



Agua Resources Limited

ABN 94 128 256 888

Interim Report - 31 December 2015

Agua Resources Limited

Directors' report

31 December 2015



The directors present their report, together with the condensed consolidated 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 half-year ended 31 December 2015.

DIRECTORS

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

Justin Reid
Paul Pint (appointed 12 January 2016)
David Gower
Alec Pismiris
Brian Moller
Fernando Tallarico (resigned 12 January 2016)

PRINCIPAL ACTIVITIES

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

REVIEW OF RESULTS AND OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$4,947,272 (31 December 2014: \$7,297,226).

During the period, Agua continued to focus on advancing the development of its Rio Grande phosphate assets which include the Três Estradas and Joca Tavares carbonatite hosted deposits and the Cerro Preto sediment hosted deposit located in the state of Rio Grande do Sul in Southern Brazil. The main milestone achieved during the third quarter was the completion of the Scoping Study/ Preliminary Economic Assessment ("PEA") for Três Estradas which was released on August 19th, 2015 and formed the basis for a successful private placement of A\$9.5 million which closed a week later.

The PEA results were based on a 70.1 Mt JORC compliant mineral resource (comprising 15.2 Mt Indicated and 59.2 Mt Inferred) with an average grade of 4.20% P_2O_5 that had been previously announced on 27 April 2015. The PEA represents a major milestone for the Company to advance to the next phase of development for Três Estradas.

The PEA was prepared by SRK Consulting Canada (Inc.) with contributions by Kemworks Technology Inc., other consultants and Agua employees. For the purposes of the PEA, Agua forecasts production of 500,000 tonnes of SSP per annum. This production will require 330,000 tonnes of phosphate concentrate grading 28% P_2O_5 . There is an opportunity to produce 630,000 tonnes per year of calcitic aglime as a by-product.

The proposed project includes an open pit, truck-excavator operation. Phosphate mineralization will involve drilling and blasting, with phosphate bearing rocks and waste rock hauled to an on-site concentrator and waste dump. The phosphate rock concentrate will be produced by flotation and transported by truck from the mine site to the port city of Rio Grande, where it will be upgraded to a granulated SSP at a plant located in the industrial area of the port. It is anticipated that the final SSP product will be sold and distributed in the local market in southern Brazil.

The project will involve moving approximately 138 million tonnes of material, of which 40 million tonnes will be processed at the concentrator and subsequently upgraded at the SSP plant. The concentrator is planned for feed capacity of 7,500 tonnes per day with an estimated average P_2O_5 feed grade of 4.3%. Metallurgical testwork indicates an average process recovery of 67% yielding phosphate rock grading at 28% P_2O_5 .

The PEA assumes a long term SSP price of US\$280 per tonne as defined by respected Brazilian agribusiness specialists Agroconsult and BRL/USD foreign exchange of 3.5. Based on the current JORC compliant mineral resource (comprising 15.2 Mt Indicated and 59.2 Mt Inferred) the Três Estradas project will have a 15.5 year mine life and will require CAPEX of US\$184 million to build (US\$209 million including contingency). The project has a low OPEX of US\$160.7 per tonne of SSP. Based on these assumptions, the preliminary financial model indicates pre-tax NPV_{5%} of US\$273 million (A\$372 million) and IRR of 25%.

In September 2015, Agua announced it had engaged Golder and Associates to complete and deliver an Environmental Impact Assessment for the Rio Grande Projects. This work is now well underway with completion targeted for Q2 2016.

During the fourth quarter, Agua conducted an infill drilling program at Três Estradas with 18 holes drilled. The purpose of the program is to convert Inferred resource to Indicated resource from the current level of 70.1 Mt (comprised of 15.2 Mt Indicated & 54.9 Mt Inferred) grading 4.20% P_2O_5 . Assay results from 18 holes have been returned showing encouraging results including:

- TED-15-061 returned 69.0m @ 4.93% P_2O_5 (from surface), incl. 13.42m @ 10.41% P_2O_5 (from surface);
- TED-15-067 returned 61.30m @ 5.82% P_2O_5 (from 16.0m) including 16.0m @ 10.39% P_2O_5 (from 17.0m);
- TED-15-070 returned 51.90m @ 6.83% P_2O_5 (from 1.85m), 10.65m @ 3.55% P_2O_5 (from 59.6m) and 4.41m @ 3.34% P_2O_5 (from 74.45m).

The infill drilling program at Três Estradas allowed for the collection ~500 kg of samples that have been shipped to Eriez Flotation Division in Pennsylvania for column flotation test work. The purpose of the test work is to optimise treatment of fines in the metallurgical process which will have a material positive impact on the quality of the end product. The completion of this optimisation work is targeted for Q2 2016.

During the fourth quarter Agua's technical team held promising discussions with regional authorities regarding the possibility of fast-tracking the environmental permitting process given the strategic nature of Agua's phosphate assets in Southern Brazil. Discussions are also ongoing and well advanced around potential tax incentives and improved infrastructure access, two factors which could add considerable value to Agua's Rio Grande asset base.

Joca Tavares Deposit

Joca Tavares is another carbonatite hosted deposit located 41 kilometres east-south-east from the Três Estradas project. The tenement covering the carbonatite was granted during the June Quarter 2013.

On September 22, 2015, Agua announced a drilling programme at Joca Tavares. The objective of definition drilling is to evaluate whether oxide and fresh carbonatite material from Joca Tavares can be added to the existing mine plan for Três Estradas.

The drilling program at Joca Tavares saw 40 holes drilled and assay results from 33 holes returned (seven holes intersected no significant mineralisation). As expected, these new assay results confirm the presence of high-grade mineralisation at surface, including some thicker intercepts with average grades similar to other mineralised carbonatites.

- JTD-15-012 returned 67.60m @ 4.44% P_2O_5 (from surface);
- JTD-15-016 returned 15.45m @ 4.33% P_2O_5 (from surface);
- JTD-15-017 returned 17.20m @ 7.15% P_2O_5 (from surface);
- JTD-15-018 returned 12.83m @ 4.88% P_2O_5 (from surface);
- JTD-15-019 returned 7.57m @ 11.25% P_2O_5 (from surface);
- JTD-15-021 returned 4.70m @ 9.61% P_2O_5 (from surface);
- JTD-15-023 returned 5.82m @ 7.22% P_2O_5 (from surface);
- JTD-15-028 returned 18.57m @ 4.53% P_2O_5 (from surface);
- JTD-15-029 returned 17.42m @ 4.39% P_2O_5 (from surface);
- JTD-15-030 returned 7.86m @ 5.62% P_2O_5 (from surface);
- JTD-15-035 returned 9m @ 5.33% P_2O_5 (from surface);
- JTD-15-036 returned 6.50m @ 6.26% P_2O_5 (from surface).

Agua has appointed Millcreek Mining Group to prepare a JORC compliant Mineral Resource for the deposits at Joca Tavares with completion targeted during Q2 2016.

Cerro Preto Deposit

Following further analysis of the data from the recent mapping and scouting program at Cerro Preto as reported on 23 January 2015, the strike-length of the Cerro Preto sedimentary-hosted phosphate discovery located in the Rio Grande region, Southern Brazil was extended. The main phosphorite beds now extend over approximately 12.5 km. The discovery includes four layers of marine phosphorite with thicknesses up to 200 metres. The area is continuously mineralised with outcropping phosphorite grading up to 20.8% P_2O_5 .

Further mapping and rock sampling activity undertaken during the third quarter along the Agnico bed of the Cerro Preto Target returned encouraging results. From a batch of 119 rock samples, approximately 30% of the assays returned grades

of 10% up to 20.8% P_2O_5 . Over 50% of the batch includes assays above 7% P_2O_5 . These results indicate phosphate mineralisation along an additional strike-length of 2.5 km, with apparent widths between 40 to 240 metres (previously 200 metres). This brings the total strike-length of Cerro Preto to 12.5 km.

During the quarter two drills mobilized at Cerro Preto intersected the targeted horizon; however initial results were lower than expected. Drilling activity was hampered by weather induced delays so Agua's management made the prompt decision to divert the two rigs from Cerro Preto to Três Estradas which has easier access and logistics and where management felt immediate gains could be achieved through infill drilling. Drilling at Cerro Preto will be revisited once conditions improve and high potential targets over the 30 km of potential strike are further refined through the analysis of a recently completed geophysical program.

Porteira Deposit

During the third quarter Agua also completed a shallow auger drilling program at the Porteira Carbonatite, the Company's fourth target in the Rio Grande do Sul region. A total of 22 holes were completed and returned encouraging results including:

- PTT-14-038: 3.0 m @ 9.44% P_2O_5 , from 2.0m and ending in mineralisation;
- PTT-14-045: 4.0 m @ 16.34% P_2O_5 , from surface and ending in mineralisation;
- PTT-14-055: 2.0 m @ 12.53% P_2O_5 , from surface and ending in mineralisation.

Similar to the deposits at nearby Três Estradas and Joca Tavares, the auger results from Porteira confirm the presence of high-grade oxidised mineralisation at surface with grades up to 18.5% P_2O_5 . The depth of this high-grade oxidised zone is yet to be determined, as many of the auger holes have ended in mineralisation. The Porteira Carbonatite has a strike-length of about 1 km and average width of about 30 metres.

Expansion of Phosphate Land Position at Rio Grande

On November 26th 2015, Agua entered into an Option Agreement with Mineração Terra Santa S.A., for exploration permits located in Lavras do Sul, in the State of Rio Grande do Sul, Brazil. The agreement gives the Company the option to purchase 100% of 3 (three) Mineral claims, with a view to conducting mineral exploration work over the next 36 months.

The agreement covers three claims in the area surrounding the Três Estradas deposit which currently has a JORC Compliant Mineral Resource of 70.1 Mt (15.2 Mt Indicated & 54.9 Mt Inferred) grading 4.20% P_2O_5 . Initial due diligence and field reconnaissance along the Terra Santa claims has identified amphibolite and carbonatite samples grading up to 12.42% P_2O_5 distributed along a 500m trend. These mineralised samples occur approximately 2.5 km northwest of the Três Estradas deposit, and have the potential to contribute additional phosphate resource to the planned mine site.

Atlantic Potash Project

On September 30, 2015, the Company made a final payment of US\$150,000 to Lara Exploration Ltd. in accordance with the terms of an agreement entered into May 31st, 2012 and amended on March 17th, 2014 and again on June 3rd, 2015. The agreement gave Agua the right to acquire title to Lara Exploration's Sergipe properties, but after in-depth analysis, management determined these properties were not worth pursuing further. On October 7, 2015, the Company terminated its option to acquire all of the outstanding securities of Enigma BVI. Agua has no further obligations to Lara Exploration Ltd.

Corporate Activities Update

Following on the positive response to the PEA results published on August 19th, 2015, Agua launched a private placement, successfully raising A\$9.5 million through the placement of 56 million new Fully Paid Ordinary Shares to institutional and sophisticated investors at \$0.17 per share.

During the half year, Agua's strategic investor, Sulliden Mining Capital Limited, maintained its support of the Company through ongoing share purchases on the ASX. On December 4, 2015, Sulliden submitted a Form 604 indicating it now holds 18.72% of Agua's outstanding shares. Agua also welcomed a new strategic investor, Vanguard Precious Metals & Mining Fund, who filed a Form 604 in September indicating it now owns 6.42% of Agua's outstanding shares.

Plans for 2016

With the completion of the drill program in December, Agua will now be focused on compiling the results to advance its flagship asset at Três Estradas and defining a JORC resource at the nearby Joca Tavares deposit.

On February 15, 2016, Aguia announced that it had commissioned Millcreek Mining Group to undertake an optimisation study of the previously announced Preliminary Economic Assessment at Três Estradas. Building on critical information compiled since the PEA was released in August 2015, Millcreek will consider how the following factors may further enhance the PEA:

- Inclusion of a +600,000 tonne per year calcite plant at the Três Estradas mining site which would enhance the cash flow of the project and minimise the volume of waste produced;
- Review of the results of JORC compliant Mineral Resource currently being conducted at Joca Tavares located just 40 km away from the Três Estradas mining site to determine whether it is beneficial to include the higher grade Joca Tavares oxide in the plans for the Três Estradas plant;
- Optimised metallurgical recoveries resulting from column floatation tests which are currently taking place at Eriez Flotation Division in Pennsylvania;
- Consideration of alternative and more cost effective logistics solutions utilising existing local infrastructure beyond road transport considered in the PEA to deliver product to market;
- Trade-off study of a phosrock only operation which would simplify the mine development timeline and reduce CAPEX requirements materially;
- Consideration of direct mine gate sales for a phosrock production scenario with a truck loading facility and rail siding at the mine site for customers to use;
- Long term currency implications given the continued fall of the Brazilian Real; and
- Further optimisation of the mine plan.

The Três Estradas Phosphate Project has a current JORC compliant inferred and indicated mineral resource of 70.1 Mt grading 4.20% P₂O₅ (total initial contained phosphate of 2.941 Mt P₂O₅). This includes indicated resources of 15.2 Mt @ 5.02% P₂O₅ and inferred resources of 54.862 Mt @ 3.98% P₂O₅.

The Lucena Phosphate Project has a current JORC compliant inferred mineral resource of 55.1Mt grading 6.42% P₂O₅

Information in this presentation is extracted from the following reports, which are available for viewing on the Company's website:

- 27 January 2016: Drilling Program at Joca Tavares and Três Estradas Delivers Positive Results to Further Strengthen Rio Grande Asset Base
- 9 December 2015: Aguia Signs Option to Expand Phosphate Land Position in Rio Grande
- 17 November 2015: Aguia Advances Exploration and Development Activities at Rio Grande Phosphate Project
- 19 August 2015, Positive preliminary economic assessment demonstrates robust economics for Três Estradas
- July 28, 2015: Aguia Extends Strike Length of Cerro Preto Phosphate Discovery by 2.5km
- June 25, 2015: Strike Length of Aguia's Cerro Preto Phosphate Extends over 10km
- May 11, 2015: Aguia Reports 80% Phosphate Recovery from Oxidized Carbonatite and 65% from Fresh Carbonatite at Flagship res Estradas Phosphate Project
- April 27, 2015: Aguia Significantly Increases Três Estradas Phosphate Resource by 130% to 70.1 Million Tonnes
- January 23, 2015: Further positive exploration results from Cerro Preto, Rio Grande Project, Brazil.
- January 9, 2015: Aguia provides drill program update for the Três Estradas Project, Brazil.
- October 8, 2014: Aguia discovers new high grade phosphate mineralization at Rio Grande Project, Brazil.
- September 16, 2014: Mining Study indicates highly competitive capital and operating costs for Aguia's Três Estradas phosphate deposit in southern Brazil.

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 listed above 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.

Agua Resources Limited

Directors' report

31 December 2015



The information in this presentation that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Fernando Tallarico, who is a member of the Association of Professional Geoscientists of Ontario. Dr Tallarico is a full-time employee of the company. Dr Tallarico has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Tallarico consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 8 September 2015, the company has issued 56,583,405 ordinary shares, raising a total of \$9.5 million.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

No matter or circumstance has arisen since 31 December 2015 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 on the following page.

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

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

Justin Reid
Managing Director

11 March 2016

The Board of Directors
Aguia Resources Limited
Suite 4, Level 9
341 George Street
SYDNEY NSW 2000

11 March 2016

Dear Board Members

Aguia Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aguia Resources Limited.

As lead audit partner for the review of the financial statements of Aguia Resources Limited for the financial half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Gover
Partner
Chartered Accountants

Agua Resources Limited

Contents

31 December 2015



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General information

The financial report consists of condensed consolidated financial statements, notes to the condensed consolidated 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 4, Level 9
341 George 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 condensed consolidated financial statements.

The condensed consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 11 March 2016.

Agua Resources Limited

Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015



	Note	Consolidated 31/12/2015 \$	31/12/2014 \$
Other income	3	33,093	22,182
Expenses			
Employee benefits expense		(94,861)	(53,373)
Legal & professional		(76,279)	(89,967)
Depreciation and amortisation expense		(12,207)	-
Impairment cost	4	(3,194,182)	(6,478,244)
Corporate cost		(721,334)	(252,451)
Exploration assets expensed		(126)	(9,007)
Business development		(430,615)	(64,968)
Share-based payments		(279,940)	-
Administration costs		(170,821)	(371,398)
Loss before income tax expense		(4,947,272)	(7,297,226)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Agua Resources Limited	8	(4,947,272)	(7,297,226)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,310,447)	(586,536)
Other comprehensive income for the half-year, net of tax		(1,310,447)	(586,536)
Total comprehensive income for the half-year attributable to the owners of Agua Resources Limited		<u>(6,257,719)</u>	<u>(7,883,762)</u>
		Cents	Cents
Basic earnings per share		(1.43)	(3.25)
Diluted earnings per share		(1.43)	(3.25)

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

Agua Resources Limited

Condensed consolidated statement of financial position
As at 31 December 2015



	Note	Consolidated 31/12/2015 \$	30/06/2015 \$
Assets			
Current assets			
Cash and cash equivalents		5,683,297	709,834
Trade and other receivables		99,342	121,651
Other		41,214	5,365
Total current assets		<u>5,823,853</u>	<u>836,850</u>
Non-current assets			
Property, plant and equipment		50,232	71,158
Exploration and evaluation	4	18,078,852	21,039,712
Total non-current assets		<u>18,129,084</u>	<u>21,110,870</u>
Total assets		<u>23,952,937</u>	<u>21,947,720</u>
Liabilities			
Current liabilities			
Trade and other payables		282,758	488,352
Borrowings	5	500,000	1,000,000
Other		101,544	450,819
Total current liabilities		<u>884,302</u>	<u>1,939,171</u>
Total liabilities		<u>884,302</u>	<u>1,939,171</u>
Net assets		<u>23,068,635</u>	<u>20,008,549</u>
Equity			
Issued capital	6	81,918,054	72,912,689
Reserves	7	(2,969,181)	(1,971,174)
Accumulated losses	8	(55,880,238)	(50,932,966)
Total equity		<u>23,068,635</u>	<u>20,008,549</u>

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

Agua Resources Limited

Condensed consolidated statement of changes in equity For the half-year ended 31 December 2015



Consolidated	Ordinary shares \$	Performance shares \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	67,293,139	241,400	(331,651)	(40,188,137)	27,014,751
Loss after income tax expense for the half-year	-	-	-	(7,297,226)	(7,297,226)
Other comprehensive income for the half-year, net of tax	-	-	(586,536)	-	(586,536)
Total comprehensive income for the half-year	-	-	(586,536)	(7,297,226)	(7,883,762)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	1,930,874	-	-	-	1,930,874
Balance at 31 December 2014	69,224,013	241,400	(918,187)	(47,485,363)	21,061,863
Consolidated	Ordinary shares \$	Performance shares \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	72,671,289	241,400	(1,971,174)	(50,932,966)	20,008,549
Loss after income tax expense for the half-year	-	-	-	(4,947,272)	(4,947,272)
Other comprehensive income for the half-year, net of tax	-	-	(1,310,447)	-	(1,310,447)
Total comprehensive income for the half-year	-	-	(1,310,447)	(4,947,272)	(6,257,719)
Interest on capital contribution	-	-	32,500	-	32,500
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 6)	9,005,365	-	-	-	9,005,365
Share-based payments	-	-	279,940	-	279,940
Balance at 31 December 2015	81,676,654	241,400	(2,969,181)	(55,880,238)	23,068,635

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

Agua Resources Limited

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2015



		Consolidated	
	Note	31/12/2015	31/12/2014
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,585,639)	(643,605)
Interest received		33,093	22,182
Net cash used in operating activities		(1,552,546)	(621,423)
Cash flows from investing activities			
Payments for exploration and evaluation		(1,931,891)	(1,612,257)
Net cash used in investing activities		(1,931,891)	(1,612,257)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	6	9,005,365	1,930,874
(Repayment) of / Proceeds from borrowings		(500,000)	1,000,000
Net cash from financing activities		8,505,365	2,930,874
Net increase in cash and cash equivalents		5,020,928	697,194
Cash and cash equivalents at the beginning of the financial half-year		709,834	525,468
Effects of exchange rate changes on cash and cash equivalents		(47,465)	(41,832)
Cash and cash equivalents at the end of the financial half-year		<u>5,683,297</u>	<u>1,180,830</u>

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

Agua Resources Limited

Notes to the condensed consolidated financial statements
31 December 2015



Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 condensed consolidated financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 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, revised or amending Accounting Standards and Interpretations adopted

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

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

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 segment assets and direct exploration expenditure in assessing performance and allocation of resources and as such no segment result or segment revenues are separately disclosed.

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

Types of products and services

The mining and exploration operations of the consolidated entity are predominantly in Brazil. Reportable segments are based on aggregating geographical segments subject to risk and returns of their particular economic environment and based on the nature of their regulatory environment. Geographical segments are aggregated where the segments are considered to have similar economic characteristics and also similar with respect to the type of product and service.

Corporate office activities

Corporate office activities comprise non-segmental revenues and expenses and are therefore not allocated to the operating segment.

Note 3. Other income

	Consolidated	
	31/12/2015	31/12/2014
	\$	\$
Interest	33,093	22,182

Agua Resources Limited

Notes to the condensed consolidated financial statements
31 December 2015



Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31/12/2015	30/06/2015
	\$	\$
Brazilian Phosphate project - at cost	30,739,489	30,538,821
Less: Impairment	(12,660,637)	(12,660,637)
	<u>18,078,852</u>	<u>17,878,184</u>
Brazilian Potash project - at cost	22,336,671	27,689,563
Less: Impairment	(22,336,671)	(24,528,035)
	<u>-</u>	<u>3,161,528</u>
	<u><u>18,078,852</u></u>	<u><u>21,039,712</u></u>

Impairment of Brazilian Potash project

In prior years, Agua Resources Limited ("Agua"), the parent company of Potássio do Atlântico Ltda. signed an Option Agreement with Lara Exploration Ltda ("Lara"), a third party which has its common shares trade on TSX Venture Exchange (Canada), for an exclusive option to acquire up to 100% of the mineral rights within a 24 month period, through the acquisition of Enigma BVI, a wholly owned subsidiary of Lara and holder of the mineral rights, located adjacent to Agua's Atlantic Potash Project in the Sergipe Basin Brazil.

During the period, Management has carried out an in-depth analysis and determined that these properties were not worth pursuing further and the Company terminated its option to acquire all of the outstanding securities of Enigma BVI. As a result a full impairment has been recognised on this project.

Note 5. Current liabilities - borrowings

	Consolidated	
	31/12/2015	30/06/2015
	\$	\$
Related party loan	<u>500,000</u>	<u>1,000,000</u>

The company secured a line of credit facility of \$1,000,000 on commercially attractive terms with Forbes Empreendimentos Ltda, a company associated with three of its directors, Prakash Hariharan, David Gower and Fernando Tallarico. Interest is charged at 1% p.a. The debt was due on 31 December 2014 and the company repaid \$500,000 during the period. The company has successfully renegotiated to extend the remaining repayment to 30 June 2016. Repayment may be in cash or subject to shareholder approval, converted to ordinary shares at a conversion price of \$0.04 per share.

Note 6. Equity - issued capital

	Consolidated			
	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	Shares	Shares	\$	\$
Ordinary shares - fully paid	366,828,270	310,094,865	81,676,654	72,671,289
Performance shares	1,547,431	1,547,431	241,400	241,400
	<u>368,375,701</u>	<u>311,642,296</u>	<u>81,918,054</u>	<u>72,912,689</u>

Agua Resources Limited

Notes to the condensed consolidated financial statements
31 December 2015



Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2015	310,094,865	72,671,289
Shares issued	8 September 2015	56,583,405	9,530,398
Options exercised	6 October 2015	150,000	12,600
Share issue costs		-	(537,633)
Balance	31 December 2015	<u>366,828,270</u>	<u>81,676,654</u>

Note 7. Equity - reserves

	Consolidated 31/12/2015 \$	30/06/2015 \$
Foreign currency reserve	(6,701,210)	(5,390,763)
Share-based payment reserve	3,649,844	3,369,904
Capital contribution reserve	82,185	49,685
	<u>(2,969,181)</u>	<u>(1,971,174)</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. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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 half-year are set out below:

Consolidated	Foreign currency reserve \$	Share-based payment reserve \$	Capital contribution \$	Total \$
Balance at 1 July 2015	(5,390,763)	3,369,904	49,685	(1,971,174)
Foreign currency translation	(1,310,447)	-	-	(1,310,447)
Share-based payments during the period	-	279,940	-	279,940
Interest charged during the period	-	-	32,500	32,500
Balance at 31 December 2015	<u>(6,701,210)</u>	<u>3,649,844</u>	<u>82,185</u>	<u>(2,969,181)</u>

Agua Resources Limited

Notes to the condensed consolidated financial statements
31 December 2015



Note 8. Equity - accumulated losses

	Consolidated	
	31/12/2015	30/06/2015
	\$	\$
Accumulated losses at the beginning of the period / year	(50,932,966)	(40,188,137)
Loss after income tax expense for the period / year	(4,914,772)	(10,744,829)
Accumulated losses at the end of the financial period / year	<u>(55,847,738)</u>	<u>(50,932,966)</u>

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Contingent liabilities

The consolidated entity's Brazilian subsidiary, Potassio do Atlantico Ltda, is in the process of defending a legal action involving the alleged breach of a contract for drilling services with Prest Perfuracoes Limitada undertaken in the first half of 2012 on some of Potassio do Atlantico Ltda's potash assets. The provider of drilling services is seeking damages of approximately \$2.15 million for this alleged breach. Although the outcome of this matter is currently not determinable, the directors believe, based on legal advice, that the action can be successfully defended. This position is unchanged since 30 June 2014 and no liability has been recognised at period end in the financial statements.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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 12. Financial instruments

The company does not have any fair value of 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 2015 and 31 December 2014.

Agua Resources Limited

Directors' declaration

31 December 2015



In the directors' opinion:

- the attached condensed consolidated 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 condensed consolidated financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year 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

11 March 2016

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

We have reviewed the accompanying half-year financial report of Aguia Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 17.

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 gives a true and fair view and 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, we have become aware of any matter that makes us 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 consolidated entity's financial position as at 31 December 2015 and its 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 Aguia Resources Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aguia Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aguia Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its 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*.



DELOITTE TOUCHE TOHMATSU



Mark Gover

Partner

Chartered Accountants

Perth, 11 March 2016