

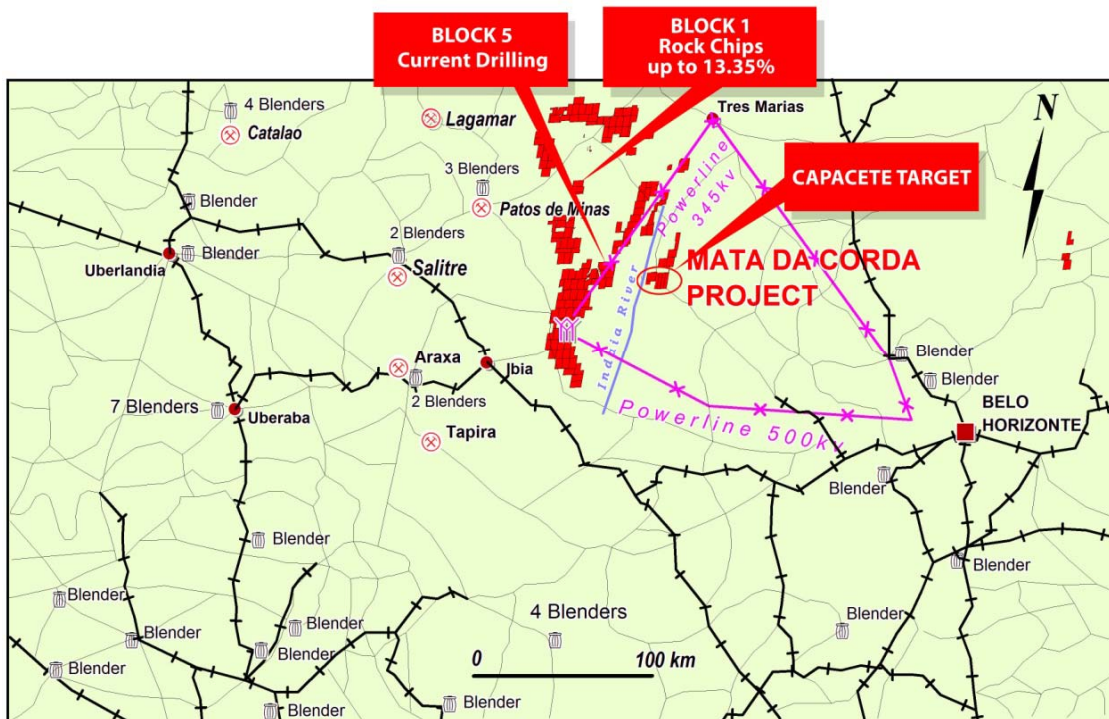


ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 5<sup>th</sup> NOVEMBER 2010

**INITIAL DRILLING AT CAPACETE DELIVERS ENCOURAGING RESULTS.  
DRILL RIG MOBILISED TO TEST LARGE BLOCK 5 TARGET AT MATA DA  
CORDA PHOSPHATE PROJECT, BRAZIL**

**Highlights:**

- *Fourteen wide spaced first pass holes tested the Capacete Target over a 2.3 kilometre strikelength. Assays from first seven holes have now been received.*
- *Drilling at Capacete has intersected narrow high grade intervals of up to 11.15%  $P_2O_5$  within wider zones of low grade phosphate mineralisation.*
- *The grade of the narrow intervals is comparable to operating phosphate mines in close proximity to the project.*
- *These early results highlight the area's potential to host a near surface phosphate deposit in close proximity to infrastructure, primary agriculture customers and fertilizer blenders.*
- *Surface rock chip sampling at Block 5 has returned grades of up to 13.01% and 11.84%  $P_2O_5$  within a large 8 kilometre long target with encouraging host rock thicknesses of up to 100 metres.*
- *The drilling rig has mobilised to commence drilling at Block 5 to build on the encouraging first pass results from the Capacete Target.*



**Figure 1: Location of the Mata da Corda Project relative to operating phosphate mines, major fertilizer bulk blenders, infrastructure and location of drilling at Block 5.**

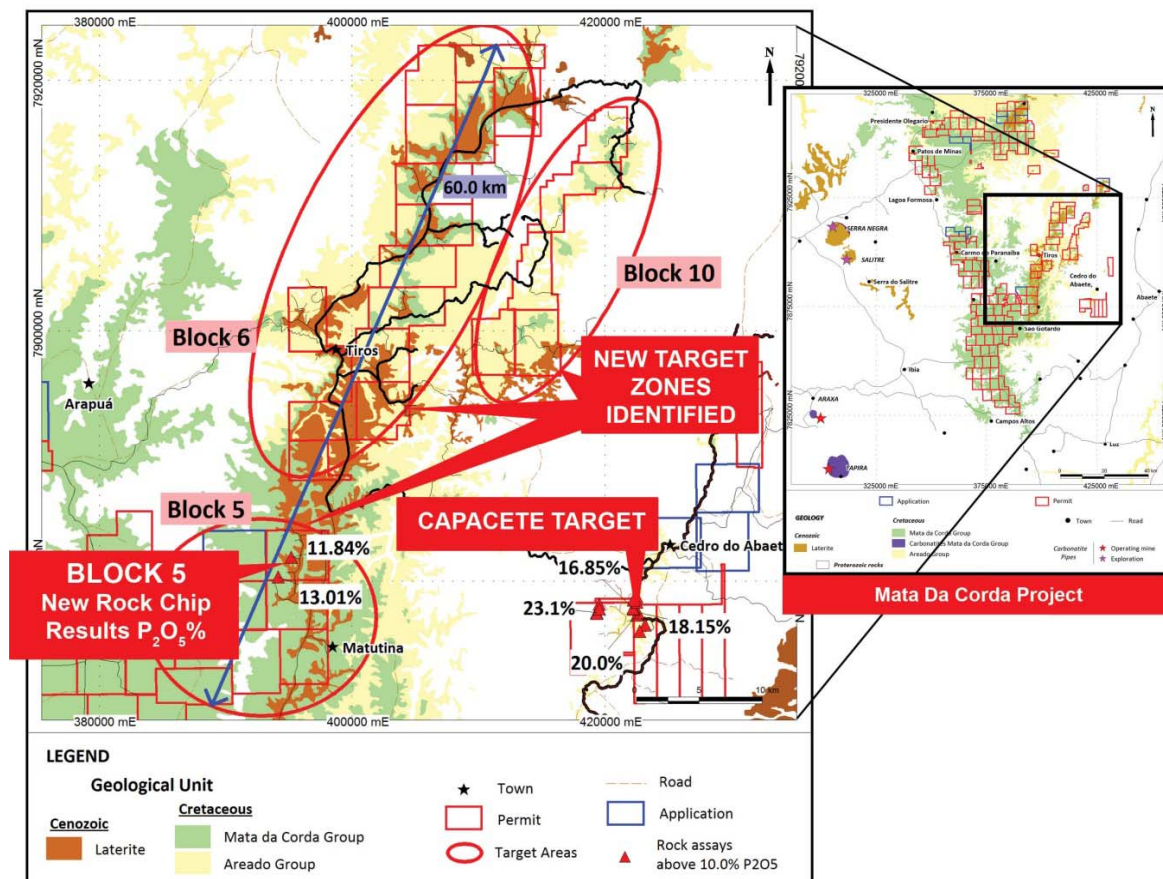
The Board of Agua Resources Limited (“**Agua**” or “**Company**”) is pleased to announce the first drilling results from its regional land holding at the Mata da Corda Phosphate Project (“**MCCP**”) located in the state of Minas Gerais, Brazil (Figure 1).

The first results from the Capacete Target highlight the prospective nature of the MCCP to host a near surface phosphate deposit. The results validate the large aggressive ground acquisition program completed in June 2010 of approximately 300,000 hectares.

*“The first drilling results from our large landholding are encouraging in that they confirm that phosphate mineralisation occurs in the target host rocks and it is now our intention to continue drill testing the various prospects where we have discovered outcropping surface phosphate mineralisation,” said Mr Simon Taylor, Managing Director of Agua Resources. “We are encouraged by the fact that drilling intersected soft weathered material of low grade with higher grades reported from fresher samples. At Block 5 where we will commence first pass drilling we have identified much thicker packages of up to 100 metres containing favourable host rock with the potential for higher grades and widths.”*

A total of 7 holes are now planned for Block 5 testing thicker packages of host rocks with the potential for wider intervals of higher grade.

Further updates will be provided as drilling results become available.



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## Capacete Drilling Results

Fourteen wide spaced holes tested the Capacete Target over a 2.3 kilometre strikelength. Assays from the first seven holes have now been received.

Narrow high grade intersections up to 11.15% P<sub>2</sub>O<sub>5</sub> were intersected within broader zones of low grade phosphate mineralisation up to 20 metres wide.

Highlights are summarised in Table 1 and the full results are presented at the end of this report.

Interpretation of rock texture and mineralogy together with whole rock assays indicate that weathering plays a critical role in redistributing phosphate along the profile. The upper portion includes an iron-rich saprolite which is depleted in phosphate, whereas the lower portion of the weathering profile includes the least altered and higher grade epiclastic rocks.

Best results are shown in Table 1 below with a full summary at the end of this report.

Hole_Number	Metres @ % P <sub>2</sub> O <sub>5</sub>
MCD-10-001	19.60m @ 2.61% P <sub>2</sub> O <sub>5</sub> (from surface), Including:
	10.05m @ 3.31% P <sub>2</sub> O <sub>5</sub> (from 1.70m), Including:
	2.15m @ 5.84% P <sub>2</sub> O <sub>5</sub> (from 7.35m) (Capacete) and
	<b>0.86m @ 11.15% P<sub>2</sub>O<sub>5</sub></b> (from 33.73m) (Areado)
MCD-10-002	<b>0.78m @ 10.85% P<sub>2</sub>O<sub>5</sub></b> (from 29.72m) (Areado)
MCD-10-003	6.60m @ 3.23% P <sub>2</sub> O <sub>5</sub> (from 7.45m) (Capacete)
MCD-10-004	10.60m @ 3.33% P <sub>2</sub> O <sub>5</sub> (from 6.50m), Including:
	<b>2.10m @ 6.08% P<sub>2</sub>O<sub>5</sub></b> (from 9.90m) (Capacete)
MCD-10-005	4.25m @ 4.64% P <sub>2</sub> O <sub>5</sub> (from 6.45m), Including:
	<b>1.95m @ 7.13% P<sub>2</sub>O<sub>5</sub></b> (from 8.75m) (Capacete)
MCD-10-006	11.00m @ 2.34% P <sub>2</sub> O <sub>5</sub> (from 0.0m) (Capacete)
MCD-10-007	<b>15.00m @ 4.57% P<sub>2</sub>O<sub>5</sub></b> (from 37.0m), Including:
	<b>4.0m @ 6.06% P<sub>2</sub>O<sub>5</sub></b> (from 48.0m)

**Table 1: Summary of significant drilling results**

These results are encouraging with respect to comparable grades of operating phosphate mines within Brazil, some of which are located within 100 kilometres of the MCCP Project.

As can be seen in the Table 2 below the selected deposits have an average grade of 9.0% P<sub>2</sub>O<sub>5</sub> and are profitable due to their close proximity to markets and favourable mineralogy enabling beneficiation to a saleable product.

Company	Project	Status	Type	Resource (Mt)	Reserve (Mt)	Aver. Grade P <sub>2</sub> O <sub>5</sub> (%)	P2O5 Concentr.	Production Capacity (ktpy)	
				(A)	(B)		(C)	(C)	
Fosfertil / Vale	Tapira	Operating	Carbonatite		1,309.2	7.69	35.5	2,030	
Copebrás / Anglo	Ouvidor	Operating	Carbonatite		256.7	7.63	38.0	1,300	
Vale	Araxá	Operating	Carbonatite		88.7	11.12	35 / 33	910	
Fosfertil / Vale	Catalao	Operating	Carbonatite		223.6	8.96	36 / 34	1,209	
Vale	Cajati	Operating	Carbonatite		85.1	5.45	36.0	528	
Fosfertil / Vale	Patos	Operating	Metasediments		304.6	12.36	24.0	150	
Fosfertil / Vale	Salitre	Implementation	Carbonatite	852.0		10.74	-	1,600 forecast	
Vale	Anitápolis	Implementation	Carbonatite	54.0		9.01	-	300 forecast	
MBAC	Itafós	Operating	Metasediments		44.0	5.39	28 / 30	50	<(F)
Yara	Sillinjärvi - Finland	Operating	Carbonatite	470.0		4.5	36	850	<(E)
AVERAGE BRAZILIAN P2O5 GRADE DEPOSITS >						9.0%			

#### Sources:

(A) > Resource and Grades: Salitre - DNPM 1975 / Anitápolis: , DOU 1980 (DOU = Official Diary of Brazil)

(B) > Reserve and Grades: DNPM 2006 Mineral Annuary

(C) > Concentratio/ Production: ANDA Annuary 2008

(D) > Major phosphate rock producer by Bete, Inc for Cargill Fertilizer, Inc 1998. Values updated to 2010 including exchange variation and inflation o

(E) > Sillinjärvi data: Phosphate Production Cost Profile Report - EuroChem Trading. Resource data: Phosphate deposits of the world - A.J.G Notholt

(F) > BMO - MBAC Report Figures April 2010 and Website Info Sep/2010

**Table 2: Brazilian Phosphate deposits**

## Drilling – Block 5

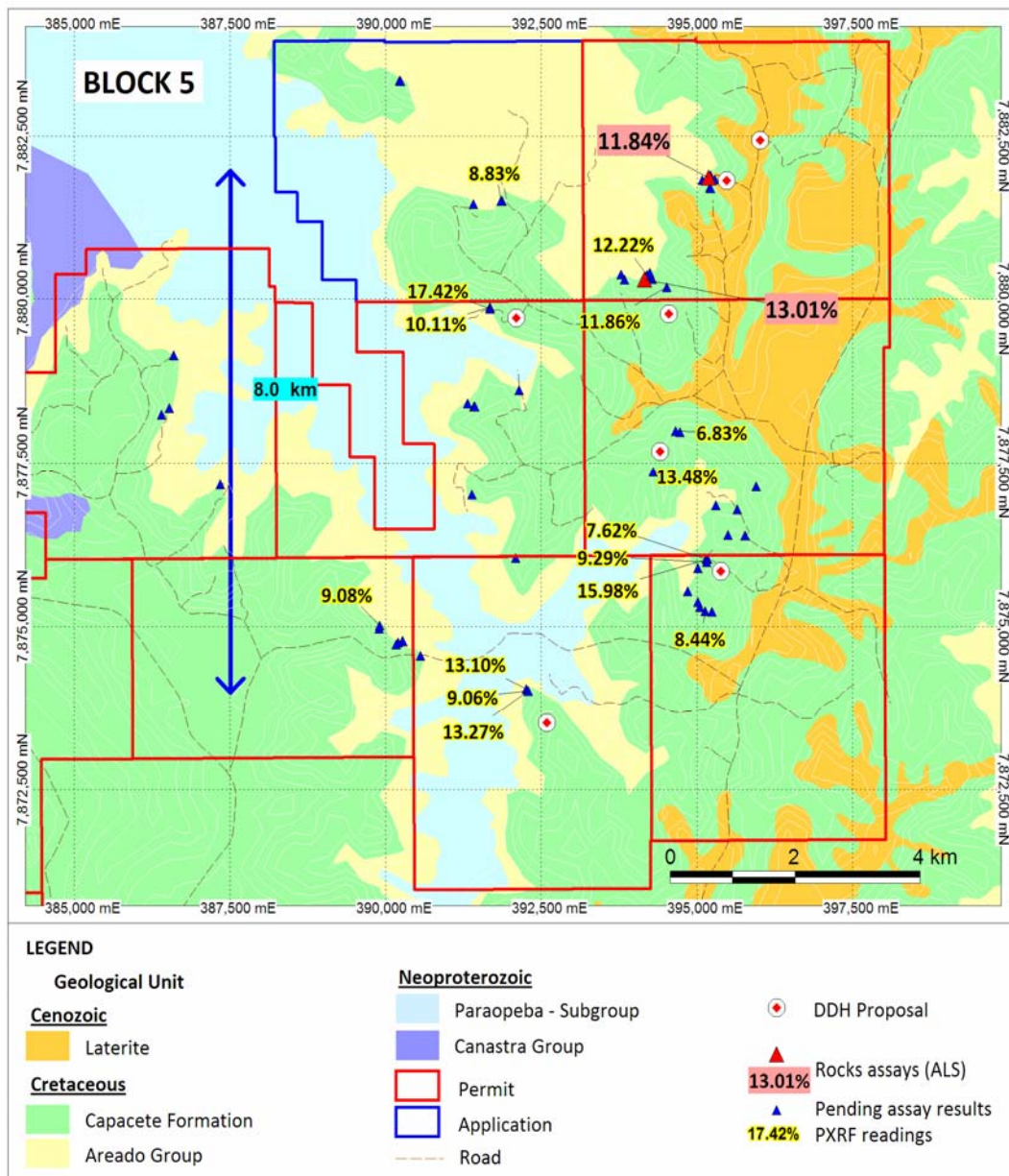
The Company has retained the services of the diamond drilling rig that has now mobilised to Block 5.

Seven wide spaced holes for a total of 700 metres are planned to test the large target zone that extends for over 8 kilometres north-south and up to 6 kilometres in an east-west direction as shown in Figure 3. This includes surface rock chip sampling that has returned grades of up to 13.01% and 11.84% P<sub>2</sub>O<sub>5</sub>.

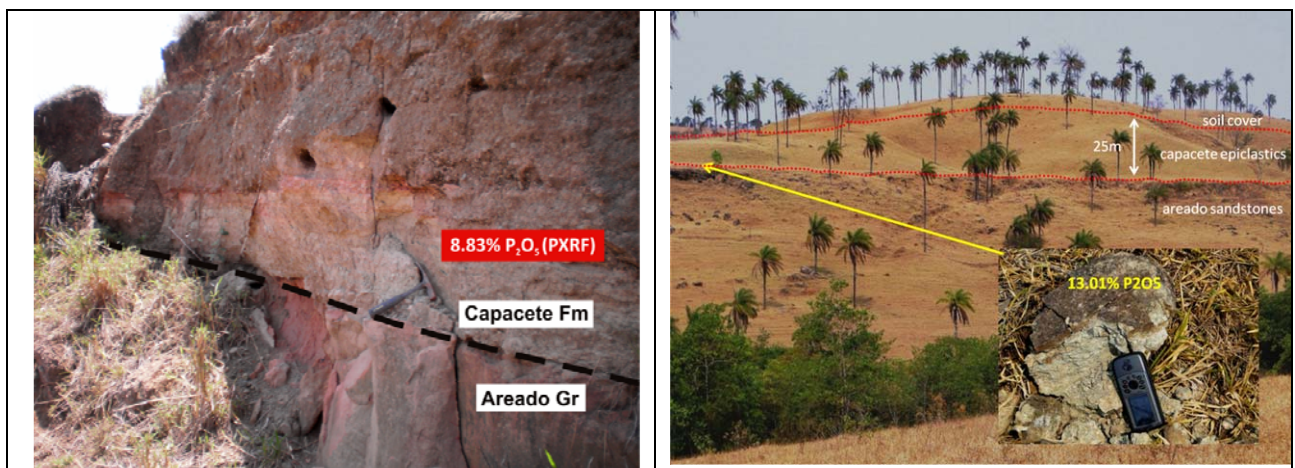
The drilling will test for thicker packages of potentially fresher host rocks. As noted earlier, interpretation of rock texture and mineralogy indicates weathering plays a role with the lower portion of the weathering profile containing the least altered and higher grade phosphate mineralisation within the epiclastic host rocks.

The Company will update the market on drilling progress when results become available.





**Figure 3: Block 5, Showing the large as yet untested target, proposed drill holes, surface rock chip results from assays and PXR (portable XRF readings).**



**Figure 4: Left epiclastics outcrop in Block 5, contact between Areado sandstone and Capacete conglomerate; Right: Grab sample - returned 13.01%  $P_2O_5$  assay, with potential thickness shown of 25m.**

### ***About the Mata da Corda Phosphate Project***

The MCPP is located within 150km of the three largest phosphate mines in Brazil; Araxá – Vale (290Mt @ 14.88% P<sub>2</sub>O<sub>5</sub>), Tapira – Vale (744Mt @ 8.35% P<sub>2</sub>O<sub>5</sub>) and Catalão – Anglo/Vale (203Mt @ 8.80% P<sub>2</sub>O<sub>5</sub>). These three mines account for 95% of the phosphate rock production in Brazil. Within this existing transportation corridor there are 32 major bulk fertilizer blenders (Figure 1).

The MCPP covers approximately 300,000 hectares and is central to the agricultural and industrialized heartland of the southeast region of Brazil in the state of Minas Gerais (English Translation = General Mining State) some 250km to the west of Belo Horizonte.

Agua identified the property through a review of historical phosphate occurrences reported by CPRM in the late 1960's and early 1970's. After an initial analysis of these occurrences, the geology and its distribution, Agua staked the MCPP in August 2008. This triggered a staking rush in the area with Amazon Mining Ltd (late August 2008) and Vale (September 2008) staking to the north, south and west.

The MCPP is well located with excellent logistics. It is close to infrastructure (roads, water, railway and energy), potential primary (agriculture) customers, fertilizer blenders and is on the main transportation route for the expanding agricultural districts within the Cerrado Crop Belt.

### ***About Agua***

*Agua is focused on the exploration and development of phosphate rock projects in Brazil which as a country imports approximately 50% of its phosphate requirements annually. Agua is well positioned to capitalize on the growing demand for phosphorous-based fertilisers in the expanding agriculture sector in Brazil and controls a large land position of about 400,000 hectares, located close to existing infrastructure. The Company is committed to its existing projects whilst continuing to pursue other opportunities within the phosphate sector.*

*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 Agua 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.*

### ***Summary of Drilling data follows***

Hole_ID	UTM_E	UTM_N	Elevation (m)	Azimuth	Dip	Depth (m)
MCD-10-001	422501	7878303	1006	0	90	97.05
MCD-10-002	422528	7878201	1003	0	90	88.60
MCD-10-003	422554	7877998	1005	0	90	87.85
MCD-10-004	422526	7877802	1006	0	90	42.35
MCD-10-005	422311	7877809	999	0	90	86.90
MCD-10-006	422679	7877500	1001	0	90	85.75
MCD-10-007	422693	7877201	1040	0	90	60.80

**Table 3: Drill hole locations**

Hole ID	Sample	From (m)	To(m)	Geological Unity	P <sub>2</sub> O <sub>5</sub> %	CaO%	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	CaO%/P <sub>2</sub> O <sub>5</sub> %
MCD-10-001	3101	0.00	1.00	Capacete Fm	2.95	0.47	7.65	32.9	11.8	0.16
MCD-10-001	3102	1.00	1.70	Capacete Fm	2.40	0.85	9.04	22.3	9.92	0.35
MCD-10-001	3103	1.70	2.30	Capacete Fm	4.14	2.54	8.14	23.5	9.94	0.61
MCD-10-001	3104	2.30	3.04	Capacete Fm	<b>4.96</b>	4.34	8.29	18.8	6.52	0.88
MCD-10-001	3106	3.04	4.00	Capacete Fm	1.49	1.84	6.54	25.9	16.8	1.23
MCD-10-001	3107	4.00	5.00	Capacete Fm	1.49	1.96	5.96	28	18.55	1.32
MCD-10-001	3108	5.00	6.00	Capacete Fm	2.21	3.03	6.91	22	15	1.37
MCD-10-001	3109	6.00	7.35	Capacete Fm	2.48	3.52	6.86	21.1	15.25	1.42
MCD-10-001	3110	7.35	8.00	Capacete Fm	<b>5.95</b>	8.23	6.04	19.05	13.45	1.38
MCD-10-001	3111	8.00	8.70	Capacete Fm	<b>4.09</b>	5.81	8.92	14.65	7.64	1.42
MCD-10-001	3112	8.70	9.50	Capacete Fm	<b>7.28</b>	10.15	6.25	17.75	12.5	1.39
MCD-10-001	3113	9.50	10.40	Capacete Fm	2.81	3.97	6.06	23.1	16.45	1.41
MCD-10-001	3114	10.40	11.00	Capacete Fm	2.06	4.26	4.08	30.3	23.2	2.07
MCD-10-001	3115	11.00	11.75	Capacete Fm	3.11	7.13	4.75	26.2	19.95	2.29
MCD-10-001	3116	11.75	12.25	Capacete Fm	1.64	2.6	9.4	15.1	9.76	1.59
MCD-10-001	3117	12.25	12.63	Capacete Fm	1.85	3.01	8.97	16.4	10.5	1.63
MCD-10-001	3120	12.63	13.65	Capacete Fm	1.62	2.41	9.43	14.25	5.81	1.49
MCD-10-001	3121	13.65	14.85	Capacete Fm	1.70	5.51	6.62	21.3	16.9	3.24
MCD-10-001	3122	14.85	15.85	Capacete Fm	2.66	5.65	8.55	17.25	11.8	2.12
MCD-10-001	3123	15.85	17.45	Capacete Fm	1.42	2.27	8.12	15.45	8.18	1.60
MCD-10-001	3124	17.45	18.16	Capacete Fm	1.30	2.62	9.16	15.75	7.8	2.02
MCD-10-001	3125	18.16	18.63	Capacete Fm	1.28	2.16	8.95	11.05	4.96	1.69
MCD-10-001	3126	18.63	19.60	Capacete Fm	1.52	2.49	7.3	11.5	5.2	1.64
MCD-10-001	3141	33.73	34.59	Areado Group	<b>11.15</b>	15.45	2.11	1.06	0.15	1.39
MCD-10-001	3142	34.59	35.40	Areado Group	1.68	2.31	4.68	1.24	0.15	1.38
MCD-10-002	3249	29.72	30.50	Areado Group	<b>10.85</b>	14.8	2.07	1.24	0.2	1.36
MCD-10-003	3265	7.45	8.20	Capacete Fm	3.11	3.88	6.21	25.9	17.1	1.25
MCD-10-003	3266	8.20	9.00	Capacete Fm	1.88	2.2	6.69	23.2	16	1.17
MCD-10-003	3267	9.00	10.10	Capacete Fm	1.96	2.61	8.49	14.05	6.42	1.33
MCD-10-003	3268	10.10	11.00	Capacete Fm	2.08	2.52	5.99	26.1	17.45	1.21
MCD-10-003	3269	11.00	12.17	Capacete Fm	<b>5.18</b>	7.02	5.67	21.6	16.1	1.36
MCD-10-003	3270	12.17	13.00	Capacete Fm	3.09	4.28	8.18	12.35	4.98	1.39
MCD-10-003	3271	13.00	14.05	Capacete Fm	4.57	6.41	6.58	16	8.29	1.40
MCD-10-003	3272	14.05	14.65	Capacete Fm	1.52	2.21	8.2	14.35	6.3	1.45
MCD-10-003	3273	14.65	15.55	Capacete Fm	2.65	3.72	6.9	10.7	5.37	1.40
MCD-10-004	3309	6.50	7.50	Capacete Fm	3.52	3.83	7.56	19.8	11.3	1.09
MCD-10-004	3310	7.50	8.10	Capacete Fm	2.16	1.94	6.76	24.6	16.45	0.90
MCD-10-004	3311	8.10	8.85	Capacete Fm	2.66	2.67	7.74	19.3	10.8	1.00
MCD-10-004	3312	8.85	9.90	Capacete Fm	2.96	3.52	7.67	20	11.5	1.19
MCD-10-004	3313	9.90	10.40	Capacete Fm	<b>6.01</b>	7.67	2.06	30.1	19.7	1.28
MCD-10-004	3314	10.40	11.40	Capacete Fm	<b>5.24</b>	6.85	6.89	20.2	12.3	1.31
MCD-10-004	3315	11.40	12.00	Capacete Fm	<b>7.55</b>	9.77	3.44	21.6	24.1	1.29
MCD-10-004	3316	12.00	13.10	Capacete Fm	2.65	3.33	7.4	18.8	11.5	1.26
MCD-10-004	3317	13.10	14.00	Capacete Fm	1.67	2.11	8.5	16.4	7.78	1.26
MCD-10-004	3320	14.00	14.75	Capacete Fm	2.42	3.06	6.51	19.85	11.9	1.26
MCD-10-004	3321	14.75	15.30	Capacete Fm	1.91	2.11	6.51	23.9	14.85	1.10
MCD-10-004	3322	15.30	16.10	Capacete Fm	2.54	3.34	6.45	14.7	7.99	1.31
MCD-10-004	3323	16.10	17.10	Capacete Fm	3.27	4.42	7.24	10.6	5.74	1.35
MCD-10-005	3358	6.45	7.95	Capacete Fm	3.06	3.36	7.97	22.60	13.95	1.10
MCD-10-005	3359	7.95	8.75	Capacete Fm	1.56	2.24	7.19	12.10	5.54	1.44
MCD-10-005	3361	8.75	9.70	Capacete Fm	<b>9.09</b>	12.9	5.61	18.20	10.15	1.42
MCD-10-005	3362	9.70	10.70	Capacete Fm	<b>5.26</b>	7.27	6.87	13.00	6.11	1.38
MCD-10-006	3448	0.00	0.55	Capacete Fm	2.72	0.4	9.29	26.70	12.10	0.15



Hole ID	Sample	From (m)	To(m)	Geological Unity	P <sub>2</sub> O <sub>5</sub> %	CaO%	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	CaO%/P <sub>2</sub> O <sub>5</sub> %
MCD-10-006	3449	0.55	1.55	Capacete Fm	2.27	1.28	9.73	21.30	11.35	0.56
MCD-10-006	3450	1.55	2.55	Capacete Fm	2.39	1.88	7.84	23.70	13.30	0.79
MCD-10-006	3451	2.55	3.20	Capacete Fm	2.33	2.21	7.23	22.50	13.80	0.95
MCD-10-006	3453	3.20	3.92	Capacete Fm	2.21	2.26	5.84	27.00	17.20	1.02
MCD-10-006	3454	3.92	4.68	Capacete Fm	1.66	1.48	6.37	32.20	17.85	0.89
MCD-10-006	3455	4.68	5.43	Capacete Fm	<b>4.39</b>	5.78	8.12	16.55	9.49	1.32
MCD-10-006	3456	5.43	6.22	Capacete Fm	2.00	2.54	8.57	16.95	9.43	1.27
MCD-10-006	3457	6.22	7.20	Capacete Fm	1.73	2.15	8.20	18.05	10.45	1.24
MCD-10-006	3458	7.20	8.05	Capacete Fm	1.66	2.08	8.53	17.10	8.86	1.25
MCD-10-006	3459	8.05	8.70	Capacete Fm	1.80	2.05	8.94	21.10	12.40	1.14
MCD-10-006	3460	8.70	9.45	Capacete Fm	3.99	5.36	7.12	12.35	5.74	1.34
MCD-10-006	3461	9.45	10.05	Capacete Fm	1.94	2.67	7.74	12.00	4.82	1.38
MCD-10-006	3462	10.05	11.00	Capacete Fm	2.06	2.86	7.84	11.05	4.61	1.39
MCD-10-007	1632	37.00	38.50	Capacete Fm	3.08	3.65	8.24	15.45	7.54	1.19
MCD-10-007	1633	38.50	39.85	Capacete Fm	<b>4.77</b>	6.21	8.00	14.85	7.57	1.30
MCD-10-007	1634	39.85	41.00	Capacete Fm	3.39	4.41	6.58	21.90	15.50	1.30
MCD-10-007	1635	41.00	41.65	Capacete Fm	<b>4.10</b>	5.34	5.38	22.30	16.15	1.30
MCD-10-007	1636	41.65	42.75	Capacete Fm	<b>5.69</b>	7.58	3.99	23.10	15.95	1.33
MCD-10-007	1637	42.75	44.00	Capacete Fm	<b>5.65</b>	7.58	4.99	17.00	14.70	1.34
MCD-10-007	1638	44.00	45.00	Capacete Fm	<b>4.70</b>	6.47	5.22	23.50	14.70	1.38
MCD-10-007	1639	45.00	46.30	Capacete Fm	3.47	5.04	6.07	20.50	14.00	1.45
MCD-10-007	1640	46.30	47.05	Capacete Fm	3.08	4.54	7.88	13.75	5.98	1.47
MCD-10-007	1641	47.05	48.00	Capacete Fm	1.98	3.09	5.62	23.60	16.25	1.56
MCD-10-007	1644	48.00	49.00	Capacete Fm	<b>5.82</b>	8.33	6.18	19.75	14.15	1.43
MCD-10-007	1645	49.00	50.00	Capacete Fm	3.42	5.02	6.59	19.35	12.80	1.47
MCD-10-007	1646	50.00	50.70	Capacete Fm	<b>5.89</b>	8.30	5.06	16.55	11.05	1.41
MCD-10-007	1647	50.70	51.30	Capacete Fm	<b>11.90</b>	16.40	5.37	14.25	8.36	1.38
MCD-10-007	1648	51.30	52.00	Capacete Fm	<b>5.33</b>	7.43	6.42	12.05	5.39	1.39

**Table 4: Detailed Summary of Significant Results from Drilling**