black phosphorite have been mapped in the target, along strike lengths that vary from approximately 700m to 5km and with an apparent thickness of 50m to up to 200m. Recent trench result highlights include channels of 55 meters grading 6.99% P<sub>2</sub>O<sub>5</sub> and 23 meters grading 8.61% P<sub>2</sub>O<sub>5</sub>. These results further support the potential to develop a producing camp with multiple deposits developed in an area that is currently 100% dependent on imports.

## Rights Offering Update

On January 9, Agua announced a rights issue (1 for 10 at A\$0.04 per share, maximum new shares to be 25.4 million) to raise A\$1.02 million. On February 5, the company confirmed that 4.3 million shares were issued, resulting in proceeds of ~A\$170,000 (16.7% take up).

## Phosphate Rock Prices Move Up Modestly; Ag Commodity Prices Continued to Decline in January

### Phosphate Rock and Fertilizer Prices (\$/mt)

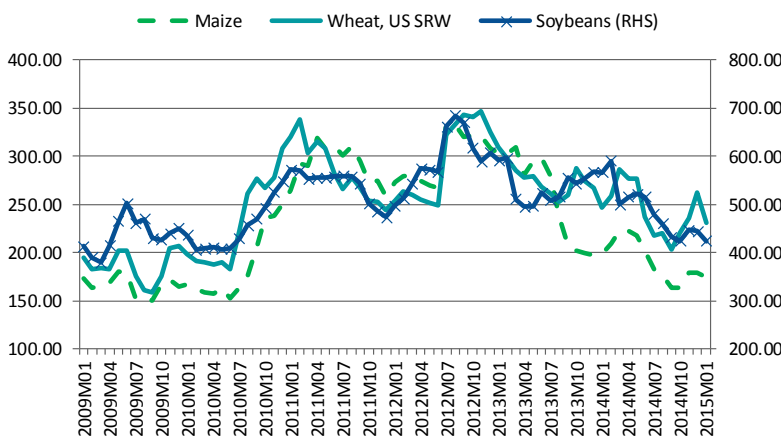


Source: Worldbank

Comments from Mosaic's Q4 14 conference call were bullish for the phosphate market, which has fundamentally strong demand (and potential upside from India stepping back in the market this year) and a string of supply issues.

Phosphate rock prices held steady in January at US\$115/t while DAP prices were up +5% and TSP prices were flat m/m. Recent data from Mosaic indicates phosphate rock prices are up slightly in February (MOS reports a price of US\$123/t, up 2.5% from its previously reported US\$120/t). DAP prices are mixed depending on the price point/port in early February.

### Corn, Wheat and Soybean Prices (US\$/mt)



Source: Worldbank

The recent February USDA WASDE report forecasts corn, soybean and wheat prices down 46%, 19% and 19%, respectively, since the 2012 peak. Corn and soybean price forecasts are unchanged from January while wheat is down 1.6%.

Agriculture commodity prices continued to fall in January. Soybean, corn and wheat prices were down -5%, -2% and -12% m/m, respectively, at the end of January. However, all commodity prices started to move up in February. Two years of record harvest continues to weigh on prices.

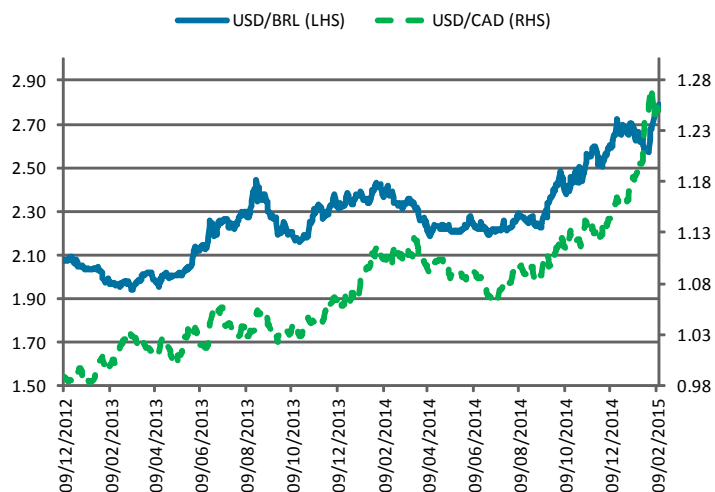
## February WASDE Average US Farm Price (US\$/bu)

Crop Year	Corn					Soybeans					Wheat				
	Low	High	Average	Y/Y %	% Chg	Low	High	Average	Y/Y %	% Chg	Low	High	Average	Y/Y %	% Chg
				Change	2011/12				Change	2011/12				Change	2011/12
2011/12	5.80	6.60	6.20			11.10	12.30	11.70			7.15	7.45	7.30		
2012/13	6.75	7.65	7.20	16%	13%	13.55	15.05	14.30	22%	22%	7.70	8.10	7.90	8%	8%
2013/14	4.20	4.80	4.50	-38%	-30%	11.95	13.45	12.70	-11%	9%	6.65	6.95	6.80	-14%	-7%
2014/15	3.40	3.90	3.65	-19%	-46%	9.45	10.95	10.20	-20%	-19%	5.85	6.15	6.00	-12%	-19%

Source: USDA

### Foreign Exchange: BRL and CAD Continue to Depreciate versus USD

#### Foreign Exchange: BRL and CAD vs. USD



Source: Oanda.com

The CAD weakened -8.9% m/m while the BRL appreciated 1.8% m/m in mid-February versus the USD. Month to date in February, the CAD has appreciated 1.0% while the BRL has weakened -8.1%. Fertilizer nutrient producers such as PotashCorp (POT-N) and Agrium (AGU-N) should benefit from selling product in USD and operating in Canada this year. Local Brazilian producers are in a similar situation with the depreciating Real.

### Market Action: Fertilizer Producers and Agriculture Stocks Off to a Good Start in 2015

Global fertilizer producers performed well YTD and m/m in February, up 13.3% and 11.4%, respectively. For the most part, Q4 14 results were positive and there were a number of dividend increases. While the outlook for phosphate is positive, the outlook for potash volumes and pricing is tempered. Uralkali (URKA) has outperformed m/m (+33.6%) on the back of a weak ruble and anticipation of an India contract (ahead of China) despite issues at the Solikamsk mine. CF Industries (CF) and Yara (YAR) were close to flat m/m as the oil price showed some signs of recovery (both companies are highly exposed to nitrogen fertilizer and natural gas costs).

On average, junior phosphate explorer and developers were down 16.5% m/m although the group was pulled down by a small number of stocks with specific issues. Notably, MBAC (MBC) was down 43.8% due to cash flow issues, Stonegate (ST) was down 44.4% due to cash flow issues, and Chatham Rock Phosphate (CRP) was down 90.9% after the EPA declined the marine consent application. Excluding these stocks, the group was down 6.5% m/m on average, in line with the junior potash explorer and developers.

Stocks in the broader agricultural market performed well over the past month. Sugar and ethanol producers outperformed (+10.5% m/m on average), notably US corn ethanol producers (PEIX +19.8% and GPRE +16.9%). Farm equipment manufacturers and distributors were up 8.0% and 6.4% m/m, respectively. Seeds and crop protection were also up 6.3% and 7.9% m/m, respectively. Processors (including animal protein) lagged but were up slightly m/m. Agricultural ETF price performance was slightly mixed (-1.8% m/m on average).

**~Fertilizer News~**

Date	Company	Ticker	Category	Details
Feb-19	Intrepid Potash	IPI	Producer	Q4 14 beat street; expecting pressure on potash market in H2 15
Feb-19	Arianne Phosphate	DAN	Jr. Phosphate	Announced new 43 101 resource at Paul Zone
Feb-18	CF Industries	CF	Producer	Q4 14 earnings missed street; capacity expansion costs increase 10%; Expecting strong demand in H1 15
Feb-12	Mosaic Co	MOS	Producer	Q4 14 beat street; Expecting lower potash shipments but higher phosphate in 2015
Feb-11	Israel Chemicals	ICL	Producer	Q4 14 missed street due to labour disruptions, higher financial and tax expenses
Feb-11	Karnalyte	KRN	Jr. Potash	Board unanimously rejects dissident shareholder proposal; provides cautionary update on Magnesium projects
Feb-11	Chatham Rock Phosphate	CRP	Jr. Phosphate	EPA declined marine consent application
Feb-09	Mag Industries	MAA	Jr. Potash	CA signed by potential investor
Feb-05	EPM Mining	EPM	Jr. Potash	Amends common share terms
Feb-05	Agua Resources	AGR	Jr. Phosphate	Raised ~A\$170,000 in Rights Offering
Feb-04	Strata Minerals	SMP	Jr. Phosphate	Closed non-brokered private placement of C\$179,000
Feb-04	Arianne Phosphate	DAN	Jr. Phosphate	Announced cost savings at Lac-a-Paul mine
Feb-03	Great Quest	GQ	Jr. Phosphate	Filed updated PEA (to include pilot plant phase)
Jan-29	PotashCorp	POT	Producer	Q4 14 beat street; expecting slower potash shipments in 2015
Jan-28	PotashCorp	POT	Producer	Increased annual dividend 9%
Jan-28	Arianne Phosphate	DAN	Jr. Phosphate	Announced launch of permitting phase
Jan-27	Israel Chemicals	ICL	Producer	ICL Food Specialties to acquire Prolactal
Jan-26	Stonegate Agricom	ST	Jr. Phosphate	Temporarily suspends permitting activities at Paris Hills due to financial constraints; looking to raise funds by Q2 2015
Jan-26	Potash Ridge	PRK	Jr. Potash	Signed MOU with Watco for construction and service rail agreement
Jan-23	Agua Resources	AGR	Jr. Phosphate	Announced positive exploration results from the Cerro Preto target
Jan-22	Agrium	AGU	Producer	Increased dividend payout ratio to 40%-50% of FCF (was 25%-30%)

**~Agriculture News~**

Date	Company	Ticker	Category	Details
Feb-20	Deere	DE	Equip Manuf	Q1 15 beat street but down y/y; lowered guidance for equipment sales (now down 17% y/y in 2015 from 15%)
Feb-19	CNH Industrial	CNHI	Equip Manuf	Announced key changes to its Group Executive Council
Feb-19	AGCO Corporation	AGCO	Equip Manuf	Announced Raven as strategic partner
Feb-18	HighLiner Foods	HLF	Protein	Q4 14 profit down y/y; US foodservice challenging
Feb-17	Terex	TEX	Equip Manuf	Q4 14 earnings beat street; increased dividend
Feb-17	Caterpillar	CAT	Equip Manuf	Announced US authorities are investigating movement of cash among subsidiaries
Feb-17	Dupont	DD	Crop Protection	Mailed letter to shareholders re track record and addressing Trian Fund Management assertions
Feb-12	Bunge	BG	Processor	Q4 14 missed street due to hedging losses
Feb-11	Pilgrim's Pride	PPC	Protein	Q4 14 beat street; profit up 17%
Feb-10	The Andersons	ANDE	Processor	Q4 14 missed street; plant nutrient group down 19% due to late harvest/poor weather
Feb-09	Sao Martinho	SMTO3	Sugar & Ethanol	Q1 15 profit up 66% on sugar and energy sales
Feb-04	FMC Corp	FMC	Crop Protection	Q4 14 beat street despite lower revenues in Agriculture Solutions segment (primarily Brazil); Plans to sell alkali chemicals business to Tronox for \$1.64B
Feb-04	Dupont	DD	Crop Protection	Appoints Edward D Breen and James L Gallogly to Board of Directors
Feb-04	Green Plains	GPPE	Ethanol	Q4 14 beat street; Announced slower ethanol production on tight margin environment
Feb-04	Syngenta	SYT	Seeds	Raises outlook on Q4 14 announcement
Feb-04	AGCO Corporation	AGCO	Equip Manuf	Q4 14 beat street despite 16% y/y earnings decline caused by weaker markets and production cuts
Feb-03	Archer Daniels Midland	ADM	Processor	Announces intent to sell 50% stake in north Brazil export terminal (Barcarena) to Glencore - looking to quadruple capacity through JV; Q4 14 earnings beat street on strong ethanol demand but weaker ag/oilseeds; Dividend increased
Feb-02	Rocky Mountain	RME	Equip Distributor	Announced Mr. Garrett Gaden as President and CEO
Feb-02	Bunge, Cosan, Tereos	BG, CSAN3	Sugar & Ethanol	Brazil to raise national blend of biofuel in gasoline to 27% from 25% on Feb 15
Feb-02	FMC Corp	FMC	Crop Protection	Acquires right to new herbicide from Kumiai and Ihara
Jan-30	Tyson	TSN	Protein	Q1 15 beat street; no change to guidance; expects lower feed costs but a slowdown at West Coast ports
Jan-30	Ingredion	INGR	Processor	Q4 14 missed street
Jan-29	CNH Industrial	CNHI	Equip Manuf	Q4 14 in line; profit falls on weak farm equipment demand
Jan-29	Dow Chemical	DOW	Crop Protection	Q4 14 beat street on volume gains but profit down y/y; cited 'uncertain operating backdrop' and FX headwinds
Jan-29	JBS SA	JBSS3	Protein	Expands Utah beef processing facility despite pull back from competition
Jan-29	Cosan	CSAN3	Sugar & Ethanol	Announced delayed spin off of fuel distribution unit
Jan-27	Caterpillar	CAT	Equip Manuf	Q4 14 missed street on lower commodity prices; Forecasting EPS decline y/y in 2015
Jan-27	Dupont	DD	Crop Protection	Q4 14 in line; Light 2015 guidance due to strong USD
Jan-26	Art's Way Manuf	ARTW	Equip Manuf	Q4 14 operating income down y/y; Announced Amber Murra as new CFO
Jan-23	Deere	DE	Equip Manuf	Announced employee reduction of 900+ at Iowa and Illinois plants (~3% of North American workforce)
Jan-23	Lindsay Corp	LNN	Equip Manuf	Completed acquisition of Elecsys Corp
Jan-22	AGCO Corporation	AGCO	Equip Manuf	Increased quarterly dividend to \$0.12/sh from \$0.11/sh

Source: Reuters, Bloomberg, Yahoo

## ~ Fertilizer Stock Price Performance ~

Company	Ticker	Currency	S/O mln	20-Feb-15 Price	Market Cap (mln)	Historical Prices		% Change	
						01-Jan-15	mid Jan 2015	YTD	m/m
<b>Global Fertilizer Producers</b>									
PotashCorp	POT-N	USD	829.8	36.98	30,686.0	35.32	35.09	4.7%	5.4%
Agrium	AGU-N	USD	143.7	108.46	15,585.7	94.72	100.12	14.5%	8.3%
Mosaic Company	MOS-N	USD	371.3	53.08	19,708.6	45.65	45.99	16.3%	15.4%
CF Industries	CF-N	USD	49.7	308.39	15,327.0	272.54	297.63	13.2%	3.6%
Sociedad Quimica y Minera	SQM-N	USD	265.6	25.98	6,900.3	23.88	22.89	8.8%	13.5%
Yara International	YAR-NO	NOK	276.2	385.20	106,392.2	333.80	385.20	15.4%	0.0%
Uralkali	URKA-LN	USD	587.2	14.17	8,320.6	11.79	10.61	20.2%	33.6%
<b>Average</b>								<b>13.3%</b>	<b>11.4%</b>
<b>Phosphate</b>									
<b>Producers</b>									
Mosaic Company	MOS-N	USD	371.3	53.08	19,708.6	45.65	45.99	16.3%	15.4%
Jordan Phosphate Mines	JOPH-JO	JOD	75.0	6.66	499.5	6.52	6.50	2.1%	2.5%
Phosagro	PHOR-LI	USD	388.5	11.30	4,390.1	10.20	10.25	10.8%	10.2%
<b>Average</b>								<b>9.7%</b>	<b>9.4%</b>
<b>Junior Explorer and Developers</b>									
MBAC Fertilizer Corp.	MBC-T	CAD	181.6	0.05	8.2	0.09	0.08	-50.0%	-43.8%
GB Minerals	GBL-V	CAD	212.8	0.04	7.4	0.04	0.04	-12.5%	-12.5%
Stonegate Agricom	ST-T	CAD	194.2	0.03	4.9	0.05	0.05	-50.0%	-44.4%
Arianne Phosphate	DAN-V	CAD	92.9	0.79	73.4	0.83	0.79	-4.8%	0.0%
Legend International Hldgs	LGD-AU	AUD	444.1	0.23	102.1	0.25	0.24	-8.0%	-4.2%
Celamin Holdings	CNL-AU	AUD	235.7	0.01	1.9	0.01	0.01	-11.1%	-20.0%
Minbos Resources Limited	MNB-AU	AUD	944.1	0.00	2.8	0.00	0.00	0.0%	0.0%
Minemakers Limited	MAK-AU	AUD	247.5	0.07	16.6	0.07	0.07	-4.3%	-4.3%
Great Quest	GQ-V	CAD	48.9	0.40	19.3	0.80	0.60	-50.6%	-34.2%
Phoscan Chemical	FOS-T	CAD	156.8	0.29	44.7	0.28	0.29	1.8%	0.0%
Rum Jungle Resources	RUM-AU	AUD	385.5	0.06	22.7	0.06	0.07	-1.7%	-19.2%
Agua Resources Limited	AGR-AU	AUD	258.2	0.04	9.3	0.04	0.03	-5.3%	20.0%
DuSolo Fertilizer	DSF-V	CAD	104.5	0.23	24.0	0.27	0.25	-14.8%	-8.0%
Chatham Rock Phosphate	CRP-NZ	NZD	158.8	0.02	3.2	0.20	0.22	-90.0%	-90.9%
Focus Ventures	FCV-V	CAD	76.9	0.21	15.8	0.19	0.21	7.9%	-2.4%
Strata Minerals	SMP-V	CAD	21.4	0.11	2.4	0.10	0.11	10.0%	0.0%
<b>Average</b>								<b>-17.7%</b>	<b>-16.5%</b>
<b>Potash</b>									
<b>Producers</b>									
PotashCorp	POT-N	USD	829.8	36.98	30,686.0	35.32	35.09	4.7%	5.4%
Mosaic Company	MOS-N	USD	371.3	53.08	19,708.6	45.65	45.99	16.3%	15.4%
Sociedad Quimica y Minera	SQM-N	USD	265.6	25.98	6,900.3	23.88	22.89	8.8%	13.5%
Uralkali	URKA-LN	USD	587.2	14.17	8,320.6	11.79	10.61	20.2%	33.6%
K+S	SDF-GR	EUR	191.4	28.515	5,457.8	22.92	24.82	24.4%	14.9%
Isreal Chemicals Ltd	ICL-TA	ILS	1271.3	2750.00	34,960.8	2828.00	2830.00	-2.8%	-2.8%
Intrepid Potash	IPI-N	USD	75.5	14.07	1,062.7	13.88	13.30	1.4%	5.8%
<b>Average</b>								<b>10.4%</b>	<b>12.2%</b>
<b>Junior Explorer and Developers</b>									
Allana Potash	AAA-T	CAD	325.2	0.32	104.1	0.34	0.35	-5.9%	-8.6%
Encanto Potash	EPO-T	CAD	306.3	0.06	18.4	0.08	0.08	-25.0%	-25.0%
Karnalyte Resources	KRN-T	CAD	27.5	0.85	23.4	0.80	0.85	6.3%	0.0%
Western Potash	WPX-T	CAD	226.8	0.23	51.0	0.24	0.24	-6.2%	-6.2%
Elemental Minerals	ELM-AU	AUD	315.7	0.24	75.8	0.23	0.25	4.3%	-4.0%
Prospect Global Resources	PGRX-O	USD	5.0	0.09	0.4	0.08	0.11	6.3%	-22.7%
South Boulder Mines	STB-AU	AUD	139.0	0.24	32.7	0.19	0.20	23.7%	17.5%
Verde Potash	NPK-T	CAD	37.6	0.48	17.9	0.55	0.47	-13.6%	2.2%
IC Potash	ICP-T	CAD	172.8	0.25	42.3	0.25	0.23	-2.0%	6.5%
Sirius Minerals	SXX-LN	GBP	1896.0	7.88	149.3	10.50	8.63	-25.0%	-8.7%
EPM Mining Ventures	EPK-V	CAD	114.7	0.16	17.8	0.22	0.19	-29.5%	-16.2%
Potash Ridge	PRK-T	CAD	86.8	0.10	8.7	0.17	0.15	-41.2%	-33.3%
<b>Average</b>								<b>-9.0%</b>	<b>-8.2%</b>

Source: Yahoo, Bloomberg, Marketwatch, Reuters

## ~ Agriculture Sector Stock Price Performance ~

Company	Ticker	Currency	S/O mln	20-Feb-15 Price	Market Cap (mln)	Historical Prices		% Change	
						01-Jan-15	mid Jan 2015	YTD	m/m
<b>Farm Equipment Manufacturers and Distributors</b>									
<b>Farm Equipment Manufacturers</b>									
Deere & Co.	DE-N	USD	358.4	92.43	33,128.8	88.47	87.30	4.5%	5.9%
Caterpillar	CAT-N	USD	605.4	84.44	51,120.0	91.53	83.86	-7.7%	0.7%
CNH Global	CNHI-N	USD	1354.2	8.74	11,835.6	8.06	7.60	8.4%	15.0%
Terex	TEX-N	USD	108.4	27.31	2,960.4	27.88	22.56	-2.0%	21.1%
AGCO Corporation	AGCO-N	USD	91.0	50.46	4,590.9	45.20	43.33	11.6%	16.5%
Art's Way Manufacturing	ARTW-O	USD	4.1	4.68	19.0	5.21	4.90	-10.2%	-4.5%
Lindsay Corporation	LNN-N	USD	12.2	88.57	1,080.6	85.74	82.92	3.3%	6.8%
Ag Growth	AFN-T	CAD	13.4	54.76	733.8	56.51	53.32	-3.1%	2.7%
<b>Average</b>								<b>0.6%</b>	<b>8.0%</b>
<b>Farm Equipment Distributors</b>									
Finning	FTT-N	USD	172.4	24.13	4,159.3	25.23	21.52	-4.4%	12.1%
Toromont	TIH-N	USD	77.1	30.84	2,376.8	28.51	27.60	8.2%	11.7%
Titan Machinery	TITN-N	USD	21.4	14.89	318.8	13.94	13.29	6.8%	12.0%
Cervus	CVL-T	CAD	15.4	18.65	286.3	20.59	19.90	-9.4%	-6.3%
Rocky Mountain	RME-T	CAD	19.3	8.78	169.7	9.50	8.56	-7.6%	2.6%
<b>Average</b>								<b>-1.3%</b>	<b>6.4%</b>
<b>Farmland Owners/Growers</b>									
Adecoagro SA	AGRO-N	USD	122.4	8.05	985.3	8.01	7.94	0.5%	1.4%
BrasilAgro	AGRO3-SA	BRL	58.4	8.70	508.3	9.09	8.50	-4.3%	2.4%
Vanguardia Agro SA	VAGR3-SA	BRL	387.4	0.95	368.0	1.02	0.99	-6.9%	-4.0%
SLC Agricola SA	SLCE3-SA	BRL	98.9	14.43	1,427.1	14.10	14.05	2.3%	2.7%
<b>Average</b>								<b>-2.1%</b>	<b>0.6%</b>
<b>Seeds, Crops and Processors</b>									
<b>Seed &amp; Genetics</b>									
Monsanto	MON-N	USD	484.1	124.91	60,465.2	119.47	117.59	4.6%	6.2%
Syngenta	SYT-N	USD	464.7	70.74	32,875.0	64.24	66.51	10.1%	6.4%
<b>Average</b>								<b>7.3%</b>	<b>6.3%</b>
<b>Crop Protection</b>									
The Dow Chemical Company	DOW-N	USD	1178.6	49.53	58,374.1	45.61	44.79	8.6%	10.6%
E.I du Pont de Nemours & Co	DD-N	USD	906.0	76.67	69,459.2	73.94	74.25	3.7%	3.3%
FMC Corporation	FMC-N	USD	133.3	64.01	8,530.6	57.03	58.29	12.2%	9.8%
<b>Average</b>								<b>8.2%</b>	<b>7.9%</b>
<b>Processors (Primary and Secondary)</b>									
Bunge	BG-N	USD	145.2	82.72	12,010.9	90.91	91.96	-9.0%	-10.0%
Archer Daniels Midland	ADM-N	USD	643.8	48.15	30,998.5	52.00	47.68	-7.4%	1.0%
Andersons	ANDE-O	USD	28.9	44.84	1,295.9	53.14	46.88	-15.6%	-4.4%
Ingredion	INGR-N	USD	71.9	83.08	5,970.1	84.84	83.78	-2.1%	-0.8%
AGT Food and Ingredients	AGT-T	CAD	23.1	26.60	613.4	27.54	27.26	-3.4%	-2.4%
Ridley	RCL-T	CAD	12.8	32.97	421.7	30.29	28.22	8.8%	16.8%
Legumex Walker	LWP-T	CAD	16.3	2.95	48.1	2.65	2.50	11.3%	18.0%
<b>Average</b>								<b>-2.5%</b>	<b>2.6%</b>
<b>Sugar &amp; Ethanol Producers</b>									
Pacific Ethanol	PEIX-O	USD	24.5	9.73	238.2	10.33	8.12	-5.8%	19.8%
Green Plains	GPPE-O	USD	37.6	25.01	940.6	24.78	21.39	0.9%	16.9%
Rogers Sugar	RSI-T	CAD	94.0	4.63	435.4	4.75	4.44	-2.5%	4.3%
Cosan SA	CSAN3-SA	BRL	407.2	27.80	11,320.4	28.85	24.60	-3.6%	13.0%
Tereos Internacional SA	TERI3-SA	BRL	807.7	1.06	856.2	1.41	1.07	-24.8%	-0.9%
Sao Martinho	SMT03-SA	BRL	113.0	36.25	4,096.3	36.25	32.90	0.0%	10.2%
<b>Average</b>								<b>-6.0%</b>	<b>10.5%</b>
<b>Animal Protein Producers</b>									
High Liner Foods	HLF-T	CAD	30.7	23.88	732.9	22.66	21.90	5.4%	9.0%
Tyson	TSN-N	USD	305.7	41.67	12,737.7	40.09	40.36	3.9%	3.2%
Pilgrims	PPC-N	USD	259.0	27.65	7,160.9	32.79	34.14	-15.7%	-19.0%
Maple Leaf Foods	MFI-T	CAD	141.4	22.48	3,179.1	19.47	19.45	15.5%	15.6%
Brasil Foods SA	BRFS3-SA	BRL	872.5	65.60	57,234.0	63.44	63.19	3.4%	3.8%
Minerva SA	BEEF3-SA	BRL	178.0	8.60	1,530.8	9.90	9.20	-13.1%	-6.5%
JBS SA	JBSS3-SA	BRL	2943.6	11.98	35,264.8	11.20	10.81	7.0%	10.8%
Marfrig Alimentos SA	MRFG3-SA	BRL	520.7	4.85	2,525.5	6.10	5.09	-20.5%	-4.7%
<b>Average</b>								<b>-1.8%</b>	<b>1.5%</b>

Source: Yahoo, Bloomberg, Marketwatch, Reuters

## ~ Agriculture ETF Price Performance ~

Fund	Ticker	Currency	20-Feb-15 Price	Historical Prices		% Change	
				01-Jan-15	mid Jan 2015	YTD	m/m
IQ Global Agribusiness Small Cap ETF	CROP	USD	26.87	25.08	25.07	7.1%	7.2%
Market Vectors Agribusiness ETF	MOO	USD	56.12	52.53	52.90	6.8%	6.1%
PowerShares DB Agriculture	DBA	USD	23.15	24.89	24.16	-7.0%	-4.2%
PowerShares DB Agriculture Double Long ETN	DAG	USD	4.57	5.20	4.96	-12.1%	-7.8%
PowerShares DB Agriculture Double Short ETN	AGA	USD	25.75	24.13	25.11	6.7%	2.5%
PowerShares DB Agriculture Long ETN	AGF	USD	13.18	13.98	13.36	-5.7%	-1.3%
PowerShares DB Agriculture Short ETN	ADZ	USD	33.50	28.35	32.05	18.2%	4.5%
PowerShares DB Commodity Double Long ETN	DYY	USD	4.03	3.87	3.58	4.1%	12.5%
PowerShares DB Commodity Double Short ETN	DEE	USD	58.48	53.40	60.94	9.5%	-4.0%
PowerShares DB Commodity Long ETN	DPU	USD	11.19	11.85	11.21	-5.6%	-0.2%
PowerShares DB Commodity Short ETN	DDP	USD	44.00	43.39	47.17	1.4%	-6.7%
PowerShares Global Agriculture	PAGG	USD	30.79	29.24	29.55	5.3%	4.2%
Teucrium Corn	CORN	USD	25.87	26.64	25.87	-2.9%	0.0%
UBS E-TRACS CMCI Agriculture TR ETN	UAG	USD	20.95	21.98	21.50	-4.7%	-2.6%
UBS E-TRACS CMCI Food TR ETN	FUD	USD	20.92	22.51	22.07	-7.1%	-5.2%
UBS E-TRACS CMCI Livestock TR ETN	UBC	USD	20.39	23.64	22.11	-13.7%	-7.8%
ELEMENTS MLCX Biofuels Index TR ETN	FUE	USD	8.34	8.77	8.44	-4.9%	-1.2%
ELEMENTS MLCX Grains Index TR ETN	GRU	USD	4.92	5.20	4.89	-5.4%	0.6%
ELEMENTS Rogers Intl Commodity Agri ETN	RJA	USD	7.03	7.37	7.16	-4.6%	-1.9%
iPath DJ-UBS Agriculture TR Sub-Idx ETN	JJA	USD	39.94	41.75	40.91	-4.3%	-2.4%
iPath DJ-UBS Cocoa TR Sub-Idx ETN	NIB	USD	38.87	37.98	38.33	2.3%	1.4%
iPath DJ-UBS Coffee TR Sub-Idx ETN	JO	USD	27.28	30.48	31.25	-10.5%	-12.7%
iPath DJ-UBS Cotton TR Sub-Idx ETN	BAL	USD	44.01	41.18	40.47	6.9%	8.7%
iPath DJ-UBS Grains TR Sub-Idx ETN	JJG	USD	36.22	38.59	36.60	-6.1%	-1.0%
iPath DJ-UBS Livestock TR Sub-Idx ETN	COW	USD	26.30	30.40	28.38	-13.5%	-7.3%
iPath DJ-UBS Softs TR Sub-Idx ETN	JJS	USD	38.18	38.59	40.31	-1.1%	-5.3%
iPath DJ-UBS Sugar TR Sub-Idx ETN	SGG	USD	36.60	37.03	39.10	-1.2%	-6.4%
iPath Pure Beta Agriculture ETN	DIRT	USD	36.61	38.00	37.05	-3.7%	-1.2%
iPath Pure Beta Cocoa ETN	CHOC	USD	43.39	42.36	42.99	2.4%	0.9%
iPath Pure Beta Coffee ETN	CAFE	USD	18.43	20.47	20.88	-10.0%	-11.7%
iPath Pure Beta Cotton ETN	CTNN	USD	22.31	27.10	26.24	-17.7%	-15.0%
iPath Pure Beta Grains ETN	WEET	USD	38.71	40.88	39.12	-5.3%	-1.0%
iPath Pure Beta Livestock ETN	LSTK	USD	48.17	53.75	50.65	-10.4%	-4.9%
iPath Pure Beta Softs ETN	GRWN	USD	25.50	25.89	26.47	-1.5%	-3.7%
iPath Pure Beta Sugar ETN	SGAR	USD	25.73	26.35	27.65	-2.4%	-7.0%
iShares Global Agriculture Index ETF	COW.TO	CAD	34.27	31.12	31.87	10.1%	7.5%
<b>Average</b>						<b>-2.2%</b>	<b>-1.8%</b>

Source: Yahoo, Bloomberg, Marketwatch, Reuters

### **Brazil Phosphate Shipments Continue to Slow in December, as Expected**

Data from ANDA and Mosaic indicates phosphate shipments in Brazil were down 38% m/m and down 21% y/y in December (210,000MT). However, in 2014, P2O5 shipments were up 3% y/y to 4.7 million MT.

Production of phosphate fertilizer (MAP and TSP) in Brazil increased in December. Production of MAP/TSP was up 30% m/m (214,000MT) but was down 3% y/y YTD to 2.1 million MT. Production of SSP was down 8% m/m (332,000MT) and down 6% y/y YTD to 4.6 million MT. Reduced production y/y



is primarily due to beneficiation issues at a number of Brazilian mines and changes in demand, which are discussed below.

Imports of DAP/MAP/TSP decreased 18% m/m but was up 32% y/y in December (161,000MT). It is expected that buying will remain seasonally low through January. In 2014, DAP/MAP/TSP imports were up 32% y/y primarily due to poor performance at Vale and Anglo American, the two major producers. SSP imports were down significantly in 2014 at 623,000MT versus 863,000MT last year (-28%). SSP imports were down 78% m/m and 41% y/y to 15,000MT (December).

Fertilizer demand in Brazil was impacted in 2014 by the drought in the main growing areas, which has notably impacted coffee prices as well as the amount of fertilizer applied. Imported DAP/MAP/TSP require a 8-12 week lead time while SSP production (primarily local) can be left to the last moment, which has resulted in lower demand this year. Furthermore, there has been a change away from SSP application in the Cerrado region (to MAP and/or TSP + gypsum), which has also contributed to an overall reduction in SSP demand and production. Lastly, internal logistics costs (road, 600-1800km) have been significantly high in Brazil (~US\$90+/t) versus Argentina (~US\$20/t), which has dampened SSP imports on the east coast.

In 2015, we are expecting production of P2O5 in Brazil to decline further due to a number of factors including: 1) delayed investments in Anglo's Catalao II and Vale's Salitre projects; 2) working capital challenges at MBAC; 3) declining rock quality at most projects except Cajati/Jacupiranga; 4) challenging weather (lower yields); and 5) lower grain prices (the stronger USD should help soybean exporters but we expect corn production in the Cerrado to be challenged). In addition, the continued investment delay in ammonia and urea by Petrobras limits the ability to produce DAP/MAP. As a result of the lower production, we expect another relatively strong year for P2O5 imports in 2015, notably with Vale maximizing the use of its Bayovar JV to supply east coast sites.

### **Monthly Phosphate Focus: Comparing Phosphate Projects – Agua Stands Out**

Comparison of phosphate projects is challenging as economics depend on a number of factors including:

- 1) Deposit type (sedimentary or igneous);
- 2) Level of downstream processing (phosrock, SSP, DAP, MAP – also known as integrated/non-integrated);
- 3) Saleability (local, specialized demand – i.e. is there a ready and willing customer?); and
- 4) Infrastructure (including existing rail/transport facilities and distance from market/port).

Agua's current Três Estradas resource is an igneous deposit, similar to the majority of phosphate projects in Brazil. However, currently most of the global phosphate is sourced from sedimentary deposits, with only 15% sourced from igneous deposits. The major igneous producers and explorer/developers are summarized in the table below. It has been noted that Três Estradas is similar to Vale's Cajati deposit (producing mine) in Brazil. We also highlight Yara's Siilinjärvi producing mine in Finland.

Global Igneous Phosphate Deposits and Operating Mines							
Current Producers							
Company	Ticker	Project Name	Location	Size mln t	Ore Grade P2O5 %	Last FY Prod. mln t	Con. Grade P2O5%
Vale	VALE-N	Araxa	Brazil	147.5	11.60%	1.2	35%/33%
Vale	VALE-N	Tapira	Brazil	717.3	6.70%	2.0	34.5%/35.5%
Vale	VALE-N	Catalao	Brazil	60.5	10.30%	0.9	35.5%/36%
Vale	VALE-N	Cajati	Brazil	125.4	4.65%	0.6	35.5%/36%
Anglo American (73%)/Local	AAL-LN	Copebras (Ouidor)	Brazil	303.4	13.08%	1.1	36%/36.5%
<b>Average Brazil</b>					<b>9.27%</b>	<b>1.2</b>	<b>35%</b>
Yara International	YAR-NK	Siilinjärvi	Finland	465	4.25%	0.8	36%/36.5%
Foskor Limited	State Owned	Phalaborwa	South Africa	4144.9	6.71%	2.1	37%
PhosAgro	PHOR-LN	Apatit Operation	Russia	2060.4	15.06%	7.9	39%/40%
		Kukisvumchorr		411.6	14.64%		39%/40%
		Yukspor		543.6	14.25%		39%/40%
		Apatitovy Cirque		119.0	14.83%		39%/40%
		Plateau Rasvumchorr		289.9	13.57%		39%/40%
		Koashva		629.3	16.79%		39%/40%
		Njorkpahk		59.0	14.92%		39%/40%

Development Projects									
Company	Ticker	Project Name	Location	Size mln t	Ore Grade P2O5 %	Est. Rock Prod. mln t	Con. Grade P2O5%	Target Start Year	Mine Life Years
Vale	VALE-N	Salitre	Brazil	205.7	11.40%	2.0	n.a.	2014	19
Vale(50%)/Private	VALE-N	Anitapolis	Brazil	54.0	9.01%	0.3	n.a.	n.a.	n.a.
Agua Resources	AGR-AU	Tres Estradas	Brazil	23.0	4.30%	0.2	28%	n.a.	12
Arianne Phosphate	DAN-V	Lac a Paul	Canada	702.7	7.16%	3.0	39%	2016	26
Phoscan Chemical	FOS-V	Martison	Canada	62.2	23.55%	2.0	36 - 37%	n.a.	n.a.
Taseko Mines	TKO-T	Aley Property	Canada	5.0*	3% - 5%*	n.a.	n.a.	n.a.	n.a.

Note: Size & grade of deposits taken from M+I Resource/P+P Reserves; Agua reflects Mining Study (resource represents less than 50% of strike length of TE mineralization)  
 \* deposits with focus other than P, size and grades taken from "Carbonatite-Associated Deposits" by Richardson and Birkett, 1996  
 Source: Company Reports

As indicated in our August 2014 update, the type of phosphate deposit has an impact on economics and therefore it is difficult to directly compare the metrics of igneous and sedimentary phosphate deposits. Recall, igneous deposits generally have lower ore grades but can produce higher grade and quality concentrate as they typically contain a purer form of Apatite (less carbonate) and often have less contaminants. That being said, mining costs can be higher.

Igneous vs. Sedimentary Phosphate Deposits		
	Igneous	Sedimentary
Ore Grade %	5%-15%	10%-30%
Mining	may require more crushing and energy as rock is harder	typically soft rock
Beneficiation	recoveries can be 80%+ although recoveries in central Brazil are typically ~55%-60%	recoveries ~65%-85%; can be expensive if calcined
Concentrate Grade %	31%-41% P2O5 Higher grade concentrates are typically igneous but not all igneous concentrate is high grade	average 29% P2O5, has been as high as 37% and 38%
Concentrate Quality	often little to no contaminants although not all deposits have low level of contamination	can contain heavy metals, U, Cd
Concentrate Pricing	premium price for high grade and low contaminants	benchmarked

Source: DAN, IFDC, FAO, Industry sources

Local requirements and producer capabilities will also dictate the economics of downstream processing. It is estimated that ~70% of global phosphate fertilizer production (SSP, TSP, DAP, MAP) is integrated, allowing for cost savings on transported fertilizer product and higher returns on mining investment. For the most part, producers are shifting production downstream to capture higher margins. OCP in Morocco is a prime example of a company executing this strategy.

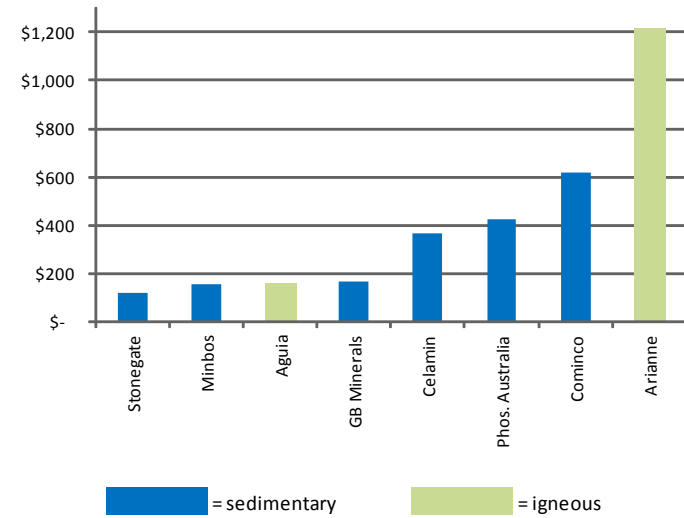
As another example, Brazil is a significant user of SSP due to the regional nature of its agricultural business and sulphur-deficient/highly acidic soil (SSP represents only 15% of global fertilizer application as it has been largely replaced by MAP/DAP with higher P2O5 content in most countries). In Rio Grande Do Sul province (where Agua's Rio Grande project is located), SSP capacity is estimated at 1.2 million tonnes, all of which is currently supplied by imported phosphate rock (which carries additional sea freight logistic costs of ~US\$50/t from Morocco versus captive phosphate rock supply).

Agua could produce phosrock to supply the existing capacity or economically upgrade the product to SSP (due to availability of an acid terminal at Rio Grande port and existing rail infrastructure that runs through the project property), which would result in higher returns on investment.

Lastly, it is important to note that transportation costs play a key role in project economics, notably for phosrock concentrate. Serving local markets and access to existing infrastructure reduces capex and transport costs significantly, as well as being in close proximity to a port, if looking to export.

With respect to numbers, capex requirements for phosphate mines tend to be lower than required for potash as deposits and mine plans are generally not as deep/complex. Our analysis indicates a

**Capex Requirements for Porposed Phosphate Mines (US\$m)**

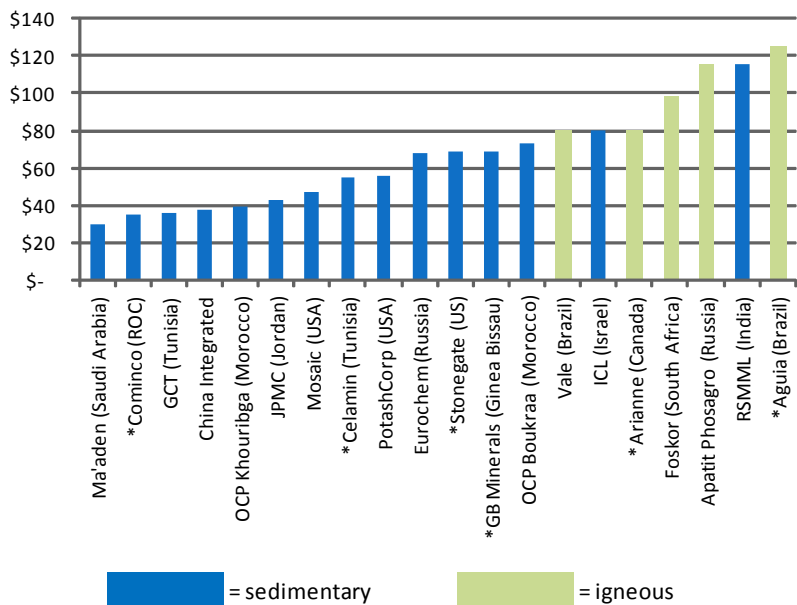


wide range of initial capex estimates for developers looking to produce phosrock (US\$121 mln to US\$1.2 bln). The average initial capex estimate for sedimentary projects is US\$263 mln (range US\$121 mln to US\$616 mln) while the average for the igneous deposits is US\$688 mln (range of US\$160 mln to US\$1.2 bln). The graph to the left illustrates the range of estimated capex requirements for select proposed phosrock mining operations. Note that US\$58 mln (representing the SSP plant) has been removed from Agua's capex to reflect the production of phosrock only.

Source: Company Reports

Opex costs for phosrock also have a wide range with igneous deposits at the high end of the cost curve (note that the higher grade concentrate typically results in higher selling prices, which neutralizes the economics). The graph to the right summarizes opex costs/t for current and proposed phosrock producers (ex-transportation). Agua is at the high end of the range (note the phosrock production cost is estimated as Agua plans to produce SSP), primarily due to higher mining and processing costs, which we

**Opex costs (US\$/t) for Phosphate Mines**



\*proposed mines  
Source: Company reports, DAN

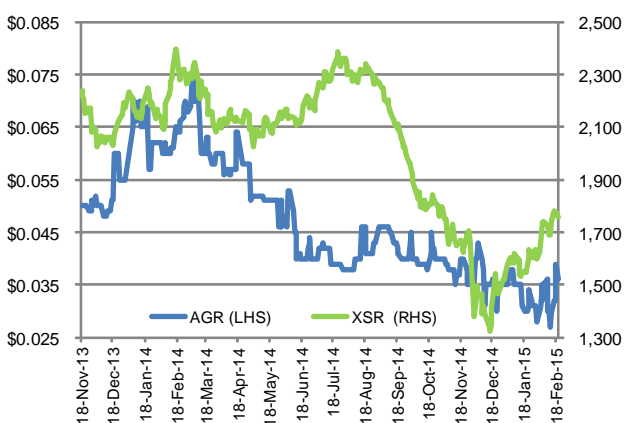
expect to be reduced overtime given the early stage of beneficiation test results. Vale's average opex/t in Brazil is ~US\$80/t for igneous deposits with an average grade of 8.3% P<sub>2</sub>O<sub>5</sub> (range of 4.7% to 13.1%). We highlight once again the US\$50-US\$70/t cost advantage for local Brazilian producers given import sea freight logistics costs, which allows local Brazilian producers to have higher phosrock production costs and still be globally competitive while serving the local market.

Overall, we believe Aguia stands out in the phosphate developer sector as a low capex, high quality project and highlight the following:

- 1) its location in south Brazil (100% of phosrock is currently imported at a premium from politically sensitive areas resulting in a willing and ready customer, notably for SSP);
- 2) high quality flagship Rio Grande phosphate deposits (current indicated resources of 9.9 million MT @ 5.03% P<sub>2</sub>O<sub>5</sub> and inferred resources of 20.6 million MT @ 3.94% P<sub>2</sub>O<sub>5</sub> represent only 40% of the strike);
- 3) proximity to local infrastructure (rail, road, power, port, acid terminal); and
- 4) proven processing using standard methods and reagents (looking to improve recoveries from 58% with column flotation at pilot scale, which should help reduce opex).

## About Agua

### Agua (AGR-AU) Stock Price Performance



### Capital Structure

Ticker - ASX	AGR
Shares Outstanding (Feb 20 2015)	258.2M
Market Cap at A\$0.036/share	A\$9.3M
Cash Balance (Feb 23 2015)	~A\$0.6M
Unlisted Options (average price A\$0.27)	22.0M
Performance Shares (expire July 2016)	1.55M

Source: FT.com, AGR

(JT) is the second discovery approximately 40 km to the south. The site has excellent infrastructure (TE is less than 1km from all railway links to the Rio Grande port – one of only two ports in Brazil with an acid terminal).

Agua is currently focused on the flagship Rio Grande phosphate deposits in Rio Grande Do Sul (RS) state in south Brazil. The area is an established farming area (wheat, rice, soybean, corn, dry beans and lesser quantities of sugar cane and coffee) and currently imports 100% of its phosphate needs (~500,000tpa P2O5) as there are no existing mines operating in the area. The Rio Grande project is a collection of four new phosphate discoveries – Três Estradas (Nov 2011), Joca Tavares (June 2013), the Porteira target and the Cerro Preto target. The current focus is Três Estradas (TE), which has a 10MT indicated and 21MT inferred JORC resource (5.03% and 3.94% P2O5, respectively) with only 45% of the mapped strike length drilled to date. Joca Tavares

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Some of the statements contained in this release are forward-looking statements. These forward-looking statements reflect various assumptions by or on behalf of the Company. Forward looking statements include but are not limited to, statements concerning estimates of tonnages, expected costs, statements relating to the continued advancement of the Company's projects and other statements which are not historical facts. When used in this document, and on other published information of the Company, the words such as "aim", "could", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements.

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**Competent Persons Statement**

The information is extracted from the reports entitled Results of Rights Issue published February 4, 2015, Positive Exploration Results from Rio Grande Project published Jan 23, 2015, Aguia Provides Drill Program Update released on January 9, 2015, Rights Issue and Potential TSX-V Listing published January 9, 2015, Diamond and Reverse Circulation Drilling released on 13 November 2014, Quarterly Report and Appendix 5B released on 31 Oct 2014, Aguia Secures \$2m Placement released on 20 Oct 2014, the Tres Estradas Phosphate Project released on 29 May 2014, the Mining Study – Tres Estradas Phosphate Deposit released on 16 September 2014, the New High Grade Phosphate Mineralization released on 8 October 2014 and the Funding Update released on 25 September 2014, which are available to view on [www.aguiareources.com.au](http://www.aguiareources.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

As previously announced in the March 2014 Quarterly Report to the ASX, the Trés Estradas Phosphate Project has a current JORC compliant inferred and indicated mineral resource of 30.5 @ 4.24% P2O5 (total initial contained phosphate of 1.23Mt P2O5). This includes indicated resources of 9.9Mt @ 5.03% P2O5 and inferred resources of 20.6Mt @ 3.93% P2O5. The Company has also identified (and as also announced in the March 2014 Quarterly Report to the ASX) an exploration target of between 13 and 27 million tonnes, grading at between 3.56 and 4.84% P2O5 for the Trés Estradas South tenement. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement. The information in this report that relates to Exploration Targets is based on information compiled by Dr Fernando Tallerico, a Competent Person, who is a Member of the Association of Professional Geoscientists Ontario, a 'Recognised Professional Organisation' (RPO) included in a list that is posted on the ASX website from time to time.