

AGUIA

16 March 2021

ASX Market Announcements
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000

HALF-YEARLY REPORT AND ACCOUNTS

Sydney, Australia, - Aguia Resources Limited (ASX:AGR) (**'Aguia'** or the **'Company'**) has today released its Half-Year Report for the six months ended 31 December 2020. Please see overleaf.

AUTHORISED FOR ISSUE TO ASX BY THE BOARD OF AGUIA RESOURCES LIMITED

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About Aguia:

Agua Resources Limited, ("Aguia") is an ASX listed multi-commodity company (AGR:ASX) with pre-production phosphate and metallic copper projects located in Rio Grande do Sul, the southernmost state of Brazil. Aguia has an established and highly experienced in-country team based in Porto Alegre, the capital of Rio Grande do Sul. Aguia's first project, the Três Estradas Phosphate Project is expected to be in production by Q4 2021. Aguia is committed to advancing its existing projects into production whilst continuing to pursue other opportunities within the sector.

AGUIA

Resources Limited | ABN 94 128 256 888

**INTERIM
REPORT**

31 December 2020

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Agua Resources Limited (referred to hereafter as the 'company', 'Agua' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

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:

Christian McGrath	Non-Executive Chair
Fernando Tallarico	Managing Director
Martin McConnell	Non-Executive Director
David Carland	Non-Executive Director (appointed 4 December 2020)

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The loss for the consolidated entity for the half year ended 31 December 2020 after providing for income tax amounted to \$747,755 (31 December 2019: \$1,651,998).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no 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 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the directors



Christina McGrath - Chair

16 March 2021

REVIEW OF OPERATIONS AND ACTIVITIES

During the six-month period ended 31 December 2020 (the “Half Year” or “HY”), Agua continued advancing key activities to progress the Três Estradas Phosphate Project (**TEPP**) into production. These activities including the environmental programs necessary for the granting of the Installation Licence (LI), advancing the detailed engineering for the project and testing the agronomic efficiency of the products that will be produced in the project. Also, a Scoping Study on the Andrade Copper Project is being prepared and a bench-scale metallurgical test is being conducted on two samples from the Andrade Copper Deposit. Both projects are located in the state of Rio Grande do Sul in Southern Brazil.

Três Estradas has Final Exploration Report approved and Bankable Feasibility Study released

In August 2020, the Brazilian Mining Agency (ANM) approved Agua's Final Exploration Report (RFP) for mineral properties 810.091/1990 and 810.325/2012, which cover all the phosphate mineralisation for the TEPP. The approval of the RFP is the last requirement before the submission of the Economic Assessment Plan (PAE) with the ANM.

On 26 October 2020, Agua filed the PAE with the ANM. Under Brazilian Mining Law, the PAE should demonstrate both the economic viability of the project as well as the Company's financial capacity to implement it. The PAE was the last report that needed to be filed with ANM and is a requirement for the issuing of the Mining Permit by ANM, which is necessary for the granting of the Installation Licence by the Rio Grande do Sul State Environmental Agency (FEPAM). The Installation Licence application was submitted on 14 January 2021.

On 16 December 2020, an independent Bankable Feasibility Study (**'BFS'**) for the TEPP was released. The BFS is based on the production of environmentally friendly Natural Phosphate Fertiliser products (**'DANF'**) through the mining of only saprolite from the TEPP (the **'Deposit'**). This is an attractive option due to the high natural P₂O₅ grade in the oxidised ore (saprolite) (8.8% P₂O₅ on average) in the deposit. It highlights the project's positive economics and the simple, low-cost mining and processing, required to produce a Natural Phosphate Fertiliser.

The BFS was conducted by specialised independent mineral consulting firm GE21 Consultoria Mineral LTDA (**'GE21'**) in Brazil. The Senior Staff and Directors of GE21 have over 30 years of experience supporting mining companies in Brazil across the entire mining cycle. Their clients include ASX, LSE, AIM and TSX listed companies. The team is composed of senior geologists and engineers who possess consolidated and specialised multi-disciplinary knowledge in several fields of Geosciences, Mining and Process Engineering, Computer Science, and Geotechnologies. GE21 look to maximise the interaction between the various specialities to provide the highest quality of work.

The BFS is compliant with JORC (2012) for the Mineral Resources and Reserves of the TEPP. The BFS includes pit optimisation and design, mine scheduling, project infrastructure, metallurgical tests, market studies, CAPEX and OPEX estimates, and an economic analysis based on a Mineral Resource of 5.02Mt at 8.8% P₂O₅ which represents the oxidised ore portion of the Deposit.

BFS Highlights:

- The mining of only high-grade oxidised ore (saprolite) to produce a Natural Phosphate Fertiliser.
- Initial CAPEX of A\$8.11 million with contingency and a Post-Tax NPV of A\$70.4 million at an 8% Discount Rate¹
- An IRR of 61% and fast payback of 2.6 years.
- Low OPEX of A\$11.00/tonne of Natural Phosphate Fertiliser consisting of:
 - Mining – A\$4.56/tonne
 - Processing – A\$1.80/tonne
 - Sales, General and Administrative – A\$4.64/tonne
- Open-pit truck and shovel mining operation with a very low strip ratio of 0.50:1.00 (t/t waste to ore) for an 18-year life of mine
- Extremely simple production.
- No tailings dam or use of water resources in the production process. Very environmentally friendly.
- The Rio Grande do Sul market is currently 100% dependent on imported phosphate. After the ramp-up period the TEPP annual production of 291,000 tonnes of Natural Phosphate Fertiliser will be equal to approximately 12% of the existing demand for this nutrient in a 300km radius of the mine site.

Agronomic Trials

As previously reported in the June 2020 Quarterly Report, Agua has engaged Integrar Gestão e Inovação Agropecuária (Integrar), a renowned independent agronomic consulting firm located in southern Brazil, to conduct a series of agronomic efficiency tests on the Três Estradas natural phosphate fertiliser as a source of phosphorous (P) for crops. Two types of processed ore from the TEPP are being used in the agronomic tests, carbonatite saprolite (CBTSAP) and amphibolite saprolite (AMPSAP).²

The agronomic performance tests determine how efficiently the P-nutrient is delivered to the soil and then to the crop. Following the completion of Test #1 in the previous reporting period, Test #2 is currently ongoing at Integrar's Agronomic Station located in Capivari do Sul RS and will evaluate three successive crops (corn, wheat and soybean) to determine the reactivity and availability of the P-nutrient from CBTSAP and AMPSAP to the plants, and to determine its agronomic value. Test # 2 commenced in late December 2019 on corn, the 2019/2020 summer crop, and was followed by wheat in the 2020 winter crop and finally soybean in the 2020/2021 summer crop. The corn plants were harvested in May, and the wheat then seeded in early June. The results of the test on the 2019/2020 corn crop were announced on 9 July 2020.

Test #2 consists of 16 distinct agronomic treatments listed in Table 01. The treatments consist of different sources of phosphate for comparison purposes, including conventional phosphate fertilisers such as Super-simple Phosphate (SSP), Triple Superphosphate (TSP), Monoammonium Phosphate (MAP), and Natural Phosphate from Morocco (NP). Treatments with distinct quantities of our DANF products (CBTSAP and AMPSAP), a combination of CBTSAP and AMPSAP with MAP, and a phosphate solubiliser known as BiomaPhos was also tested. In Test #2, the nutrient sources were incorporated into the soil in the pots. The test was replicated four times with the sequence of blocks randomised for each treatment.

The application rate of the nutrients in each treatment was as follows:

- Nitrogen (N): 20 kg/ha of N in treatments T2 to T16. In treatments T12 to T16, the content of N in MAP was discounted from this amount.
- Potassium (K): 200 kg/ha of KCl (Potassium Chloride) in treatments T2 to T16;
- Phosphate dosage P1: 50 kg/ha of P₂O₅;
- Phosphate dosage P2: 100 kg/ha of P₂O₅;

¹ Land Acquisition costs (approximately A\$2.22m) are not included in the BFS analysis as it is a deferred cost.

² CBTSAP is the acronym for the saprolite of the carbonatite which is Três Estradas' higher-grade natural phosphate fertiliser grading about 10% P₂O₅. CBTSAP is our main product as it represents more than 80% of the resource. The AMPSAP is the acronym for saprolite of Amphibolite which is a relatively lower-grade natural phosphate fertiliser grading on average 4.5% P₂O₅ and represents about 17% of the Três Estradas resource.

- In treatment T2, a dosage of 150 kg/ha N was applied in urea form.

Treatment	Dosage	Sources of P
T1	Control	No source of N, P and K applied
T2	N+K	No source of P applied
T3	N+K+P1	CBTSAP
T4	N+K+P1	CBTSAP + BiomaPhos (phosphorus solubilizer)
T5	N+K+P2	CBTSAP
T6	N+K+P1	AMPSAP
T7	N+K+P1	AMPSAP+ BiomaPhos (phosphorus solubiliser)
T8	N+K+P2	AMPSAP
T9	N+K+P1	Natural Phosphate Morocco (NP)
T10	N+K+P1	Triple Super Phosphate (TSP)
T11	N+K+P1	Simple Super Phosphate (SSP)
T12	N+K+P1	MAP
T13	N+K+P2	¼ via CBTSAP + ¾ via MAP
T14	N+K+P2	½ via CBTSAP + ½ via MAP
T15	N+K+P2	¼ via AMPSAP + ¾ via MAP
T16	N+K+P2	½ via AMPSAP + ½ via MAP

Table 01 – Summary of treatments on corn in pots.

Test #2 – Corn Productivity

The corn yield that resulted from each treatment is shown in Figure 01.

Treatment T15, the application of 100 kg/ha of P₂O₅ (25% AMPSAP and 75% MAP), resulted in the highest corn yield of all treatments with 71.8 g/pot. The corn yield in Treatment T8, the exclusive application of AMPSAP in the same dosage, resulted in a yield of 63.2 g/pot, equivalent to 88% of the highest corn yield and higher than the yields obtained from the conventional fertilisers NP (Treatment T9) 57.5 g/pot, TSP (Treatment T10) 60.3 g/pot, SSP (Treatment T11) 59.9 g/pot, and MAP (Treatment T12) 62.9 g/pot) in dosages of 50 kg/ha. Treatment T13, the application of 100 kg/ha of P₂O₅ (25% CBTSAP and 75% MAP) resulted in a yield of 65.3 g/pot, which represents 91% of the highest yield.

Treatment T7, the application of 50 kg/ha of P₂O₅ (50% AMPSAP and 50% BiomaPhos) resulted in a corn yield of 55 g/pot, equivalent to 92% of the yield of SSP (Treatment T11), 91% of TSP (Treatment T10), and 87% of MAP (Treatment T12). Treatment T5, the application of CBTSAP in a dosage of 100kg/ha, resulted in a yield of 41.7 g/pot, which corresponds to 72%, 70%, 69% and 66%, of the yields reached by NP, SSP, TSP and MAP, respectively.

The highest green mass productivity was registered in Treatment T8, the application of AMPSAP in a dosage of 100 kg/ha, resulting in 103.8 g/pot. The application of 100 kg/ha of P₂O₅ (25% AMPSAP and 75% MAP) resulted in 103.5 g/pot.

The green mass productivity of CBTSAP in a dosage of 50 kg/ha resulted in 95.2 g/pot, reaching a similar productivity level registered by NP (Treatment T9) 97.8 g/pot, and TSP (Treatment T10) 96.7 g/pot. The productivity of CBTSAP is equivalent to 95% of the productivity reached by MAP (Treatment T12) 100.2 g/pot, and surpassed the productivity registered using SSP (Treatment T11) 88.4 g/pot.

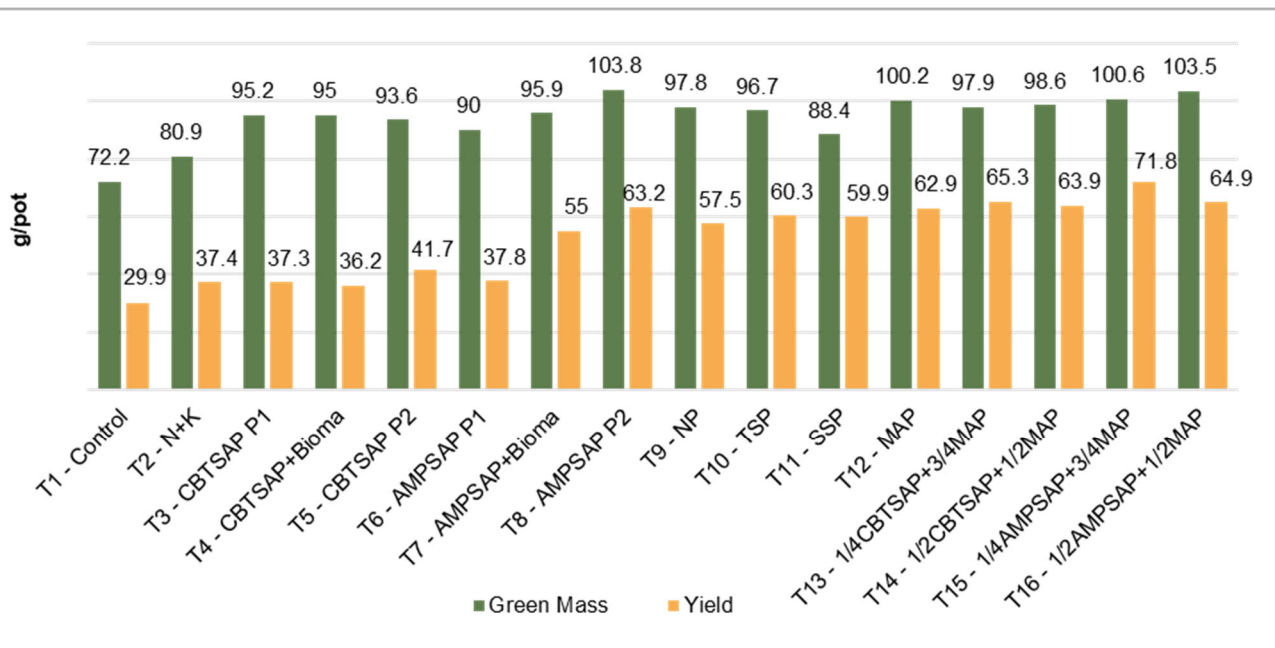


Figure 01 – Corn productivity from each treatment under Test #2. 2019/2020 harvest in Capivari do Sul, RS, Brazil.

The productivity results indicate that the corn plants can use the P nutrient from CBTSAP and AMPSAP applied to the soil, demonstrating a very positive agronomic efficiency. The expectation is that in a short period, the differences in productivity between the conventional phosphate fertilisers and CBTSAP and AMPSAP will reduce further or be negligible.

Test #2 – Phosphorus in the Soil

After the corn harvest, the 0 to 10 cm layer of the soil was sampled and assayed to determine the residual phosphorus (P) content (Figure 02).

The highest grade of P in the soil was found in Treatment T8 when AMPSAP was applied in a dosage of 100 kg/ha of P₂O₅, resulting in 30.6 mg/dm³ of P, followed by CBTSAP in the same dosage (Treatment T5) that returned 21 mg/dm³.

Comparing these treatments with a dosage of 50 kg/ha of P₂O₅, the residual P after the application of CBTSAP (Treatment T3) was 15.5 mg/dm³ and AMPSAP (Treatment T6) 17.2 mg/dm³, which are higher than levels of residual P after the application of SSP (Treatment T11) (13.2 mg/dm³) and MAP (Treatment T12) (12 mg/dm³). The AMPSAP reached a similar level to NP (Treatment T9) (17.3 mg/dm³).

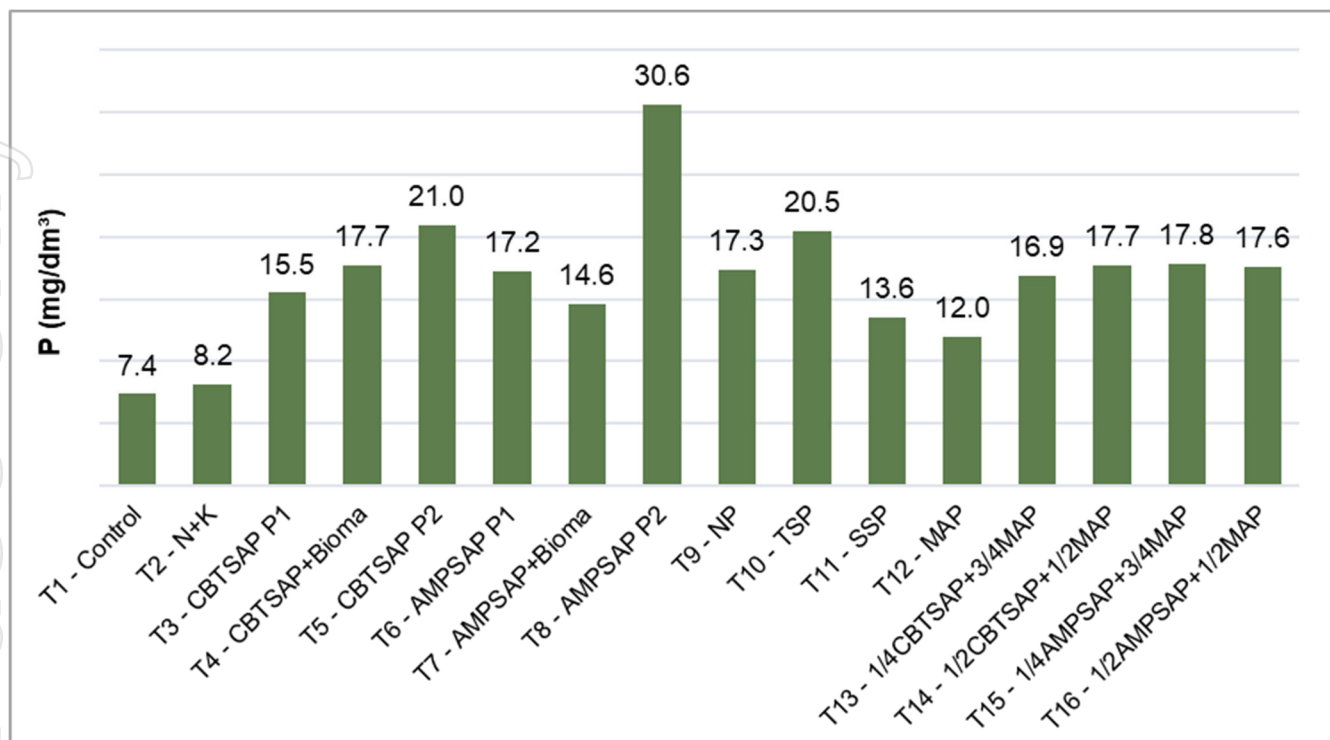


Figure 02 – Phosphorous grades in the 0 to 10 cm layer of soil after the corn harvest, for each treatment under Test #2. Harvest 2019/2020. Capivari do Sul, RS, Brazil.

The P grades in the soil after the application of CBTSAP and AMPSAP are significantly higher than the P grades found in soils with control treatment, where there is no addition of P, and in some cases exceeded the P levels of treatments with conventional fertilisers. The P grade in the soil after the application of AMPSAP in Treatment T8 was much higher than all other treatments followed by CBTSAP in Treatment T5, which illustrates the potential of the Três Estradas natural phosphate fertiliser.

Mato Grande Phosphate Project

The Mato Grande Phosphate Project is strategically located in an agricultural region, 90 km from the TEPP. The project consists of one granted exploration license covering a total area of 1,406.77 hectares.

Mato Grande is a carbonatite potential phosphate deposit discovered by Agua with grades up to 11.71 % P₂O₅ (according to the Press Release of 15 January 2018).

While there was no activity during the Half year, it is managements intention, that exploration continue for the Mata da Corda Phosphate Project once production for Tres Estradas Phosphate Project (TEPP) is established.

Lucena Phosphate Project

The Lucena Phosphate Project comprises of 45 tenements and applications for 268.1km² and contains an initial JORC compliant Inferred Mineral Resource of 55Mt grading 6.42% P₂O₅ in the state of Paraiba in north eastern Brazil. A feature of the Lucena tenement is outcropping limestone, which is a potential commercialisation opportunity given the presence of a number of cement plants in the region. While there was no activity during the Half year, it is managements intention, that exploration continue for the Lucena Phosphate Project once production for Tres Estradas Phosphate Project (TEPP) is established.

Mata da Corda Phosphate Project

While there was no activity during the Half year, it is managements intention, that exploration continue for the Mato Grande Phosphate Project once production for Tres Estradas Phosphate Project (TEPP) is established.

Andrade Copper Project

Agua contracted GE21 to prepare a Technical Report and a Scoping Study, both compliant with the JORC Code (2012), that provide an update of Mineral Resources and Mineable Resources of the Andrade Copper Deposit. This Study includes pit optimization and design, mine scheduling, capital expenditure (CAPEX), operational expenditure (OPEX) estimates, and an economic analysis based on the production of Metallic Copper and/or Copper Sulphate from a Mineral Resource of 10.8Mt at 0.56% Cu. On 9 March 2021, the Company released the Scoping Study along with an upgrade of the Resource Estimate for the Andrade Coper Deposit.

During Q3 2020, the company filed the Economic Assessment Plan (PAE) for the Andrade Copper Project with the Brazilian Mining Agency (ANM). PAE approval is mandatory for the granting of a mining permit.

Two bulk samples from Andrade's high and low-grade copper ore were sent for testing at the Hydrometallurgy Centre of Excellence (HCE) of ALS Minerals in Perth, Western Australia. These samples were collected from the 1/4 part of the core samples from drill holes at the Andrade Deposit and total 20 kilograms each, compositing low and high-grade, 0.63% Cu and 2.00% Cu, respectively, the samples contain chalcocite as the main copper mineral.

The samples are being submitted to hydrometallurgical tests to determine copper and silver recovery in different sulfuric acid leaching conditions, as well as testing grain-size distribution and chemistry to guide further crushing and grinding methods and costs. These tests are underway with interim results released on 16 February 2021. They will be concluded during the March 2021 Quarter and announced to the market. This test work will produce recovery data to support the ongoing Scoping Study.

CORPORATE ACTIVITY

On 27 August 2020, Agua advised that effective 1 July 2020, the number of Agua securities owned either directly or indirectly by residents of Canada does not exceed 10% of securities on issue in the Company on a fully diluted basis and that as such, Agua qualifies as a "Designated Foreign Issuer" as defined in Canadian National Instrument 71-102. Agua remains subject to all regulatory requirements of the Australian Securities Exchange (ASX) and the Australian Securities and Investments Commission (ASIC).

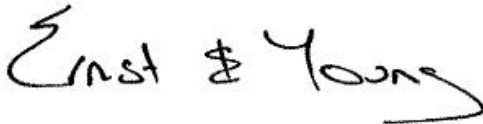
On 4 December 2020, Dr. David Carland (Ph.D. (Econometrics); M.Ec.; B.Ec. (Hons); MAICD) was appointed to the Board of the Company as a Non-Executive Director. David is the Non-Executive Chairman of ASX listed Rex Minerals Limited ('Rex') (ASX: RXM), a position he has held for the last seven years. Rex is developing the Hillside copper project in South Australia and the Hog Ranch gold project in Nevada, USA. He has previously been a Non-Executive Director of ASX listed companies Polymetals Mining Limited and Indophil Resources NL. With over 40 years of investment banking and commercial experience in both the private sector and government, David is the Executive Director of Australian Resources Development Limited, a company focused on the provision of specialised advice and assistance on the structuring, financing, and development of energy and resource projects.

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

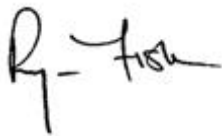
As lead auditor for the review of the half-year financial report of Aguia Resources Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Ryan Fisk
Partner
16 March 2021

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Agua Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

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	Note	Consolidated	
		6 months ended 31 December 2020 \$	6 months ended 31 December 2019 \$
Other Income	10	45,276	3,166
Expenses			
Employee benefits expense		(17,623)	(108,022)
Legal & professional		(41,925)	(168,179)
Depreciation and amortisation expense		(1,929)	(6,870)
Corporate expense		(292,124)	(663,928)
Business development		(106,230)	(319,925)
Share-based payments		(240,849)	(17,457)
Administration expense		(92,351)	(391,106)
Movement in fair value of financial derivatives		-	20,323
Loss before income tax expense		(747,755)	(1,651,998)
Income tax expense		-	-
		(747,755)	(1,651,998)
Loss after income tax expense for the half-year attributable to the owners of Agua Resources Limited		(747,755)	(1,651,998)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,263,927)	(3,779,298)
Other comprehensive income for the half-year, net of tax		(1,263,927)	(3,779,298)
Total comprehensive loss for the half-year		(2,011,682)	(5,431,296)
Attributable to;			
Equity Holders of Agua Resources		(747,755)	(5,431,296)
Non-Controlling Interests		-	-
		Cents	Cents
Basic earnings per share		(0.29)	(0.78)
Diluted earnings per share		(0.29)	(0.78)

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

Assets

Current assets

	Note	31 December 2020 \$	30 June 2020 \$
Cash and cash equivalents	4	1,844,524	3,070,249
Trade and other receivables		14,689	9,905
Other assets		54,630	32,693
Total current assets		1,913,843	3,112,847

Non-current assets

Property, plant and equipment	5	117,510	32,994
Exploration and evaluation	6	31,376,990	32,048,624
Total non-current assets		31,494,500	32,081,618

Total assets

33,408,343 **35,194,465**

Liabilities

Current liabilities

Trade and other payables	7	645,487	660,776
Total current liabilities		645,487	660,776

Total liabilities

645,487 660,776

Net assets

32,762,856 **34,533,689**

Equity

Issued capital	8	114,204,935	114,045,470
Reserves	9	(11,753,159)	(10,570,616)
Accumulated losses		(69,688,920)	(68,785,948)
Non-Controlling interest		-	(155,217)

Total equity

32,762,856 **34,533,689**

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

Agua Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2020

AGUIA

Consolidated	Ordinary shares	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2019	104,675,564	(2,529,484)	(66,215,373)	35,930,707
Loss after income tax expense for the half-year	-	-	(1,651,998)	(1,651,998)
Other comprehensive income for the half-year, net of tax	-	(3,779,298)	-	(3,779,298)
Total comprehensive income for the half-year	-	(3,779,298)	(1,651,998)	(5,431,296)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,123,897	75,859	-	6,199,756
Lapse of share options	-	(172,898)	172,898	-
Share-based payments	-	17,457	-	17,457
Balance at 31 December 2019	<u>110,799,461</u>	<u>(6,388,364)</u>	<u>(67,694,473)</u>	<u>36,716,624</u>

Consolidated	Ordinary shares	Reserves	Accumulated losses	Non-Controlling Interest	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2020	114,045,470	(10,570,616)	(68,785,948)	(155,217)	34,533,689
Loss after income tax expense for the half-year	-	-	(747,755)	-	(747,755)
Recognised as a controlled interest	-	-	(155,217)	155,217	-
Other comprehensive income for the half-year, net of tax	-	(1,263,927)	-	-	(1,263,927)
Total comprehensive income for the half-year	114,045,470	(11,834,543)	(69,688,920)	-	32,522,007
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 8)	-	-	-	-	-
Share-based payments (note 14)	154,465	81,384	-	-	235,849
Balance at 31 December 2020	<u>114,204,935</u>	<u>(11,753,159)</u>	<u>(69,688,920)</u>	-	<u>32,762,856</u>

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

Agua Resources Limited
Statement of cash flows
For the half-year ended 31 December 2020

AGUIA

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,019,947)	(2,624,913)
Interest received	2,732	3,166
Net cash used in operating activities	<u>(1,017,215)</u>	<u>(2,621,747)</u>
Cash flows from investing activities		
Purchase of Fixed Assets	(76,590)	-
Payments for exploration and evaluation	(103,867)	(1,804,093)
Net cash used in investing activities	<u>(180,457)</u>	<u>(1,804,093)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	6,630,244
Share issue transaction costs	-	(430,488)
Net cash from financing activities	<u>-</u>	<u>6,199,756</u>
Net increase/(decrease) in cash and cash equivalents	(1,197,672)	1,773,916
Cash and cash equivalents at the beginning of the financial half-year (Note 4)	3,070,249	55,498
Effects of exchange rate changes on cash and cash equivalents	(28,053)	(16,281)
Cash and cash equivalents at the end of the financial half-year (Note 4)	<u><u>1,844,524</u></u>	<u><u>1,813,133</u></u>

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

Note 1. General information

The financial report consists of financial statements, notes to the financial statements and the directors' declaration.

Agua Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 12, 680 George Street
Sydney NSW 2000

Principal place of business

Rua Dr. Vale nº 555, Sala 406,
Bairro Moinhos de Vento
CEP.: 90560-010, Porto Alegre, RS.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$747,755 (2019: \$1,651,998) and net cash outflows from operating and investing activities of \$1,197,672 (2019: \$4,425,841) for the half-year ended 31 December 2020.

Note 2. Significant accounting policies (continued)

The consolidated entity has not generated significant revenues from operations. Based on the cash flow forecasts, the Board is aware of the Group's need to access additional working capital in the future in order to progress its projects.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to pay its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Group has the capacity to manage its activities in the short term to minimise its funding requirements.
- The Directors regularly monitor the Group's cash position and, on an on-going basis, consider capital raisings or other methods to ensure that adequate funding continues to be available.
- The Group's history of being able to raise funds when required.
- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due

In the event the consolidated entity is unsuccessful in achieving the above, there is a material uncertainty that may cast significant doubt as to whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment being mining and exploration in Brazil. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM comprises mainly direct exploration expenditure in assessing performance and allocation of resources and as such no segment result or segment revenues are disclosed. All the company's non-current assets (including exploration assets) are held in Brazil.

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

Note 4. Current assets - cash and cash equivalents

Cash at bank

Consolidated	
31 December 2020	30 June 2020
\$	\$
1,844,524	3,070,249

Note 5. Property, Plant and Equipment

	Property, Plant and Equipment
	31 December 2020 \$
Consolidated	
Balance at 1 July 2020	32,994
Additions	86,445
Depreciation	(1,929)
Balance at 31 December 2020	<u>117,510</u>

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Consolidated		
Brazilian Phosphate project - at cost	41,236,879	41,891,765
Less: Impairment	(12,660,637)	(12,660,637)
	<u>28,576,242</u>	<u>29,231,128</u>
Brazilian Copper project - at cost	2,800,748	2,817,496
Less: Impairment	-	-
	<u>2,800,748</u>	<u>2,817,496</u>
	<u>31,376,990</u>	<u>32,048,624</u>

	Exploration and Evaluation \$
Consolidated	
Balance at 1 July 2020	32,048,624
Additions- Expenditure during the year	166,012
Exchange differences	(837,646)
Balance at 31 December 2020	<u>31,376,990</u>

Note 7. Current liabilities - trade and other payables

Consolidated

Trade payables
Accrued expenses
Other payables

Consolidated	
31 December	
2020	30 June 2020
\$	\$
569,034	491,306
69,738	118,078
6,715	51,392
<u>645,487</u>	<u>660,776</u>

Note 8. Equity - issued capital

Ordinary shares - fully paid

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Consolidated			
31 December		31 December	
2020	30 June 2020	2020	30 June 2020
Shares	Shares	\$	\$
<u>280,601,741</u>	<u>277,365,126</u>	<u>114,204,935</u>	<u>114,045,470</u>

Note 9. Equity - reserves

Consolidated

Foreign currency reserve
Share-based payments reserve
Capital contribution reserve

Consolidated	
31 December	
2020	30 June 2020
\$	\$
(17,112,120)	(15,848,193)
5,276,776	5,195,392
82,185	82,185
<u>(11,753,159)</u>	<u>(10,570,616)</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Capital contribution reserve

This reserve records the capital contribution arising from unrecognised interest due to non-arm's length interest rate at 1% of the \$1 million loan with Forbes Empreendimentos Ltda, a company associated with three of its current/former directors.

Note 9. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Capital contribution	Share-based payment reserve	Foreign currency reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2020	82,185	5,195,392	(15,848,193)	(10,570,616)
Foreign currency translation	-	-	(1,263,927)	(1,263,927)
Share-based payments during the period	-	81,384	-	81,384
Balance at 31 December 2020	<u>82,185</u>	<u>5,276,776</u>	<u>(17,112,120)</u>	<u>(11,753,159)</u>

Note 10. Other Income

Other Income includes the Australian Governments' Cash Boosting Incentive paid to Agua Resources Limited. This is a temporary cash flow boost to support small and medium businesses and not-for-profit organisations during the economic downturn associated with COVID-19. In order to be eligible, the Company was required to be a small to medium sized entity and making payments to employees subject to withholding tax.

Note 11. Equity - dividends

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

Note 12. Key management personnel disclosures

Directors

The following persons were directors of Agua Resources Limited during the financial half-year:

Christine McGrath	Non-Executive Chair
Fernando Tallarico	Managing Director
Martin McConnell	Non-Executive Director
David Carland	Non-Executive Director (appointed 4 December 2020)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Short-term employee benefits	175,865	455,242
Share-based payments	231,384	17,457
	<u>407,249</u>	<u>472,699</u>

Note 13. Events after the reporting period

On 29 January 2021, Mr Nicholas Donlon was appointed Company Secretary following the resignation of Ms Sarah Prince.

No other matters or circumstance have arisen since 31 December 2020 that have 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 14. Earnings per share

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Loss after income tax attributable to the owners of Agua Resources Limited	(747,755)	(1,651,998)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	257,784,518	211,729,249
Weighted average number of ordinary shares used in calculating diluted earnings per share	257,784,518	211,729,249
	Cents	Cents
Basic earnings per share	(0.29)	(0.78)
Diluted earnings per share	(0.29)	(0.78)

Note 15. Share-based payments

On 20 December 2020, the Company issued 7,000,000 unlisted share options, with an exercise price of 10 cents and an expiration date of 20 November 2025 to the directors of the Company. These options will vest, depending on the satisfaction of KPI's related to the construction and subsequent opening of the TEPP Mine. All Key Management Personnel voluntarily surrendered the options granted at the prior AGM as the vesting conditions were not aligned to company's strategy.

The issuance of the 7,000,000 unlisted share options has been treated as a modification of the previous options for accounting and reporting purposes. A total of \$81,384 has been recognised in the profit or loss as share-based payments for the six-month period ended 31 December 2020.

Note 16. Related party transactions

Parent entity

Agua Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Key management personnel

Disclosures relating to key management personnel are set out in note 12 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

Payment for goods and services:

Payment to Australian Resources Development Limited, a company controlled by NED

David Carland, for consulting work.

Payment to Brooke McConnell, daughter of NED Mr Martin McConnell, for redesign of the Agua website and corporate presentation.

Consolidated	
31 December 2020	31 December 2019
\$	\$
13,860	-
16,000	-
29,860	-

Note 17. Commitments

The consolidated entity does not have any significant commitments as at 31 December 2020 other than those already been disclosed in the financial statements.

Note 18. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2020 %	31 December 2019 %
Agua Mining Pty Ltd	Australia	100.00%	100.00%
Agua Phosphates Pty Ltd	Australia	100.00%	100.00%
Agua Copper Pty Ltd	Australia	100.00%	100.00%
Agua Potash Pty Ltd	Australia	100.00%	100.00%
Agua Metais Ltda	Brazil	100.00%	100.00%
Potassio do Atlantico Ltda	Brazil	100.00%	100.00%
Agua Rio Grande Mineracao Ltda	Brazil	100.00%	100.00%
Agua Fertilizantes S.A.*	Brazil	49.00%	49.00%

* Controlled by the parent entity through the shareholder agreement between BS1 and Agua Rio Grande Mineração Ltda, along with the employment terms of Fernando Tallarico, the sole shareholder of BS1. The group, per the arrangements in place, has a beneficial interest of 100%, as at the reporting date.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 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



Christina McGrath - Chair

16 March 2021

Independent auditor's review report to the members of Aguia Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Aguia Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

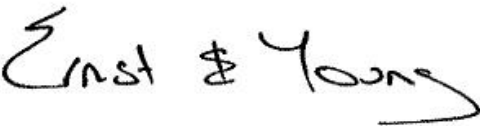
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

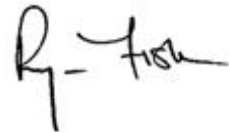
significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Ernst & Young



Ryan Fisk
Partner
Sydney
16 March 2021

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