



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 22nd MAY 2012

TRES ESTRADAS PHOSPHATE PROJECT

EXCELLENT METALLURGICAL RESULTS FROM INITIAL TEST WORK

Summary

- Metallurgical recoveries up to 83.4% and concentrate grades up to 33.9% P₂O₅
- Results indicate the potential to produce a commercial concentrate using standard methods and reagents available in the market
- Further optimisation test work has commenced with results expected next quarter
- Agua is on track to deliver a JORC compliant Mineral Resource estimate this quarter
- On confirmation of further positive beneficiation results and a JORC resource, Agua intends on commencing a project scoping exercise to produce a concentrated rock phosphate product

Phosphate and potash exploration and development company Agua Resources Limited (ASX: **AGR**) ("Agua" or "Company") is pleased to announce excellent initial beneficiation test work results from its Tres Estradas ("TE") Phosphate Project in southern Brazil.

Sample Number & Description (100 kg samples submitted)	Head Grade	Metallurgical Flotation Results			
	P ₂ O ₅	Recovery	P ₂ O ₅	SiO ₂	Fe ₂ O ₃
EB-01, Oxidised Carbonatite	16.2%	83.4%	32.6%	6.5%	8.4%
EB-02, Fresh Carbonatite	4.2%	75.5%	28.2%	2.2%	1.3%
EB-03, Oxidised Amphibolite	3.8%	61.9%	33.9%	2.6%	1.1%

Agua's Managing Director, Simon Taylor, said: "These are excellent first pass results and they indicate the project has the potential to produce a commercial concentrate using industry standard methods and reagents. Furthermore, the mineralisation is amenable to beneficiation and subsequent downstream production of fertilisers supporting future project development opportunities."

Agua's Specialist Processing Engineer, John Sinden, confirmed: "The initial beneficiation test results are very encouraging with the standard test work confirming commercial grades. In particular the sample of fresh carbonatite (EB-02) shows similarities to other operating mines globally including Yara's Siilinjärvi mine in Finland and Vale's Jacupiranga mine in Brazil."

“Both produce a high quality concentrate from lower phosphate grades (4-5% P_2O_5) within carbonatite host rocks. Looking ahead, there is a clear path for further test work and process optimisation to further increase recoveries and grades,” added John Sinden.

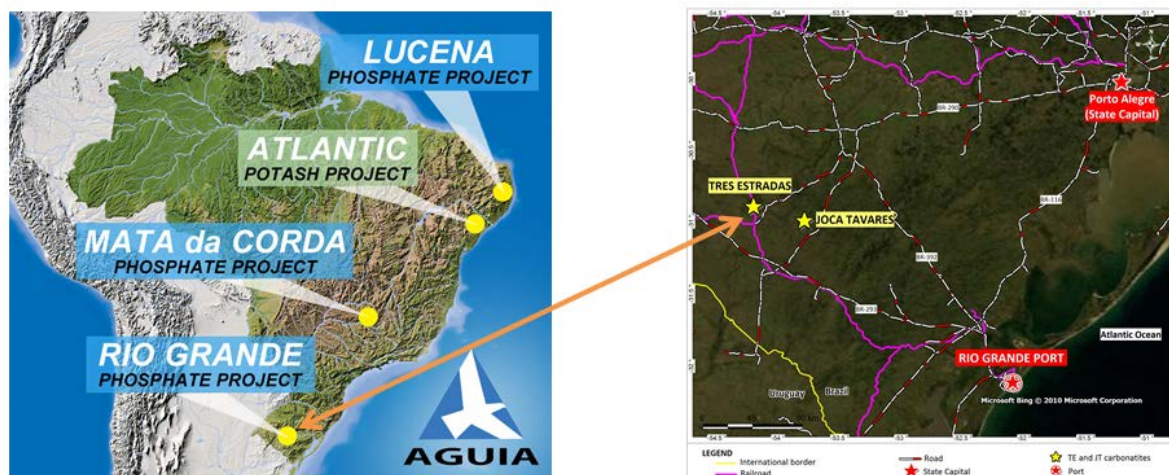


Figure 1: Location of Rio Grande Phosphate Projects, SE Brazil

Going Forward

Further optimisation test work has commenced with results expected in the next quarter.

Complementary test work initiated includes:

- Optimise the crushing and grinding;
- Optimise flotation of fresh carbonatite as this rock-type is by far the most abundant in the deposit;
- Test blending of oxidised carbonatite and oxidised amphibolite; and
- To produce a potential saleable calcite concentrate by floatation of the tailings silicates.

– ENDS –

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About Aguia

Aguia is focused on the exploration and development of phosphate and potash projects in Brazil. Brazil is Latin America's biggest economy and is heavily reliant on imports of up to 50 per cent of its phosphate and 90 per cent of its potash needs. Aguia is well positioned to capitalise on the growing demand for phosphorus and potash based fertilisers in the expanding agriculture sector in Brazil and controls three large projects, located close to existing infrastructure. The Company is committed to its existing projects whilst continuing to pursue other opportunities within the fertiliser sector.

APPENDIX

Tres Estradas (“TE”) Phosphate Project

Results of the first drilling program at TE returned a significant new early stage phosphate discovery in the state of Rio Grande do Sul in southern Brazil.

Early interpretation indicates that the project has similarities to the carbonatite style hosted phosphate deposits mined by Vale within Brazil, examples include the Araxá (Reserve: 88.7 Mt @ 11.12% P₂O₅) and Cajati (Reserve: 85.1 Mt @ 5.45% P₂O₅) operations.

The area hosts excellent infrastructure and primary fertiliser markets. The three southern States of Rio Grande do Sul, Santa Catarina and Paraná currently consume around 1.0 million tonnes P₂O₅¹ or around 30% of Brazilian consumption, with no currently active phosphate mines in the States.

The project will be logistically advantaged to supply into this region compared with either phosphate mined in Minas Gerais, Goiás or imports.

On confirmation of further positive beneficiation results and a JORC resource, the Company intends on commencing a project scoping exercise to produce a concentrated rock phosphate product.

Results of Beneficiation Test Work

In late 2011, Aguia completed a nineteen hole diamond drilling program that returned significant widths and good grades of phosphate mineralisation.

Four composite diamond core samples were collected and submitted to the University of Sao Paulo (“USP”) in Brazil to evaluate the flotation characteristics of the samples. These samples comprised of the following rock types:

- Oxidised carbonatite;
- Fresh carbonatite;
- Oxidised amphibolite; and
- Fresh amphibolite.

Assay results for the four samples are listed below in Table 1 and the sample locations are shown in Figure 2-3. Photos of the rock types can be seen in Figures 4-6.

Sample	P ₂ O ₅	CaO	SiO ₂	Al ₂ O ₃	Fe ₂ O ₃	MgO	TiO ₂	LOI
EB-01 Oxidised Carbonatite	16.2%	21.6%	23.7%	2.5%	24.4%	1.9%	2.3%	4.4%
EB-02 Fresh Carbonatite	4.2%	37.5%	7.2%	1.6%	7.4%	8.1%	0.8%	31.0%
EB-03 Oxidised Amphibolite	3.8%	11.0%	38.0%	8.4%	16.6%	8.7%	4.5%	5.2%
EB-04 Fresh Amphibolite	2.6%	16.1%	32.8%	7.0%	15.3%	9.8%	4.1%	6.9%

Table 1: Composite Sample Assay

¹ Source: ANDA, 2010 consumption data

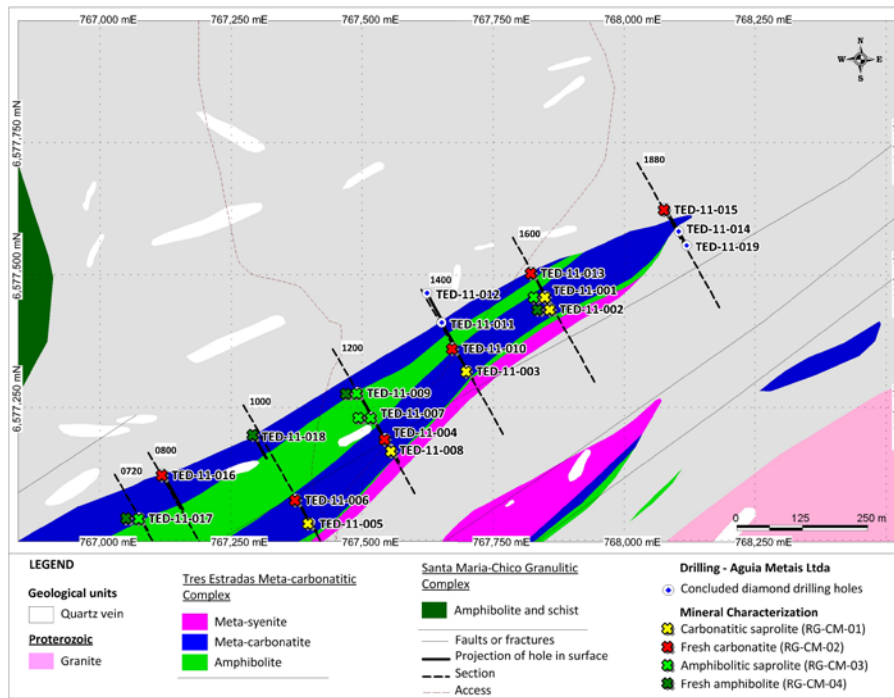


Figure 2: Tres Estradas Project Location of Mineralogical Samples

The samples were crushed, milled and deslimed, with the deslimed fraction being subject to flotation test work. Details of this work include:

- Oxidised samples (EB-01 and EB-03) were screened to 1mm and the fresh samples (EB-02 and EB-04) were crushed and then screened to 1mm;
- Oversize for both types were crushed before being rescreened;
- The 1mm undersize for the oxidised samples was then rescreened at 0.21mm, with the 0.21mm oversize being milled in an open circuit system and then mixed with the 0.21mm undersize for desliming;
- The same circuit was used for the fresh samples, however with a 0.07mm mesh being used on the second screen;
- Samples were deslimed by passing through a 0.02mm sieve, with the undersize being rejected; and
- The retained fractions were subject to flotation test work, using industry standard reagents.

A summary of the flotation test work results is shown in Table 2 and desliming results are shown in Table 3.

Sample	Recovery	P ₂ O ₅	SiO ₂	Fe ₂ O ₃
EB-01, Oxidised Carbonatite	83.4%	32.6%	6.5%	8.4%
EB-02, Fresh Carbonatite	75.5%	28.2%	2.2%	1.3%
EB-03, Oxidised Amphibolite	61.9%	33.9%	2.6%	1.1%

Table 2: Flotation Test Work Results

Sample	P ₂ O ₅ Head Grade	Grind Size	P ₂ O ₅ Recovery to Flotation Feed (+0.02mm fraction)	Apatite Liberation
EB-01 Weathered Carbonatite	16.2%	0.21mm	74.3%	>80%
EB-02 Fresh Carbonatite	4.2%	0.07mm	55.5%	>91%
EB-03 Weathered Amphibolite	3.8%	0.21mm	83.5%	>61%
EB-04 Fresh Amphibolite	2.6%	0.07mm	58.5%	>90%

Table 3: Recovery to Deslimed (+0.02mm) Fraction and Liberation Characteristics

The results from this work were very positive, indicating that the mineralisation, with the exception of the fresh amphibolite, has the potential to produce a commercial phosphate concentrate.

John Sinden, Aguiá's Specialist Processing Engineer, noted that the results from sample EB-02 are very similar to operational parameters from material that is mined at Yara's Siilinjärvi operation in Finland and Vale's Jacupiranga operation in Brazil. These comparisons are summarised in Table 4 below.

Name of Deposit	P ₂ O ₅ Head Grade	Recovery	P ₂ O ₅ Conc. Grade	Stage
Siilinjärvi (Yarra)	4%	84%	35%	Production
Jacupiranga (Vale)	5%	78%	36%	Production
EB-02, Fresh Carbonatite, Initial Test Work (Aguiá)	4%	76%	28%	Exploration

Table 4: Phosphate Deposit Metallurgical Comparisons

Conclusions

A number of significant points came out of this work including:

- These results are from first-pass test work using standard methods, reagents and conditioners – follow up optimisation work is now underway to further improve grades and recoveries;
- The flotation test work indicated that the project has the potential to produce commercial concentrates;
- There is good liberation of the apatite in all samples; and
- Further work is required to optimise crushing and grinding to decrease the sliming – the consultants have indicated that an improvement in the sliming behavior is expected with optimisation of the test work.

Further optimisation test work is currently being carried out on these samples including:

- Optimise the crushing and grinding;
- Optimise flotation of fresh carbonatite as this rock-type is by far the most abundant in the deposit;
- Test blending of oxidised carbonatite and oxidised amphibolite; and
- Produce a potential saleable calcite concentrate by flotation of the silicates of the tailings.

The results of further optimisation test work are expected in the next quarter.

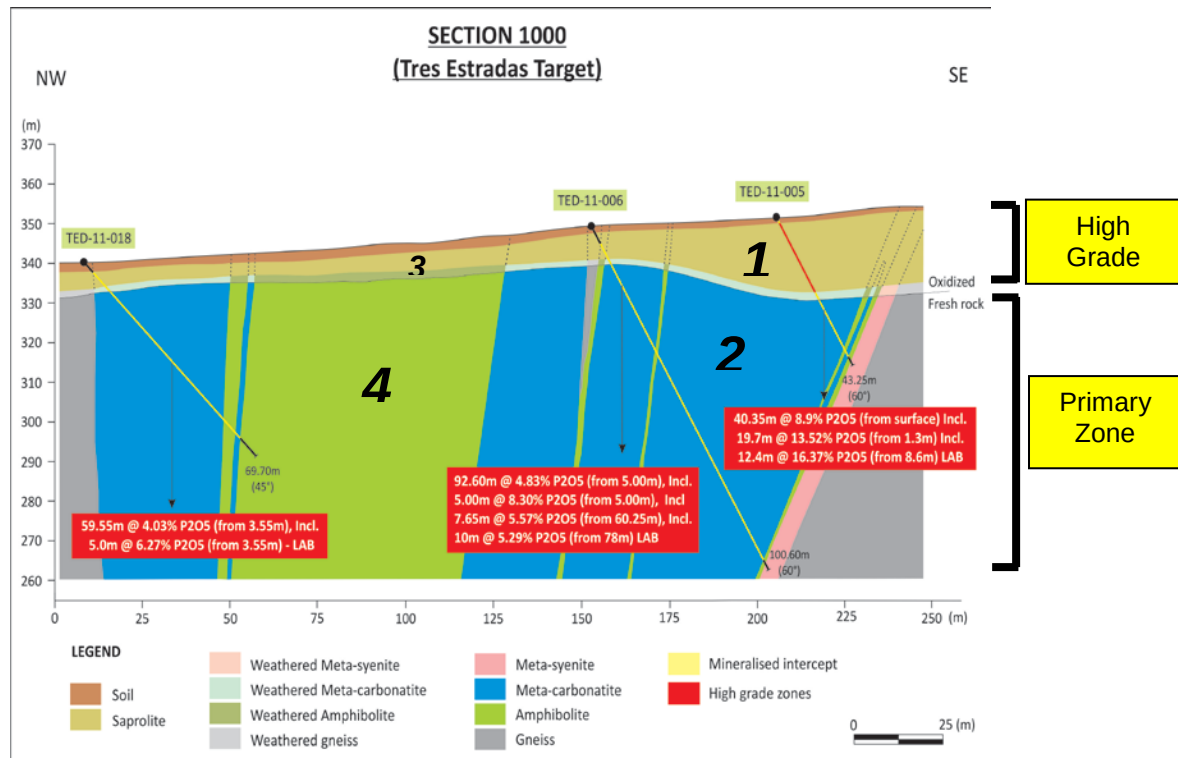


Figure 3: Cross Section Showing Oxidised and Fresh Zones and 4 Sample Types (1-4) Used for Metallurgical Test Work

Tres Estradas Oxidised Meta-Carbonatite

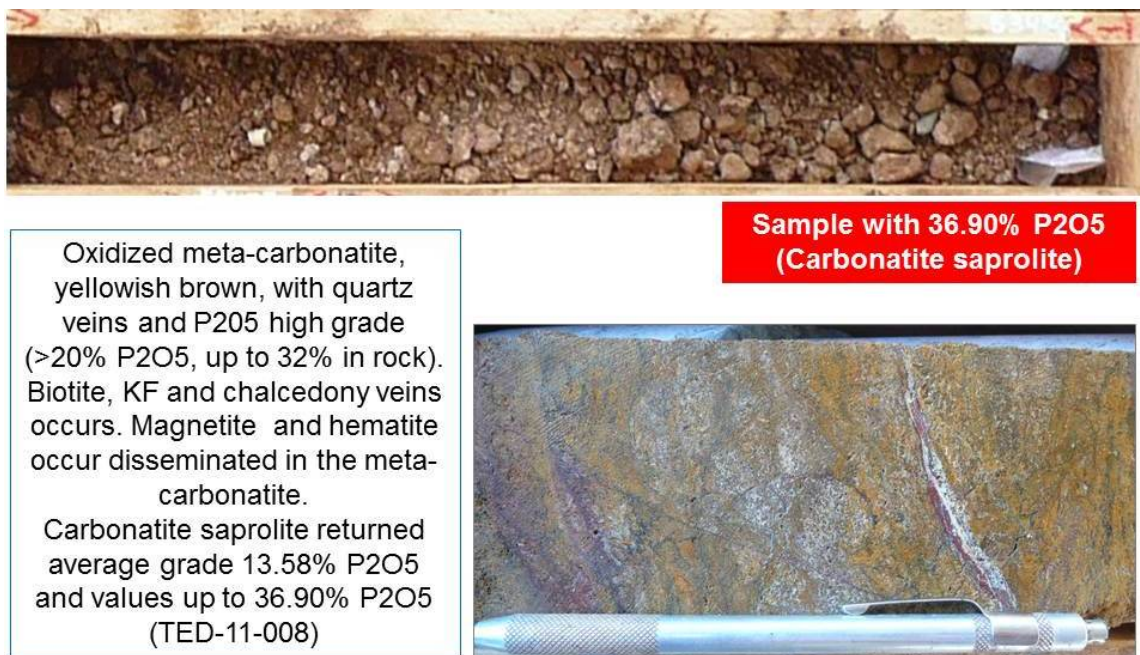


Figure 4: Photos of Oxidised Meta-Carbonatite Drilling Samples as per Sample EB-01

Tres Estradas Fresh Meta-Carbonatite



Figure 5: Photos of Fresh (Primary) Meta-Carbonatite Drilling Samples as per Sample EB-02

Tres Estradas Amphibolite



Dark green amphibolite. Recrystallized and few deformed. Fresh amphibolite returned average P₂O₅ values of 2.29% P₂O₅ and values up to 7.29% P₂O₅ (TED-11-007). Amphibolite saprolite returned average grade 3.99% P₂O₅ and values up to 9.96% P₂O₅ (TED-11-002).

Figure 6: Photos of Oxidised and Fresh (Primary) Meta-Amphibolite Drilling Samples as per Samples EB-03 and EB-04

JORC Code Competent Person Statements

The information in this report that relates to 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 Aguiar Resources Limited. Dr Tallarico has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Dr Tallarico consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.