



# **AGUIA**

**ANNUAL INFORMATION FORM**

**For the year ended June 30, 2018**

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**September 24, 2018**

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## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This annual information form contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to Aguia Resources Limited (the "Corporation") development potential and timetable of the Corporation's properties including the capital and operating costs, expected mine life, production, cash costs, all-in sustaining costs, net present value, internal rate of return and payback period; future mineral prices; ability to raise additional financing; the estimation of mineral reserves and mineral resources; government regulation and permitting of mining operations; conclusions of economic evaluations; the timing and amount of estimated future exploration and development; projected capital expenditures; success of exploration activities; currency exchange rates; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of future exploration mine development and economics at the Três Estradas Phosphate Project (as defined herein) are based on management expectations, discussions with official and general filing timelines, exploration done to date and recommended programs, purchase orders placed by the Corporation to date, actual expenditures incurred, recent estimates of exploration costs and other factors and assumptions that are set out herein and in the Technical Report (as defined herein). Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: fertilizer prices; revocation of government approvals, authorizations and licences; foreign exchange rates; foreign operations in Brazil; compliance with environmental legislation; environmental licensing; liquidity concerns and timing and availability of external financing on acceptable terms; unexpected events and delays during construction and start-up; the highly speculative nature of mineral exploration, including lack of assurances that exploration programs will result in the expansion of mineral resources or the establishment of mineral reserves; variations in mineral grade and recovery rates; uncertainties inherent in estimating mineral resources and mineral reserves; lack of revenues; commodity prices; title to properties; uninsured risks; competition; dependence on outside parties; dependence on key personnel; litigation; community and non-governmental organization opposition to mineral projects; corruption; uncertainty with court systems and the rule of law in foreign jurisdictions where the Corporation operates; availability of reasonably priced raw materials and mining equipment; share price fluctuations; conflicts of interest; foreign mining tax regimes; ability to finalize required agreements for operations; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future mineral prices; failure of equipment or processes to operate as anticipated; accidents, labour or community disputes and other risks of the mining industry. Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

## **DEFINITIONS AND GLOSSARY OF TERMS**

In this annual information form, references to "Aguia" or the "Corporation" mean Aguia Resources Limited and its subsidiaries on a consolidated basis unless the context otherwise requires, and the following abbreviations and defined terms are used:

"**Aguia**" means the Corporation.

"**Aguia Fertilizantes**" means Aguia Fertilizantes S/A.

"**AIF**" means this annual information form.

"**ASX**" means the Australian Securities Exchange operated by ASX Limited.

"**ASX Listing Rules**" means the rules of the ASX which govern the conduct and disclosure of companies listed thereon and which are amended from time to time.

"**Audit Committee**" means the Audit Committee of the Board, as more particularly described under "*Audit Committee*".

“**BFS**” means Bankable Feasibility Study.

“**Board**” means the Corporation’s board of directors.

“**CBC**” means Companhia Brasileira do Cobre.

“**CEEE**” means Companhia Estadual de Energia Elétrica, a state electrical power Corporation.

“**CFO**” means Chief Financial Officer.

“**Corporation**” means Aguia Resources Limited.

“**CONAMA**” means the National Environmental Council.

“**Constitution**” means the Constitution of the Corporation adopted on October 6, 2010.

“**CPRM**” means Companhia de Pesquisa e Recursos Minerais, the geological survey of Brazil.

“**CRM**” means Companhia Riograndense de Mineração.

“**DNPM**” means Departamento Nacional de Produção Mineral.

“**EIA**” means an environmental impact assessment.

“**FEPAM**” means the Environmental Authority of the State of Rio Grande do Sul, Brazil.

“**GAAP**” means Generally Accepted Accounting Principles.

“**IBAMA**” means the Brazilian Institute for the Environment and Renewable Resources.

“**IFRS**” means International Financial Reporting Standards prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board.

“**LI**” means an Installation License.

“**LP**” means a Preliminary License.

“**MD&A**” means Management’s Discussion and Analysis.

“**Millcreek**” means Millcreek Mining Group, the entity which employs the authors of the Technical Report.

“**Named Executive Officers**”/“**NEOs**” has the meaning ascribed thereto under “*Executive Compensation*”.

“**NI 43-101**” means the Canadian Securities Administrators’ National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“**Ordinary Shares**” means the ordinary shares in the capital of the Corporation.

“**Permits**” mean permits, certificates, licences, approvals, consents, registrations and other authorizations.

“**persons**” includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

“**PEA**” or “**Preliminary Economic Assessment**” has the meaning ascribed to “preliminary economic assessment” in National Instrument 43-101 “*Standards of Disclosure for Mineral Projects*”.

“**Project**” means the Três Estradas Project.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, accessible through the internet at [www.sedar.com](http://www.sedar.com).

“**SMCGC**” means Santa Maria Chico Granulitic Complex, part of the Taquarembó domain.

“**Sulliden**” means Sulliden Mining Capital Inc.

“**Technical Report**” means the technical report entitled “Technical Report Três Estradas Phosphate Project, Rio Grande do Sul, Brazil” dated April 4, 2018 and having an effective date of March 13, 2018 by Millcreek Mining Group in respect of the Três Estradas Project, as more particularly described under “*Business of the Corporation - Três Estradas Project*”.

“**Três Estradas Project**” means the Três Estradas Project as described in the Technical Report.

“**TSX**” means the Toronto Stock Exchange;

“**TSX-V**” means the TSX Venture Exchange.

“**U.S.**” or “**United States**” means the United States of America.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

“**UPS**” means University of São Paulo.

“**WALM**” means WALM Engenharia Tecnologia Ambiental Ltda.

## LIST OF ABBREVIATIONS

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µm	Micron	m	metre
°	degree	M	mega (million)
°C	degree Celsius	m <sup>2</sup>	square metre
CBT	Carbonatite	m <sup>3</sup>	cubic metre
Cc	cubic centimeter	MCBT	meta-carbonatite
Cm	centimeter	MIMS	medium intensity magnetic separation
cm <sup>2</sup>	square centimeter	MLA	mineral liberation analysis
d/y	days per year	mm	millimetre
g, G	gram	Mt	million tones
EDS	energy dispersive spectrometer	Mtpy	million tonnes per year
ENV	effective neutralizing value	MVA	megavolt-amperes
FEL	front-end loader	MW	megawatt
Ha	hectare	NN	nearest neighbor
ICP	inductively coupled plasma	ppm	part per million
ID <sup>2</sup>	inverse distancing squared	RC	reverse circulation
K	kilo (thousand)	RE	rare earths
Kg	kilogram	SEM	scanning electron microscope
Km	kilometre	SRTM	shuttle radar topography mission
km <sup>2</sup>	square kilometre	SSP	single super phosphate
Ktpa	kilo tonnes per year	t	metric tonne (1,000 kg)
Ktonnes	kilo tonnes (1,000 t)	t/h	metric tonnes per hour
kVA	kilovolt-amperes	t/m <sup>3</sup>	metric tonnes per cubic metre
kW	kilowatt	t/y	metric tonnes per year
kWh	kilowatt-hour	TMF	total magnetic field
L	litre	tpa	metric tonne per year
LIMS	low intensity magnetic separation	tpd	metric tonne per day
LOI	loss on ignition	WHIMS	wet high intensity magnetic separation
		XRF	x-ray fluorescence

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## **CURRENCY PRESENTATION AND DATE OF INFORMATION**

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References in this AIF to “**C\$**” are to Canadian dollars, references in this AIF to “**US\$**” are to United States (“**U.S.**”) dollars and references in this AIF to “**A\$**” are to Australian dollars. The consolidated financial statements of the Corporation are reported in Australian dollars.

The following table reflects the low, high average and closing rates of exchange in Canadian dollars for one Australian dollar and one United States dollar during the periods noted, based on the Bank of Canada nominal noon spot rate of exchange.

### **C\$ per A\$**

<b>12 month period ended June 30</b>	<b>Low</b>	<b>High</b>	<b>Average</b>	<b>Period End</b>
2018	0.9591	1.0207	0.9843	0.9733
2017	0.9591	1.0207	0.9843	0.9968
2016	0.9889	1.0893	0.9654	0.9670

### **C\$ per U.S.\$**

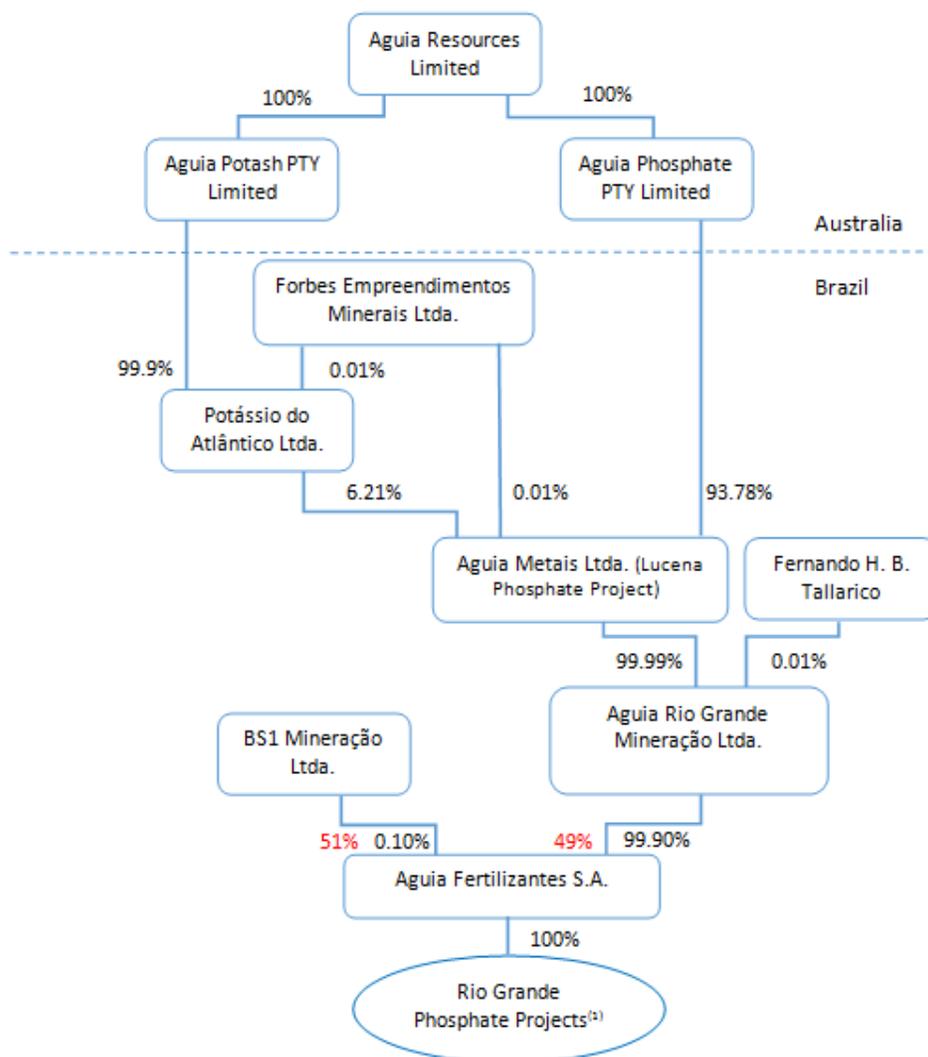
<b>12 month period ended June 30</b>	<b>Low</b>	<b>High</b>	<b>Average</b>	<b>Period End</b>
2018	1.2128	1.3310	1.2702	1.3168
2017	1.2128	1.3310	1.2702	1.2977
2016	1.2544	1.4589	1.3261	1.3009

On September 24, 2018, the closing rate exchange reported by the Bank of Canada for the purchase of C\$ using one A\$ was (C\$1.00 = A\$0.9387) and purchase of C\$ using one U.S.\$ was (C\$1.00 = US\$1.2952).

## CORPORATE STRUCTURE

The Corporation was initially incorporated under the *Corporations Act 2001* (Australia) as “Newport Mining Limited” on October 31, 2007. The Corporation subsequently adopted a new Constitution on October 6, 2010 in order to reflect compliance with legislation and to enable the Corporation to better function. Material changes in the adopted Constitution include the provision of shareholder approval for proportional takeover bids, and a right of the Corporation to take up shareholdings amounting to less than a marketable parcel of shares within the meaning of the ASX Listing Rules. On October 11, 2010, the Corporation changed its name to Aguiá Resources Limited. The Corporation’s head and registered office is located at Suite 2, Level 10, 70 Phillip Street, Sydney, NSW, Australia, 2000.

### Intercorporate relationships



In respect of Aguiá Fertilizantes S.A., figures in **black** refer to distribution of control and figures in **red** refer to distribution of capital. In every corporation other than Aguiá Fertilizantes S.A. figures of control and distribution of capital are equivalent.

<sup>1</sup>Rio Grande Phosphate Projects include the main Três Estradas deposits, Porteira, and options on Santa Clara and Terra Santa.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

Agua is an Australian resource exploration and development corporation publicly listed on the ASX and TSXV. Through its operating subsidiaries, Agua holds a 100% interest in exploration permits covering over 66,923.39 hectares of land in the Brazilian state of Rio Grande do Sul. Agua's flagship property and principal asset is the Três Estradas Project.

### **Three-Year History**

The following is a summary of the general development of the Corporation's business since July 1, 2016.

#### *Financial Year Ended June 30, 2018*

- On April 12, 2018, the Corporation announced it had concluded a bought deal private placement financing of 14,285,800 Units of the Corporation at a price of CAD\$0.35 per Unit for gross proceeds of approximately CAD\$5.0 million. Each Unit consists of one ordinary share in capital of the Corporation and one-half of one share purchase warrant. Each Warrant entitles the holder thereof to acquire one Ordinary Share at a price of CAD\$0.60 until April 12, 2021.
- The Corporation completed a Bankable Feasibility Study for the Três Estradas Phosphate Project which confirmed the economic feasibility of proceeding with the development of the project. The Corporation filed a NI 43-101/JORC Compliant Technical Report compiled by the Millcreek Mining Group dated April 4, 2018 with effective date of March 13, 2018
- In February 2018, the Corporation announced that it had successfully secured a strategic land package along the Rio Grande Copper Belt, totaling 34,000 hectares across 23 tenements and had identified two mineralised targets within the belt which will be subject to further exploration.
- Several important test work programs have been completed for the Três Estradas Phosphate Project, including: a column flotation commercial scale pilot plant program at Eriez - Pennsylvania, crushing and grinding test work at Metso – Brazil, solid-liquid separation of flotation concentrate and tailings at Pockock Industrial Inc. – Utah and geotechnical drilling and test work for foundation design with Prosonda, Brazil.

The most significant results include:

- Confirmation of the optimal run of mine (ROM) rate at 3Mtpy with production of phosphate concentrate capped at 300ktpy.
- Validation of the phased approach to mine the higher grade oxidized ore in the initial years of the operation at a scale of approximately 1.4 Mtpy of ROM, with a process recovery of 87%, producing 300ktpy of phosphate concentrate grading 35% P<sub>2</sub>O<sub>5</sub>.
- Optimization of the crushing and grinding circuit for the initial phase of mining and processing the high-grade oxidized ore. The comminution test work at Metso shows that the oxidized ore is relatively soft (bond work index of approximately 5 kWh/t) and as such can be processed with an optimized sizer instead of the jaw crusher that was envisioned in the Preliminary Economic Assessment ("PEA") (see announcement of July 12, 2016). This circuit improvement is expected to result in capital and operational cost savings in the oxide crushing circuit.
- Comminution test work at Metso also allowed the design of an optimized milling circuit for the oxide phase, which will employ only one rod mill for grinding with a capacity of 1.4Mtpy. This approach is anticipated to significantly reduce the capital and operating costs of the milling circuit compared to the 4.5Mtpy capacity SAG mill that was planned in the PEA.
- The recent results of the commercial scale pilot plant program developed at Eriez allowed the optimization of the flotation circuit in the oxide phase which will require only four columns, two roughers and two cleaners (see announcement of October 5, 2017). This will result in further capital and operational cost savings.

- Filtration test work developed at Pocock demonstrated that press-filtering of the phosphate concentrate prior to drying will allow a significant reduction of the size of the drying unit. This represents further savings on the drying operational costs that will also be significantly reduced by using locally sourced thermal coal instead of diesel as contemplated in the PEA.
- A market study has demonstrated that no further processing is required to produce commercial aglime from the tailings of the phosphate flotation circuit to meet local consumption requirements. This simplification of the circuit will result in further capital and operational cost savings while providing an ongoing secondary revenue stream from production.
- Filtration tests of the aglime conducted at Pocock demonstrate that press-filtering alone should dewater the Aglime to achieve commercial specifications. This simplification will introduce significant capex and opex savings, particularly when compared to the 1Mtpy capacity dryer that was contemplated in the PEA.

The entire data set that was produced in this extensive program will support the engineering team in the equipment design and general arrangements of the processing units.

- On July 6, 2017 the Corporation received confirmation from the TSXV that the conditions for listing the Corporation's ordinary shares for trading on the TSXV had been satisfied and shares commenced trading on the TSXV under the ticker "ARGL".
- The Corporation launched its community outreach campaign in Lavras do Sul. The purpose of the campaign is to provide the local community with information and regular updates on the plans for the development of Três Estradas Project. The Corporation hosted a number of social and educational events during the month of August and launched a local website for the project to promote integration with the local community.
- On September 19, 2017, the Corporation released an updated mineral resource statement for the Três Estradas based on the results of the infill drilling. Total Measured and Indicated resource of 83 million tonnes grading 4.1% P<sub>2</sub>O<sub>5</sub>, using a cut of grade of 3% P<sub>2</sub>O<sub>5</sub> and an additional 21.8 million tonnes grading 3.7% in the Inferred category.

#### *Financial Year Ended June 30, 2017*

- The Corporation completed its infill drill program at Três Estradas with the objective of converting Inferred resources to Measured and Indicated resources for use in the Bankable Feasibility Study ("BFS"). Infill drilling results returned grades and thicknesses predicted in our model and demonstrated the homogenous nature of the Três Estradas deposit both along strike and at depth and that certain parts of the deposit are thicker than predicted in the previous resource model. More than 14,000 metres were drilled and were incorporated into an updated NI 43-101/JORC compliant resource for Três Estradas which was released September 19, 2017.
- In February 2017, drilling along the southeast sector of Três Estradas found a new carbonatite zone. This new and shallow mineralised zone was intercepted in the first 100 metres from surface and is open at depth. The newly identified shallow mineralisation has expanded the interpretation of Aguiá's model for Três Estradas and suggests a structural connection by folding to the previously known carbonatite zones.
- Engineering trade-off studies indicate a significant reduction in CAPEX and OPEX for flagship Três Estradas phosphate project.
- The Corporation completed a private placement which closed in three tranches between June 30 and July 7, 2017, and consisted of the sale of an aggregate of 26,360,835 units of the Corporation at a price of \$0.40/C\$0.40 per unit for gross proceeds of C\$10,544,334
- Shareholders approved a share consolidation on April 3, 2017. Every 5 existing shares were consolidated into 1 share. Trading on a consolidated basis was effective April 20, 2017.

### *Financial Year Ended June 30, 2016*

- An increase to the Três Estradas JORC compliant resource to 74.7 million tonnes with an average grade of 4.13% P<sub>2</sub>O<sub>5</sub>, comprising 745,000 tonnes of Measured resource grading 4.42% P<sub>2</sub>O<sub>5</sub>, 15.07 million tonnes of Indicated resource grading 4.75% P<sub>2</sub>O<sub>5</sub> and 58.89 million tonnes of Inferred resource grading 3.97% P<sub>2</sub>O<sub>5</sub>.
- Defining a JORC compliant resource of 2.75 million tonnes grading 4.37% P<sub>2</sub>O<sub>5</sub> from the nearby Joca Tavares carbonatite, which includes 915,000 tonnes of measured resource grading 3.98% P<sub>2</sub>O<sub>5</sub>, 1.5 million tonnes of indicated resource grading 4.31% P<sub>2</sub>O<sub>5</sub> and 329,000 tonnes of inferred resource grading 5.74% P<sub>2</sub>O<sub>5</sub>.
- New phosphate recoveries defined at Eriez Flotation Division of 84% for fresh carbonatite and 80% for oxide using column flotation, resulted in a substantial increase in the economic value of the mineralized rock. This is a major improvement on last year's results that used conventional mechanical flotation cells.
- Metallurgical test work that successfully produced a premium quality calcite by-product at a high recovery rate. There are numerous end markets for a high-quality calcite concentrate in Brazil including field application of aglime, cement production and animal nutrition.
- A simplification to the production process to produce phosrock rather than SSP which will substantially reduce the CAPEX required for construction in the future.
- A doubling of the Company's exploration land bank as options were signed on two properties with promising characteristics adjacent to Três Estradas.
- Aguia published the results of the PEA of Três Estradas conducted by SRK Consulting (Canada) Inc. The results of the PEA confirm the technical and economic viability of the Três Estradas project as a low cost producer of 500,000 tonnes of SSP per annum in Southern Brazil, indicating attractive potential project returns.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **General**

Aguia Resources Ltd. is an exploration and development Corporation focused on Brazilian phosphate projects to supply the Brazilian agriculture sector. Aguia is listed on the ASX under the symbol AGR and the TSXV under the symbol AGRL and has offices in Sydney, Australia and Belo Horizonte, Brazil. The Corporation currently controls 903.33 km<sup>2</sup> of land in the states of Rio Grande do Sul and Paraiba containing phosphate mineralization through exploration permits it has acquired from the Brazilian National Department of Mineral Production ("DNPM"). The Corporation seeks to develop its holdings of phosphate deposits into viable mining operations providing phosphate and agricultural limestone to Brazil's agriculture industry. The Corporation's phosphate properties in Brazil include its principal project, Três Estradas in Rio Grande do Sul State. Aguia's other properties are the Lucena Project in Alagoas State and the Canhada and Big Ranch copper targets in Rio Grande do Sul.

The Três Estradas project represents a significant new phosphate discovery with characteristics similar to existing producers in Brazil. The project is located in the southern region of Brazil where 30% of Brazilian national phosphate consumption is located. There are currently no producing phosphate mines in the region.

In March 2018, the Corporation completed the Bankable Feasibility Study for the Três Estradas Phosphate Project. Please see the information below under the heading "*Description of the Mineral Properties – the Três Estradas Project*".

In July 2016, the Corporation completed a Preliminary Economic Assessment, Três Estradas Phosphate Project. In September 2017, the Corporation completed the Technical Report, Três Estradas Phosphate Project, Rio Grande do Sul which provided an update to the Preliminary Economic Assessment issued the year before, incorporating new results for the Mineral Resource.

The Corporation commissioned a market study by Agroconsult to evaluate phosrock price and market conditions for Southern Brazil in March 2017. The Corporation also commissioned a market study by Ernst & Young to evaluate calcite price and market conditions for Southern Brazil in April 2017.

The Lucena Phosphate Project, comprising 48 tenements and applications for 345.5 km<sup>2</sup> was drilled from August 2011 to October 2012 in which Aguia completed 49 core drill holes in two separate drilling campaigns, 40 of which were used to estimate the Australasian Joint Ore Reserves Committee “JORC” compliant mineral resource.

### **Competitive Conditions**

The phosphate exploration and mining business is a competitive business. The Corporation competes with numerous companies that have resources significantly in excess of those of the Corporation, in the search for (i) attractive mineral properties; (ii) qualified service providers and labour; (iii) equipment and suppliers; and (iv) financing. The ability of the Corporation to acquire additional mineral properties in the future will depend on its ability to operate and develop its present properties and on its ability to select and acquire suitable producing properties or prospects for development or exploration in the future.

### **Environmental Compliance**

The Corporation’s exploration, development and mining activities are subject to laws and regulations governing environmental protection, employee health and safety, waste disposal, remediation of environmental sites, reclamation, mine safety, control of toxic substances and other matters. Compliance with applicable laws and regulations requires forethought and diligence in the conduct of the Corporation’s activities.

In Brazil, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. All phases of the Corporation’s operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner that requires stricter standards and enforcement, imposes increased fines and penalties for non-compliance, mandates more stringent environmental assessments of proposed activities and requires a heightened degree of responsibility for companies and their officers, directors, employees and contractors.

To the best of the Corporation’s knowledge, all of the Corporation’s activities are in compliance in all material respects with applicable environmental legislation. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation’s operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

### **Social or Environmental Policies**

The Corporation is, and has been, carrying out exploration and development in Brazil, principally in Rio Grande do Sul State. Such activities are subject to various laws, rules and regulations governing the protection of the environment. Management is committed to ensure that it continues to comply with or exceed all environmental regulations currently applicable to it. To the best of the Corporation’s knowledge, all of the Corporation’s activities are in compliance in all material respects with applicable environmental legislation.

## **Specialized Skill and Knowledge**

All aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, engineering, operations, environmental, drilling, logistical planning and implementation of exploration and development programs, treasury, accounting and legal.

## **Employees**

As at June 30, 2018, the Corporation had approximately 10 internal consultants and employees in Toronto and Sydney. In addition, it retained, approximately 32 geologists, engineers, employees and other consultants on a permanent contract basis in Brazil. The Corporation has not experienced, and does not expect to experience, significant difficulty in attracting and retaining qualified personnel. However, no assurance can be given that a sufficient number of qualified employees can be retained by the Corporation when necessary. See *"Risks of the Business – Qualified Personnel"*.

## **Business Cycles**

The mineral exploration business is subject to mineral price cycles. The marketability of minerals and mineral concentrates and the ability to finance the Corporation on favourable terms is also affected by worldwide economic cycles.

## **Risk Factors**

Investing in the Corporation involves risks that should be carefully considered. The operations of the Corporation are speculative due to the high-risk nature of its business. Investors should be aware that there are various risks, including those discussed below, that could have a material adverse effect on, among other things, the development of the Três Estradas Project, and the operating results, earnings, business and condition (financial or otherwise) of the Corporation. See *"Cautionary Statement Regarding Forward-Looking Information"*.

### *Licences and Permits, Laws and Regulations*

The Corporation's exploration and development activities, including mine, mill and infrastructure facilities, require permits and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Corporation may be required to compensate those suffering loss or damage by reason of its activities. There can be no assurance that the Corporation will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or to operate its mining facilities.

The costs and potential delays associated with obtaining or maintaining the necessary authorizations and licences and complying with these authorizations, licences and applicable laws and regulations could stop or materially delay or restrict the Corporation from proceeding with the development of the Três Estradas Project. Any failure to comply with applicable laws, regulations, authorizations or licences, even if inadvertent, could result in interruption or termination of exploration, development or mining operations or logistics operations, or material fines, penalties or other liabilities that could have a material adverse effect on the Corporation's business, reputation, properties, results of operations, financial condition, prospects or community relations. Claims, lawsuits and injunctions may be brought by parties looking to prevent the Corporation from advancing its projects. The Corporation can make no assurance that it will be able to maintain or obtain all of the required mineral licences and authorizations on a timely basis, if at all. There is no assurance that it will obtain the corresponding mining concessions, or that if they are granted, that the process will not be heavily contested and thus costly and time consuming to the Corporation. In addition, it may not obtain one or more licences. Any such failure may have a material adverse effect on the Corporation's business, results of operations and financial condition.

### *Phosphate Prices*

The ability of the Corporation to fund its activities and, if it becomes a producing mineral Corporation, the profitability of the Corporation's operations will depend upon the market price of phosphate. Phosphate prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of phosphate, the stability of exchange rates and geopolitical concerns can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of phosphate has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and result of operations.

### *Foreign Exchange*

Phosphate is sold in United States dollars thus the Corporation is subject to foreign exchange risks relating to the relative value of the Australian dollar, Canadian dollar and the Brazilian real as compared to the United States dollar. Any foreign exchange fluctuations may have an effect on the Corporation's revenue and cost management, and ultimately, the Corporation's financial condition and performance.

### *Foreign Operations*

At present, the mineral properties of Aguaia are located in Brazil. As a result, the operations of the Corporation are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to, currency exchange rates; corruption; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; renegotiation or nullification of existing permits, applications and contracts; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; currency controls; and governmental regulations that may require the awarding of contracts of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Brazil or other countries in which Aguaia may conduct business, may adversely affect the operations of the Corporation. The Corporation may become subject to local political unrest or poor community relations that could have a debilitating impact on operations and, at its extreme, could result in damage and injury to personnel and site infrastructure.

Failure to comply with applicable laws and regulations may result in enforcement actions and include corrective measures requiring capital expenditures, installing of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### *Difficulty in Enforcement of Judgments*

The Corporation and its subsidiaries and the majority of the Corporation's assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Corporation or its Subsidiaries, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation or its Subsidiaries under Canadian securities laws. The Corporation and its subsidiaries are incorporated in Australian and Brazil. Certain directors and officers reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Corporation's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Corporation's directors or officers for violations of Canadian securities laws, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims in original actions instituted in Australian or Brazil. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content

of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure may also be governed by foreign law.

### *Environmental Regulations and Risks*

The Corporation's activities are subject to extensive federal, state, and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Corporation, including the suspension or cessation of operations.

The current and future operations of the Corporation, including development and mining activities, are subject to extensive federal, state and local laws and regulations governing environmental protection, including regarding protection and remediation of mining sites and other matters. Activities at the Corporation's properties may give rise to environmental damage and create liability for the Corporation for any such damage or any violation of applicable environmental laws. To the extent the Corporation is subject to environmental liabilities, the payment of such liabilities or the costs that the Corporation may incur to remedy environmental pollution would reduce otherwise available funds and could have a material adverse effect on the Corporation. If the Corporation is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Project and the Corporation. The Corporation intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards.

Many of the local, state and federal environmental laws and regulations require the Corporation to obtain licences for its activities. The Corporation must update and review its licences from time to time, and is subject to environmental impact analyses and public review processes prior to approval of new activities. Agua can make no assurance that it will be able to maintain or obtain all of the required environmental and social licences on a timely basis, if at all.

In addition, it is possible that future changes in applicable laws, regulations and authorizations or changes in enforcement or regulatory interpretation could have a significant impact on the Corporation's activities. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the Corporation's or its subsidiaries' financial capabilities.

### *Liquidity Concerns and Future Financings*

The Corporation will require significant capital and operating expenditures in connection with the development of the Três Estradas Project. There can be no assurance that the Corporation will be successful in obtaining the required financing as and when needed. Volatile markets may make it difficult or impossible for the Corporation to obtain debt or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone or slow down its development plans, forfeit rights in some or all of the Corporation's properties or reduce or terminate some or all of its activities. In the event that the Corporation completes an equity financing, such financing could be extremely dilutive to current shareholders who invested in the Corporation at higher share prices and dilutive as compared to the Corporation's estimated net asset value per share and estimated mineral resource or reserve ounces per share. The Corporation currently has a negative operating cash flow and finances its mineral exploration activities through equity financing. The Corporation's financial success will be dependent on the economic viability of its mineral properties and the extent to which it can establish economic operations.

### *Nature of Mining, Mineral Exploration and Development Projects*

Development projects have no operating history upon which to base estimates of future capital and operating costs. For development projects, resource estimates and estimates of operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling

techniques, and feasibility studies, which derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the mineral deposit, expected recovery rates of minerals from ore, estimated operating costs, and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore. Further, there is no certainty that even greater expenditures relating to economic analysis or to development will result in a commercially viable project.

#### *Cost Estimates, Permit Timing, and Project Economics*

The Corporation presents in its documents incorporated by reference information from a Preliminary Economic Assessment on the Três Estradas Project which contains estimates with respect to capital costs, operating costs and other project economics. The Corporations' actual costs, production, returns, payback and other financial and economic performance metrics for the Três Estradas Project are dependent on a number of factors, including currency exchange rates, the price of phosphate, the cost of inputs used in mining development and operations, timing of obtaining all required permits and approvals, timing of obtaining all necessary financing and events that affect cost and production levels that are not in the Corporation's control. The Corporation's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade, metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates. Failure to achieve cost estimates or other economic performance metrics or material increases in costs could have an adverse impact on the Corporation's future cash flows, profitability, results of operations and financial condition. As a result of the substantial expenditures involved in development projects, development projects are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Três Estradas Project development schedules are also dependent on obtaining the governmental approvals and permits necessary for operation of a project. The timeline to obtain these government approvals and permits is often beyond the control of the Corporation. It is not unusual in the mining industry, especially in a jurisdiction like Brazil, for new mining operations to experience construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the construction will commence in accordance with current expectation

#### *Mineral Resource Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Corporation. Such estimates are a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices, market conditions and actual events could have a material adverse effect on the Corporation's mineral resource estimates, financial position and results of operations.

#### *Uncertainty Relating to Mineral Resources and Mineral Reserves*

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to mineral resources, there is no assurance that mineral resources will be upgraded to mineral reserves.

In addition, mineral reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore may differ from estimated levels. There are numerous uncertainties inherent in

estimating mineral resources and mineral reserves, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. In addition, there can be no assurance that phosphate recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its mineral reserve estimates from time to time or may render the Corporation's mineral reserves uneconomic to exploit.

#### *No Revenues*

To date, the Corporation has not recorded any revenues from operations nor has the Corporation commenced commercial phosrock production on any property. There can be no assurance that significant losses will not occur in the near future or that the Corporation will be profitable in the future. The Corporation's operating expenses and capital expenditures may increase in relation to the engagement of consultants, personnel and equipment associated with the continued exploration and development of the Corporation's properties. The Corporation expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Corporation's properties will continue to require the commitment of substantial resources. There can be no assurance that the Corporation will continue as a going concern, generate any revenues or achieve profitability.

#### *Title to Properties*

The acquisition of title to resource properties is a very detailed and time-consuming process. The Corporation holds its interest in its properties indirectly through exploration permits and exploration applications. Title to, and the area of, the permits may be disputed or applications may lapse. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Corporation may have an interest, which, if successful, could result in the loss or reduction of the Corporation's interest in the properties. The Corporation may need to acquire title to additional surface rights and property interests to further exploration and development activities. There can be no assurances that the Corporation will be able to acquire such additional surface rights. To the extent additional surface rights are available, they may only be acquired at significantly increased prices, potentially adversely affecting financial performance of the Corporation.

#### *Corruption and Bribery Laws*

The Corporation's operations are governed by, and involve interactions with, many levels of government in numerous countries. The Corporation is required to comply with anti-corruption and anti-bribery laws, including the *Criminal Code* (Canada), and the *Canadian Corruption of Foreign Public Officials Act*, as well as similar laws in the countries in which the Corporation conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a Corporation may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Corporation has adopted steps to mitigate such risks, such measures may not always be effective in ensuring that the Corporation, its employees, contractors or third party agents will comply strictly with such laws. If the Corporation finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Corporation resulting in a material adverse effect on the Corporation's reputation and results of its operations.

#### *Uninsured Risks*

The Corporation maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and other natural disasters may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Ordinary Shares.

### *Competition*

The Corporation competes with many other mining companies that have substantially greater resources than the Corporation. Such competition may result in the Corporation being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Corporation's operations and develop its properties. The Corporation's inability to compete with other mining companies for these resources could have a material adverse effect on the Corporation's results of operations and business.

### *Dependence on Outside Parties*

The Corporation has relied upon consultants, engineers and others and intends to rely on these parties for exploration, development and construction operations, and local expertise. Substantial expenditures are required to establish mineral resources and mineral reserves through drilling and economic analysis, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the phosrock from the ore and to develop and build mines. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Corporation.

### *Dependence on Key Personnel*

Agua is reliant on key personnel it has employed or engaged. Loss of such personnel may have a material adverse impact on the performance of the Corporation. In addition, the recruitment of qualified personnel is critical to the Corporation's success. As Agua's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations.

Recruiting and retaining qualified personnel in the future is critical to the Corporation's success. As the Corporation develops its Três Estradas Project toward commercial production, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Três Estradas Project and other initiatives of the Corporation may be significantly delayed or otherwise adversely affected if the Corporation cannot recruit and retain qualified personnel as and when required.

### *Litigation*

Agua has entered into legal binding agreements with various third parties on a consulting and partnership basis. The rights and obligations that arise from such agreements is open to interpretation and Agua may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause Agua to incur legal costs in the future. As Agua moves to advance and develop the Três Estradas Project, the Corporation anticipates legal claims and actions could be brought in Brazilian courts to attempt to delay or stop the project. Given the speculative and unpredictable nature of litigation, the outcome of any future disputes could have a material adverse effect on Agua.

### *Availability of Reasonably Priced Mining Equipment*

The Corporation will require a variety of mining equipment. To the extent the equipment is unavailable or available only at significantly increased prices, the Corporation's production and financial performance could be adversely affected.

### *Share Price Fluctuations*

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Corporation's share price will not occur. During the financial year ended June 30, 2018, the Corporation's share price had a high of \$0.495 and a low of \$0.18.

### *Conflicts of Interest*

Certain of the Corporation's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting such participation.

### *Foreign Mining Tax Regimes*

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change. The Corporation's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Corporation's operations may be assessed, which could result in significant additional taxes, penalties and interest. In addition, proposed changes to mining tax regimes in foreign jurisdictions could result in significant additional taxes payable by the Corporation, which would have a negative impact on the financial results of the Corporation. The Corporation is also engaged in tax stabilization discussions with the Para state government which, if successful, has the potential to provide long term reduction in indirect taxes and would provide a positive impact on the project economics. These discussions are ongoing and have not been concluded.

### *Limited Property Portfolio*

At this time, the Corporation holds an interest in one main project. As a result, unless the Corporation acquires additional property interests, any adverse developments affecting its current properties would be expected to have a material adverse effect upon the Corporation and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Corporation.

## **Other Disclosure Relating to Ontario Securities Commission Requirements for Companies Operating in Emerging Markets**

### *Asset Verification*

The Corporation has obtained a title opinion from a Brazilian law firm which confirms all of its mineral claims are in good standing. Also, the DNPM (the Brazilian government's mining agency) posts the names of titleholders on their website for full public disclosure. When acquiring new claims, Aguia's Brazilian based lawyer and technical staff review the claims to ensure they are free and clear and that the appropriate paperwork is filed to transfer or acquire title.

### *Impact of laws and/or customs of Brazil on the Corporation's ownership of its property*

Mining concessions are granted, solely and exclusively, to individual firms or companies incorporated under Brazilian law, which have head offices and management in Brazil, and are authorized to operate as a mining company.

Mining concessions can be applied for upon the presentation of: (i) a mining plan within one (1) year, counted from the approval of the final exploration report by DNPM; and (ii) installation license issued by environmental authority. The mining plan must include an economic feasibility analysis, and the company must demonstrate to the DNPM that it has the financial capability to carry out the forecasted plan. The application for a concession must also include a PRAD covering water treatment, soil erosion, air quality control, re-vegetation or reforestation and site reclamation.

Once the legal and regulatory requirements are met, a mining concession is granted. The terms of the concession will include conditions concerning mitigating environmental impact, site safety, construction codes, waste disposal and site reclamation. The holder of a mining concession shall also comply with the CFEM, which is a legal royalty based on the type of commodity and levied on the sale of the ore, discounted of marketing taxes, external transportation and insurance. Mining companies that verticalize their operations (i.e., industrialize the ore) calculate royalty not on the proceeds from sales of the industrialized product, but rather on the cost of extracting and processing the ore up to the stage of the production process

immediately before industrialization occurs. The owner of the surface rights must also be financially compensated for the occupation of the land and indemnified in case of damages caused by the mining activities.

The company holding the mining concession has the right to mine the deposit until it is completely exhausted according to the mining plan approved by DNPM and the environmental license granted by the relevant agency. The mined product can be disposed of without any restriction except general taxation. The concession holder also has the right to sell, transfer or lease the mining rights to another mining company, with prior consent of the federal government.

Work described in the mining plan must start no later than six months from the publication of the granting notice in the Federal Gazette. Once mining activity has begun it must not be suspended, without due reason, for more than six months without risking the penalty of possible cancellation of the concession. Annual statistical data on production must be reported to DNPM which will also send representatives on periodic site inspections.

Agua's Três Estradas Project is located in the 'International Border Zone' of Brazil and is therefore subject to additional regulatory requirements and foreign ownership restrictions. The Company has structured the control and ownership of the Project to comply with these ownership restrictions.

The International Border Zone is a 150km buffer zone to the country's international borders. Três Estradas falls within this zone with respect to the Uruguay border. The mining activities in border zones are ruled by special laws. According to Federal Law No. 6.634/1979 and Decree No. 85.064/1980, mining activities in border areas must be submitted to prior approval of the National Defense Council. Companies performing mining activities within the border areas must fulfill these requirements:

- At least 51% of the company's capital shares be held by Brazilians;
- At least two-thirds of the employees involved in the mining activities must be Brazilian citizens;
- The management of the company must be exercised by a majority of Brazilian individuals.

Agua has structured its subsidiaries to comply with these requirement yet still ensure that all economic benefit flows to Agua shareholders.

#### *Legal right to conduct operations*

Exploration permits are granted for up to a three-year period, renewable for a further period at the discretion of DNPM, under the objective conditions stipulated in the mining code. Exploration must begin no later than 60 days after the granting of the permit. Exploration must not stop, without due reason, for more than three consecutive months or 120 non-consecutive days. The permit holder must notify the DNPM of any changes to the exploration plan and, on completion of the work, submit a final report on exploration. The holder of an exploration permit is required to pay annual fees to DNPM in the amount of R\$1.90/ha for the first three years, increasing to R\$2.87/ha for authorized term extensions. The holder of an exploration permit is also responsible for all expenses related to DNPM site inspections of the area.

Brazilian Law (Mining Code, Article 27) grants to the titleholder of an exploration permit or mining concession the right to enter into the area comprised by the mineral right and execute the exploration and exploitation activities. This establishes the legal means by which the development of mining activities cannot be stopped.

#### *Permits, Licences and Other Regulatory Approvals*

Agua holds 100% interest in the four exploration permits covering the phosphate deposits as evidenced by a recent Brazilian title opinion and also as published in the Federal Gazette by the DNPM. Agua also holds 100% interest in three more exploration permits although these areas will be used for infrastructure rather

than mineral extraction. Aguia is not subject to any restrictions or conditions imposed by the government, other than to follow the laws regarding the exploration and development of mineral resources in Brazil.

Aguia is currently awaiting approval of its Environmental Impact Assessment by the Rio Grande do Sul government. Upon approval, Aguia will be granted the Preliminary License which is the key permit required approving the environmental and social impacts of the project.

#### *Risks of Corporate Structure*

Aguia is incorporated under the laws of Australia, accordingly, is governed by the Australian Corporations Act. The Australian Corporations Act differs in certain respects from laws generally applicable to Canadian and US corporations and shareholders. However, it provides substantive protection to minority shareholders in the areas of interested directors, mergers and similar arrangements, takeovers, shareholders' suits, indemnification of directors and inspection of corporation records.

Aguia's mineral properties are located in Brazil and held through Brazilian subsidiaries. As a result, the operations of the Corporation are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to, currency exchange rates; corruption; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; renegotiation or nullification of existing permits, applications and contracts; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; currency controls; and governmental regulations that may require the awarding of contracts of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Brazil or other countries in which Aguia may conduct business, may adversely affect the operations of the Corporation. The Corporation may become subject to local political unrest or poor community relations that could have a debilitating impact on operations and, at its extreme, could result in damage and injury to personnel and site infrastructure.

Failure to comply with applicable laws and regulations may result in enforcement actions and include corrective measures requiring capital expenditures, installing of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The corporate structure has been designed to ensure that Aguia completely controls the operations of its subsidiaries. The Brazilian operating subsidiaries are either wholly-owned or controlled by Aguia via a Shareholders Agreement. Accordingly, Aguia directly controls the appointments of all of the directors of its subsidiaries. The directors of Aguia's subsidiaries are ultimately accountable to Aguia as the shareholder appointing him or her, and Aguia's board of directors and senior management. As well, the annual budget, capital investment and exploration program in respect of the mineral properties are established and controlled by Aguia.

#### *Controls Relating to Corporate Structure Risk*

Aguia has implemented a system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that apply at all levels of the Corporation and its subsidiaries. These systems are overseen by the Corporation's Board, and implemented by the Corporation's senior management. These systems of corporate governance, internal control over financial reporting and disclosure controls and procedures are designed to ensure that, among other things, the Corporation has access to all material information about its subsidiaries. The relevant features of these systems include:

- (a) **Aguia's Control Over Subsidiaries.** Aguia's corporate structure has been designed to ensure that the Corporation controls or has a measure of direct oversight over the operations of its subsidiaries. Aguia's subsidiaries are either wholly-owned or controlled to a large extent by the Corporation. Accordingly, the Corporation directly controls the appointments of all of the directors of its subsidiaries. The directors of Aguia's subsidiaries are ultimately accountable to Aguia as the shareholder appointing

him or her, and Agua's board of directors and senior management. As well, the annual budget, capital investment and exploration program in respect of the Corporation's mineral properties are established by the Corporation.

Further, signing officers for subsidiary foreign bank accounts are either employees of Agua or employees of the subsidiaries. Monetary limits are established internally by the Corporation as well as with the respective banking institution. Annually, authorizations over bank accounts are reviewed and revised as necessary. Changes are communicated to the banking institution by the Corporation and the applicable subsidiary to ensure appropriate individuals are identified as having authority over the bank accounts.

- (b) **Strategic Direction.** The Board is responsible for the overall stewardship of the Corporation and, accordingly, supervises the management of the business and affairs of the Corporation. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Corporation including those of its material subsidiaries.
- (c) **Internal Control Over Financial Reporting.** The Corporation prepares its consolidated financial statements and management's disclosure and analysis of ("**MD&A**") on a quarterly and annual basis, using IFRS as issued by the International Accounting Standards Board, which require financial information and disclosures from its subsidiaries. The Corporation implements internal controls over the preparation of its financial statements and other financial disclosures to provide reasonable assurance that its financial reporting is reliable and that the quarterly and annual financial statements and MD&A are being prepared in accordance with IFRS and relevant securities laws. These internal controls include the following:
  - (i) The Corporation receives trial balances, balance sheets, income statements and general ledger details relating to its subsidiaries in order to complete the consolidated financial statements and MD&A. Management of the Corporation has direct access to relevant financial management of its subsidiaries in order to verify and clarify all information required.
  - (ii) All public documents and statements relating to the Corporation and its subsidiaries containing material information (including financial information) are reviewed by senior management, including the Chief Executive Officer, the Chief Financial Officer and internal legal counsel before such material information is disclosed, to make sure that all material information has been considered by management of the Corporation and properly disclosed.
  - (iii) As more fully described in paragraph (e), the Corporation's Audit Committee obtains confirmation from the Chief Executive Officer and Chief Financial Officer as to the matters addressed in the quarterly and annual certifications required under National Instrument 52-109 - *Certification of Disclosure in the Corporation's Annual and Interim Filings* ("NI 52-109").
  - (iv) The Corporation's Audit Committee reviews and approves the Corporation's quarterly and annual financial statements and MD&A and recommends to the Corporation's board of directors for the board's approval of the Corporation's quarterly and annual financial statements and MD&A, and any other financial information requiring board approval, prior to their publication or release.
  - (v) The Corporation's Audit Committee assesses and evaluates the adequacy of the procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements by way of reports from management and its internal and external

auditor.

- (vi) Although not specifically a management control, the Corporation engages its external auditor to perform an audit of the annual consolidated financial statements in accordance with IFRS.
- (d) Disclosure Controls and Procedures. The responsibilities of the Corporation's Audit Committee include oversight of the Corporation's internal control systems including those systems to identify, monitor and mitigate business risks as well as compliance with legal, ethical and regulatory requirements.
- (e) CEO and CFO Certifications. In order for the Corporation's Chief Executive Officer and Chief Financial Officer to be in a position to attest to the matters addressed in the quarterly and annual certifications required by NI 52-109, the Corporation has developed internal procedures and responsibilities throughout the organization for its regular periodic and special situation reporting. This is done in order to provide assurances that information that may constitute material information will reach the appropriate individuals who review public documents and statements relating to the Corporation and its subsidiaries containing material information, is prepared with input from the responsible officers and employees, and is available for review by the Chief Executive Officer and Chief Financial Officer in a timely manner.

#### *Foreign operating entity*

Agua holds the majority of its funds in bank accounts in Canada and Australia. Funds are only sent to Brazil on a monthly basis to cover the upcoming expenses for that month which have been reviewed and approved by Agua's senior management in advance. Agua does not have any sources of revenue from Brazil at this time. All funding to carry on business is derived from capital raisings in Australia and Canada. The Canadian, Australian and Brazilian bank accounts all require authorization from two officers of the Corporation or one of its subsidiaries for any transfers or payments.

#### *Removal of Directors of Subsidiaries*

In respect of its subsidiaries, subject to applicable local corporate laws and the respective constating documents of each of the Corporation's wholly-owned subsidiaries, the Corporation may remove directors of these subsidiaries from office either by way of a resolution duly passed by the Corporation at a shareholders' meeting or by way of a written resolution. Removal of senior officers is delegated to Agua's senior management.

Existing agreements in place allow Agua to provide written notice of immediate termination in the event of any misconduct or 6 months notice/remuneration otherwise.

#### *Records Management of the Corporation's Subsidiaries*

The original minute books, corporate seal and corporate records of each of the Corporation's subsidiaries are kept at each subsidiary's respective registered office.

#### *Exercise of statutory rights and remedies*

Agua is incorporated under the laws of a foreign jurisdiction and both the Company and some of the directors and officers of Agua reside outside of Canada. Although the Company and certain of its directors and officers have appointed Cassels Brock & Blackwell LLP, 2200 – 885 West Georgia Street, Vancouver, BC Canada, V6C 3E8, as their agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against Agua or any of its directors or officers residing outside of Canada.

As the Corporation is a holding company, all of the Corporation's subsidiaries and the majority of the Corporation's assets are located outside of Canada. Aguia and the majority of Aguia's assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Corporation, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws. The Corporation has subsidiaries incorporated in Brazil operations in Brazil. Certain directors and officers reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. In the event a judgment is obtained in a Canadian court against one or more of the Corporation's directors or officers for violations of Canadian securities laws, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims in original actions instituted in Brazil or Australia. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

*Management experience in foreign jurisdiction*

The following table identifies which directors and executive officers have experience in conducting business in Brazil:

<b>Name</b>	<b>Position</b>	<b>Experience in Brazil</b>	<b>Domiciled in Brazil</b>
Justin Reid	MD & Director	X	
David Gower	Director	X	
Fernando Tallarico	Technical Director	X	X
Catherine Stretch	Chief Commercial Officer	X	
Ryan Ptolemy	CFO	X	
Helio Diniz	Director of Subsidiaries	X	X
Roberta Bousas	Brazilian Counsel	X	X
Zargos Hood	Controller	X	X

Agua employs a Brazilian lawyer to ensure compliance with the laws and requirements of Brazil and hires outside legal counsel as required. Our Brazilian counsel and our Brazilian senior officers keep the Board and senior management apprised of happenings in Brazil that may impact Agua's operations. Agua's CFO has extensive experience working with Brazilian subsidiaries of Canadian listed resource companies and is knowledgeable about banking systems and controls in Brazil.

Agua's directors visit operations and meet with local management in Brazil often. To date in 2018, individual directors have visited Brazil approximately 12 times and Agua's Brazilian based senior officers have visited Canada a number of times.

#### *Language Proficiency & Overcoming Language Barriers*

The Corporation's Director & Officer of Brazilian Subsidiaries, Technical Director, In-house Brazilian Counsel and Controller are fluent in Portuguese and English.

Agua's Brazil based senior management and a majority of the technical staff are highly fluent in English. All documents provided to the board are in English. In cases where an original document is in Portuguese it is translated professionally and Agua's senior officers/counsel will review to ensure the translator has appropriately captured the meaning of any technical terms. Agua has not experienced any material language barrier.

Given the high level of English fluency in the Brazil operation, Agua has not instituted a formal communication plan.

## ***DESCRIPTION OF MINERAL PROPERTIES***

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### **The Três Estradas Project**

The following is a summary of, and in certain parts, a direct excerpt from, the Technical Report. See "*Interests of Experts*". Unless specifically noted otherwise, the following disclosure regarding the Três Estradas Project has been based upon information in the Technical Report. The full Technical Report is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Dr. Fernando Bucco Tallarico, B.Sc. Geology, M.Sc., Ph.D. and P.Geo. M.Sc., P.Geo., Technical Director for Agua, is the in-house Qualified Person under National Instrument 43-101 for all technical materials. Dr. Tallarico has reviewed and approved the scientific and technical information in this AIF.

### ***Project Description, Location and Access***

The Três Estradas Project is located in the municipality of Lavras do Sul, approximately 320km southwest of Porto Alegre, the capital city of Rio Grande do Sul in southern Brazil and 1,790km south of Brasilia.

The Três Estradas Phosphate Project area is situated at latitude -30.906137°, longitude -54.197328°. Mineral tenure is held through three mineral rights, all issued by the Brazilian Mining Regulatory Authority (the DNPM - Departamento Nacional de Produção Mineral). The three mineral rights combined cover a total area of 2,075.34ha.

Agua holds 100% interest in the three mineral rights permits covering the Três Estradas Phosphate Project area.

The project area falls within the International Border Zone of Brazil. The International Border Zone is a 150km buffer zone to the country's international borders. Três Estradas is within this zone with respect to the Uruguay border. The mining activities in border zones are ruled by special laws. According to Federal Law No. 6.634/1979 and Decree No. 85.064/1980, mining activities in border areas must be submitted for prior approval of the National Defense Council. Companies interested in performing mining activities within the border areas must fulfill these requirements:

- At least 51% of the company's capital shares be held by Brazilians;

- At least two-thirds of the employees involved in the mining activities must be Brazilian citizens;
- The management of the company must be exercised by a majority of Brazilian individuals. Furthermore, the delegation of management or directory powers of the company to foreigners is forbidden, as stipulated in Decree #85.064/1980 (article 15, third paragraph)

Águia is in compliance with all the requirements stipulated in Brazilian Federal Law #6,634/1979 for the ownership of mineral rights located within Brazilian border areas and, thus, for the performance of mining activities within the Brazilian border areas.

The Três Estradas project is located approximately 30km southwest of Lavras do Sul, located in the south-central portion of the state of Rio Grande do Sul. The project area is located approximately 320km from Porto Alegre, the capital and largest city of Rio Grande do Sul. Porto Alegre is a major metropolitan hub to the region with a population of approximately 4.4 million inhabitants and serviced by an international airport. A network of modern paved highways connect Lavras do Sul to Porto Alegre and other communities throughout the region. Highways BR-290, BR-392, and BR-357 are the primary links from Porto Alegre to Lavras do Sul.

Lavras do Sul is a community of 8,300 inhabitants. The town has a history founded in gold mining dating back to the 1880s. The town has a well-developed infrastructure, including an airstrip for small planes, availability of unskilled and semi-skilled mining personnel and access to non-specialized supplies. Águia bases its field operations in Lavras do Sul with an office complex and core storage facility.

From Lavras do Sul, the Três Estradas project area is accessed by RS-357, south-westward for approximately 203km, then south on BR-473 for 7km to an intersection with a secondary ranch road. The southeast corner of the property is located another 10km northeast on the ranch road from the intersection with BR-473.

A railroad crosses through the Três Estradas project area and through Lavras do Sul. The railroad is operated by RUMO Logistics and links the cities of Cecequi and Rio Grande. The city of Rio Grande is the largest port in the state.

The Federal Constitution of Brazil has established that the States, municipalities, federal district and certain agencies of the federal administration are entitled to receive royalties for the exploitation of mineral resources by holders of mining concessions (including extraction permits). The royalty rate for phosphate is currently 2% arising from the sale of the mineral product less the sales taxes of the mineral product. No royalties are currently due.

Under terms of an Option Agreement executed by and between CBC and Águia Metais Ltda. (“Águia Metais”) on July 1st, 2011 and amended on December 13th, 2011 and March 27th, 2014, CBC is entitled to receive royalties levied at the rate of 2% (two percent) of the net revenue (royalties capped at USD10M) that results from the commercialization of the mineral products for Três Estradas, from mineral rights #810.090/1991 and #810.325/2012. However, Águia may, at any time, purchase the royalty right from CBC for USD 5,000,000.

Properties required for the development of the open pit, beneficiation plant, tailings dam, water dam and waste piles are in the process of being acquired by Águia. Águia is not aware of any environmental liabilities or any other royalties that may apply.

Current environmental liabilities are limited to cut lines for drilling, drill pad clearings, mud pumps and various infrastructures.

### ***History***

Lavras do Sul was originally developed in the 1880's as a gold mining camp on the Camaquã of Lavras River. In 1959, more detailed studies were organized by the DNPM, which were followed in the 1970s by major survey and sampling programs of all mineral occurrences by the CPRM, the geological survey of Brazil. In recent years there have been renewed exploration activities for gold and base metals in the region by CBC, Amarillo Mining, CRM, and Votorantim Metais Zinco SA.

Phosphate mineralization was first observed at Três Estradas in a gold exploration program being conducted jointly by Santa Elina and CBC. Santa Elina was prospecting for gold in DNPM # 810.090/1991, conducting soil, stream sediment, and rock geochemistry; ground geophysical surveys (magnetrometry and induced polarization), and a limited drilling program.

Results of the soil sampling and drilling program led to the discovery of phosphate-rich rocks. A total of 944 soil samples were collected in a regular North-South grid of 400m by 500m, and within detailed grids ranging from 25m by 50m to 200m by 50m.

Exploration results for gold were not encouraging and Santa Elina pulled out of the joint venture with CBC. However, the phosphate chemical analysis from two core boreholes in the DNPM #810.090/1991 area yielded results of 6.41% P<sub>2</sub>O<sub>5</sub> from soil and 6.64% P<sub>2</sub>O<sub>5</sub> from core. This information was communicated to CPRM. Following petrographic studies, apatite mineralization occurring in carbonatite was confirmed. This discovery was published in the proceedings of the 45<sup>o</sup> Congresso Brasileiro de Geologia (Brazilian Geology Congress), in Belém, Pará (Parisi et al., 2010), and in the Simpósio de Exploração Mineral (SIMEXMIN), in Ouro Preto, MG, in 2010 (Toniolo et al., 2010).

In July 2011, CBC entered into a partnership with Aguia Metais Ltda, a subsidiary of Aguia Resources to explore and develop phosphate deposits in Rio Grande do Sul. The two companies entered into an option agreement providing Aguia the irrevocable purchase option for phosphate mineral rights. Aguia exercised the purchase option the following year granting them 100% interest in Três Estradas. Since 2011 Aguia has carried out a systematic and detailed exploration program to delineate phosphate mineralization at the deposits.

In 2012 SRK Consulting (Canada) Inc., were engaged by Aguia to prepare a geological model and mineral resource estimate for the project, in accordance with the JORC code. The results of additional drilling were incorporated in an updated resource estimate released by Aguia in January, 2013. In April 2013, permit exploration rights for areas including Três Estradas were granted by the DNPM, and shortly thereafter SRK provided an updated mineral resource statement to reflect Aguia's revised permit status. SRK's updated resource estimate and ITR for 2013 served as the basis for a conceptual mining study / Preliminary Economic Assessment (PEA) completed in September, 2014.

In February 2016, the Millcreek Mining Group was engaged to perform an updated PEA of the project in accordance with the JORC code. The PEA was completed in July, 2016, and formed the basis of the decision to proceed with the BFS.

In March 2018, Millcreek Mining Group completed the Bankable Feasibility Study for the Três Phosphate Project and a NI 43-101/JORC Compliant Technical Report was published in April 2018.

### ***Geological Setting, Mineralization and Deposit Types***

The region surrounding Lavras do Sul consists of geologic domains within the Sul-rio-grandense Shield, a major lithotectonic assemblage of southernmost Brazil, which includes Paleoproterozoic basement and Neoproterozoic orogenic belts linked to the Brasiliano/Pan-African cycle.

The Três Estradas project is situated in the SMCGC, part of the Taquarembó domain. The SMCGC exposes the deepest structural levels within Brazil and may represent the western edge of the Precambrian Rio de la Plata Craton. The granulite complex is bounded to the northeast by the Ibaré Lineament, to the west by Phanerozoic cover, and to the south by Neoproterozoic Brazilian granites (potential melts of the granulite). The age of the granulite protolith is late Archean to early Paleoproterozoic (ca. 2.5-2.3 Ga), and can therefore be interpreted as the basement to the Taquarembó domain and as an extension of the Valentines-Rivera Granulitic Complex within bordering Uruguay.

The granulitic complex and post-tectonic granites are largely surrounded by volcanic and sedimentary cover rocks of the Camaquã Basin. These rocks were deposited as a result of Neoproterozoic to Early Cambrian post-orogenic extension.

The dominant rock types found within the local confines of the Três Estradas project include:

- Intermediate gneiss, amphibolite, schist, and metatonalite of the SMCGC. These lithologies have been strongly deformed and metamorphosed to amphibolite assemblages. They are interpreted to

have experienced deformation during at least two tectonic events during the Paleo and Neoproterozoic, and subsequently have been affected by retrograde amphibolite metamorphism;

- Granites belonging to the São Gabriel Domain. Granites from this domain are poorly exposed. Where exposed the granites show little evidence of deformation, though extensive quartz veins trending parallel to the Cerro dos Cabritos Fault are common where they are in contact with gneiss of the SMCGC;
- The Três Estradas meta-carbonatite. The meta-carbonatite is intensely recrystallized and metamorphosed to amphibolite assemblages. The carbonatite intrusion is characterized by three magmatic phases: apatite bearing pyroxenite, carbonatite, and syenite;
- Medium to coarse grained, subangular to subrounded poorly sorted, white to grey sandstone of the Maricá Formation, a component of the Camaquã Basin sedimentary cover units. This unit is characterized by cross bedding, lenses of polymictic conglomerates, and rhythmites associated with sandy to pelitic turbidites; and
- Quartz veins are common and are both concordant and crosscutting all lithologies. The veins can reach widths of up to 30m and can reach strike extents of up to 300m.

The majority of the Três Estradas phosphate project area is composed of the major rock types described above. The targeted area consists of an elongated carbonatite intrusion with a strike of 50° to 60°, similar to that of the Cerro dos Cabritos Fault. Shear sense indicators suggest a sinistral sense of motion along this fault. The carbonatite plunges steeply from 70° to vertical (90°) towards the northwest. The surface expression of the intrusion is approximately 2.5km along strike with a width of approximately 300m.

With the exception of meta-syenite along its northeast and southeast boundaries, the carbonatite is surrounded by biotite gneiss of the SMCGC. The carbonatite is tightly folded and strongly foliated, resulting in a well-developed gneissic texture. Locally, abundant subparallel quartz veins are present resulting in elevated topographic ridges as the quartz is more resistant to weathering than the surrounding country rock. These veins range from a few centimeters to a couple of meters in width and can be up to 300m long. Also, flanking the carbonatite is a minor unit of meta-tonalite with intercalated meta-carbonatite and amphibolite. The unit is characterized by gneissic banding, a gray-green color on weathered surfaces, and a recrystallized granular texture.

The carbonatite intrusion is characterized by varying amounts of amphibolite. Amphibolite and carbonatite bands alternate on a meter- to millimeter-scale. Phosphate mineralization is disseminated and contained in apatite crystals throughout the carbonatite intrusion and in the overlying saprolite (discussed in detail in following section). Aguiá's current interpretation suggests that the carbonatitic intrusion is formed from three magmatic phases that were later metamorphosed to an amphibolite assemblage.

## **Mineralization**

Phosphate mineralization, occurring as the mineral apatite ( $\text{Ca}_5(\text{PO}_4)_3(\text{F,Cl,OH})$ ) is the primary mineralization of economic interest at Três Estradas. Apatite is the only phosphate-bearing mineral occurring in the carbonatites. At Três Estradas phosphate mineralization occurs in both fresh and weathered meta-carbonatite and amphibolite. It also occurs as secondary mineralization in the saprolite directly overlying the meta-carbonatite and amphibolite.

Apatite is a common accessory mineral in carbonatite and ultramafic igneous deposits. With both deposits, apatite forms submillimeter-sized, subhedral to euhedral crystals that are disseminated throughout the groundmass. Apatite crystals are pale in color requiring care when observing fresh, unaltered rock. In weathered rock, apatite is resistive to weathering relative to the carbonate matrix, making then easier to identify with a hand lens.

Calcite is the primary carbonate mineral at Três Estradas and accounts for approximately 60% of the mass of the carbonatite.

Carbonatites are typically complex, multi-phase intrusions with subsequent phases showing signs of fractionation. Apatite along with anatase and magnetite tends to be dominant in early phases of an intrusion

while later phases of intrusion tend to be dominated by higher concentrations of niobium and rare-earth elements. Agua geologists have noted up to three distinct phases within the cores of Três Estradas.

## **Deposit Types**

Phosphate is an important raw material that is used primarily for the production of fertilizers and for a variety of industrial applications. It occurs in both sedimentary and igneous deposits. In both types of deposits, the primary phosphate mineral is apatite. In igneous rocks, appreciable quantities are most commonly found in layered mafic intrusions and carbonatite complexes. The Três Estradas deposit is a carbonatite intrusion. Carbonatite melts contain at least 50% carbonate by volume, rich in calcium, magnesium, iron and/or sodium and form as a result of fractional crystallization from silicate and carbonate-rich source rocks and/or through carbon dioxide degassing in the presence of calcium and magnesium.

Carbonatite intrusions are often complex bodies formed from multiple intrusive phases, and are typically small in size, with dimensions ranging from 1.5 to 2 km (Biondi, 2003). Carbonatites are often associated with ultramafic complexes in cratonic regions. The magma uses deep fractures as a conduit for emplacement. In alkaline-carbonatitic ultramafic complex the first products are alkaline-ultramafic rocks and the carbonatite rock corresponds to the final phase of magma crystallization.

Carbonatite intrusions typically fall into two morphological classes: (i) central or dome type intrusions; and (ii) linear type intrusions. Central-type carbonatites typically form in regions of tectonic and magmatic reactivation in stable cratons or platform regimes. They tend to be shallow seated events with high energy and are often the final fractionate of a larger alkalic intrusion. Central-type carbonatites have occurred throughout geologic history. Linear-type carbonatites are predominantly Paleoproterozoic, preferential to deep faults, and are typically not linked by magmatic differentiation to ultramafic rocks like central-type carbonatites.

Brazil hosts some of the best-known mineralized carbonatites in the world. Well known examples include Araxá - Minas Gerais, Catalão - Goiás, Cajati - São Paulo, and Tapira - Minas Gerais. All of these have an early Cretaceous to Eocene age range and are developed along the margins of the Parana Basin. Três Estradas is a linear-type carbonatite and is one of only two known linear-type carbonatite complexes known in Brazil.

The vast majority of Brazil's phosphate production is derived from the mining of carbonatite bodies and their near surface weathered products (Biondi, 2003).

## **Exploration**

Agua has been diligently following a systematic approach in its exploration programs for Três Estradas.

### *Geological Mapping*

The geological mapping of the three exploration permits was executed by Agua geologists on a scale of 1:10,000. Mapping was performed along north-south profiles at intervals of 100m. Within the area surrounding the meta-carbonatite, geologic mapping was completed at a scale of 1:1,000. Detailed mapping of the carbonatite complex was completed at a scale of 1:200.

### *Topography*

In March 2012, Agua commissioned a detailed topographic survey of the meta-carbonatite area using differential GPS technology. The survey was carried out by Planageo – Serviços e Consultoria Ltda., from Caçapava do Sul, RS, Brazil. The survey comprised 35.35-line kilometers, consisting of survey lines spaced 25m apart and control lines spaced 100m apart. In addition, relief points between the lines, borehole collars, and auger borehole collars from the first exploration campaign were used to build the topography. The topographic survey generated contour lines at 1m intervals in the meta-carbonatite area. Contour lines at 5m intervals were obtained for the remaining area using SRTM and orthorectified Geoeye images with 0.5m resolution.

In December 2016, Aguia completed an expanded detailed topographic survey of the area to cover an extended area beyond the main deposit. The air survey was carried out by SAI (Serviços Aéreos Industriais) or Industrial Air Services, using Lidar technology (light detection and ranging) including a new set of orthorectified images. The contour lines at 1m intervals were obtained in 1:2000 scale and the adopted flight level returned orthophotographic images at 1:5000 scale.

#### *Remote Sensing*

Images from Landsat 7, sensor ETM+ and Geoeye-1 satellites were used to help in the geological interpretation and in the understanding of physiographic and infrastructure aspects.

#### *Soil Geochemistry*

Aguia in a partnership with CBC executed a soil sampling program in the northern portion of the meta-carbonatite exposure. The program covered a small area of the meta-carbonatite along the southern edge of DNPM # 810.090/91 to complement the historical soil sampling completed by Santa Elina. Soil samples were collected every 25m along lines spaced 100m apart, for a total of 52 soil samples.

Results of both soil sampling programs were used to delimit P<sub>2</sub>O<sub>5</sub> anomalies in a northeast direction following the Cerro dos Cabritos Fault, to test for a continuation of the meta-carbonatite in that direction. Values higher than 1.42% P<sub>2</sub>O<sub>5</sub> were considered first order anomalies and values between 0.83% and 1.42% P<sub>2</sub>O<sub>5</sub>, were considered second order anomalies.

#### *Rock Geochemistry*

A total of 77 rock samples have been collected from within the project area. The majority of these samples represent meta-carbonatite. Assay results yielded up to 32% P<sub>2</sub>O<sub>5</sub> within the meta-carbonatite. Fresh or weathered carbonatite yielded mean values of 4% to 5% P<sub>2</sub>O<sub>5</sub>. Gneiss and meta-syenite rocks within the area did not return any significant P<sub>2</sub>O<sub>5</sub> grades. Few results are available from the amphibolite unit, as outcrops are scarce in the area.

#### *Trenching*

One historical trench exists on the tenement, cut perpendicular to the meta-carbonatite. According to Aguia, this trench was dug over 10 years ago by Santa Elina while prospecting for gold in the area. Within the trench, Aguia sampled three vertical channels; in each channel, two samples were collected from bottom to top. The P<sub>2</sub>O<sub>5</sub> results from these samples vary from 24.10% to 28.80%.

#### *Geophysical Surveys*

Aguia made use of data from an airborne geophysical survey completed by CPRM. Using rectified imagery for TMF, signal amplitude of TMF, First Derivative of the TMF, Uranium Concentration, and Total Count of Gamma spectrometry. The magnetic anomalies identified in the airborne survey assisted in delineating areas of interest and led to Aguia completing a ground-based magnetic survey over the entire northern tenement area in March, 2012. The survey was carried out by AFC Geofísica, Ltda. from Porto Alegre, Brazil. The survey comprised 104 line kilometers oriented north-south. Survey lines and control lines were spaced at 25m and 100m apart respectively (Figure 9.1).

#### **Drilling**

Aguia has completed five drilling campaigns on the Três Estradas area between 2011 and 2017. Drilling has included 139 core holes (20,509.5m), 244 reverse circulation (RC) holes (7,800.0m) and 487 auger holes (2,481.65m). The table below presents a summary of Aguia's drilling activities at Três Estradas. It should be noted that only data from the core and RC drilling has been used in developing the resource model.

**SUMMARY OF DRILLING AT TRÊS ESTRADAS**

Company	Drilling Campaign	Time Period	Type	No. of Holes	Total Length (m)
Aguia Resources, Ltd.	1	Oct - Nov 2011	Core	19	1,317.15
			Auger	26	169.90
	2	Jul - Oct 2012	Core	21	4,016.75
			Auger	158	994.65
			RC	105	2,151.00
	3	Nov 2014 - Jan 2015	Core	20	3,272.90
			RC	49	1,153.00
			Auger	203	818.70
	4	Oct - Dec 2015	Core	18	2,194.65
			Auger	100	498.40
	5	Nov 2016 – Jun 2017	Core	61	9,708.05
			RC	90	4,496.00
<b>Total</b>				<b>719</b>	<b>30,791.15</b>

**Sampling, Analysis and Data Verification**

Aguia follows standard practices in their geochemical surveys, core, RC, and auger drilling programs and has a set of standard procedures in collecting cuttings and core samples, logging, and data acquisition for the project. Procedures are well documented and meet generally recognized industry standards and practices.

All core and drilling samples are transported from the project sites to Aguia's sample storage and preparation facility in Lavras do Sul.

From the start of exploration activities up through October 2012, ALS Laboratory in Vespasiano, MG was the primary facility used for the analysis of soil, rock and drilling samples. After October 2012, all subsequent samples from Três Estradas were sent to SGS Geosol, also in Vespasiano, as the primary analytical laboratory.

The ALS laboratory in Vespasiano is primarily an intake and preparation facility. Samples are crushed and pulverized into rejects and pulps and entered into the ALS tracking system before being forwarded to ALS Peru S.A., in Lima or ALS Minerals in North Vancouver, Canada. The Vespasiano facility is not specifically accredited, but operates as part of the ALS Group whose management system is consistent with ISO 9001:2008 requirements. Both the Lima and North Vancouver facilities have ISO/IEC17025:2005 accreditation through the Standards Council of Canada. ALS is not specifically accredited for the methods used to analyze the samples submitted by Aguia. The ALS laboratories used by Aguia are commercial fee-for-service testing facilities and are independent of Aguia.

The SGS Geosol laboratory is a full analytical facility. SGS Geosol is an internationally recognized mineral testing laboratory. Its management system is accredited to ISO 9001:2008 by ABS Quality Evaluation Inc., Texas, USA. SGS Geosol is not specifically accredited for the methods used to analyze the samples submitted by Aguia. The SGS Geosol laboratory is a commercial fee-for-service testing facility and is independent of Aguia.

Aguia used blanks in the first drilling campaign that were prepared by Acme Analítica Laboratórios, Ltda in Aparecida de Goiânia, GO, Brazil and analyzed and certified by Acme Analytical Laboratories S.A, in Santiago, Chile. Mechanical preparation of mineral samples in Aparecida de Goiania operates as part of a management system that fulfills the requirements of ISO 9001:2008. Acme Santiago is accredited under ISO/IEC 17025:2005 by the Standards Council of Canada (accredited laboratory no. 764). Acme is not accredited for the specific methods used to analyze the samples submitted by Aguia.

Agua also commissioned two laboratories at the University of São Paulo (Technological Characterization Laboratory and Ore Treatment Research Group) to carry out a mineralogical characterization study and a beneficiation study. Though both labs are highly reputable research facilities, they have not undergone any accreditation programs common with commercial laboratories. At the University of São Paulo the mineralogical analysis included SEM with an EDS and employed a MLA routine.

Beneficiation studies were performed first at the USP. Studies were also performed at SGS Lakefield, Canada that basically reproduced the USP results with slight improvements. SGS Lakefield is a recognized facility meeting ISO/IEC 17025 standards for 67 specific registered tests for the minerals industry including flotation tests performed for Agua. Finally, we have recent beneficiation work from Eriez USA, that are of outstanding quality. Beneficiation testing completed by USP, SGS Lakefield, and Eriez USA were completed on a commercial, fee-for-service basis.

Millcreek completed a site visit to the Três Estradas project site on March 17, 18 and 19, 2016. The site visits confirmed the location and access routes of previous and current exploration activities. Millcreek was able to visit outcrops hosting phosphate mineralization, view exposures of surrounding country rock, as well as visiting numerous drill sites at both project areas. During the site visits, photographs and GPS coordinates were taken at drill sites and outcrops that were later compared to coordinates in the drilling databases and maps provided by Agua. Millcreek also spent time at Agua's core storage and logging facility in Lavras do Sul where they were able to examine drill core, review procedures used in logging, archiving information, density measurements, and sample preparation. Millcreek did not collect samples as part of its data verification efforts. Millcreek was easily able to recognize apatite crystals, the source of phosphate mineralization, in both outcrop and in core, in sufficient quantities to consider assay values reasonable.

A second site visit was made to the property by Millcreek on March 8 and 9, 2017. The purpose of this site visit was to review the outcome of the delineation drilling carried out during the previous few months and to observe first-hand the drilling currently underway to test mineralization in the new zone located along the southeast side of the main deposit. Millcreek was able to observe drilling that was underway by two core rigs on the new zone as well as drilling that was ongoing for geotechnical/hydrological characterization and comminution sampling. In total, there were four core rigs operating at the time of the site visit.

During the second site visit, Millcreek reviewed core and working cross-sections of the recent delineation drilling and from core from recently completed holes in the new zone. During the site visit, Millcreek selected a list of 85 coarse reject samples to be used as an independent confirmation program.

### ***Mineral Processing and Metallurgical Testing***

Mineral processing and metallurgical testing for the Três Estradas Phosphate project has been ongoing since 2012. Over that time the understanding of the metallurgical properties and characteristics of the ore and its response to various processes to concentrate and recover phosphate has gradually improved as a series of studies have steadily increased their relevance and level of detail. The most current level of work reflects a well-developed and considered approach to phosphate recovery that is optimized and verified to a level suitable to support a selection of a process route as well as the basis for preliminary equipment sizing.

Metallurgical and process testing began in 2012 with a bench-top study that covered mineralogical composition, particle size distribution and liberation by size fraction. Potential grade-recovery projections were extrapolated and the study also looked into the applicability of magnetic separation. This led to further work in 2014 which covered comminution and the first specific (bench-scale) flotation test work and resulted in the conclusion (among others) that the recovery of  $P_2O_5$  through flotation might be commercially viable and that column flotation should be considered. This was followed by additional test work (HDA, 2015), again at a bench-scale, that confirmed the commercial potential for phosphate recovery through flotation and provided a better understanding of the nature of  $P_2O_5$  by size fraction and in slimes.

It was at this point that the Eriez Flotation Division (Eriez) was engaged. Eriez had a proven record of designing and implementing column flotation applications at igneous phosphate projects around the world, including in Brazil, and it was determined that they would be well-positioned to develop an understanding of the metallurgical nature of the Três Estradas ore to a point suitable for a feasibility-level study.

Eriez began their engagement with a program in 2016 that produced concentrates from various ore types at a commercially viable level of performance using column flotation. Preliminary bench-scale testing was performed using mechanical test cells in order to optimize the process approach, which was then tested. As a direct result of this approach, Eriez was able to identify effective optimizations of the process and concluded that flotation grade – recovery performance could be reasonably expected to have a significant improvement over historical (i.e., non-optimized) projections. Such optimizations included retention of the fines in the plant feed, the use of a second cleaner circuit on the fresh carbonatite, and reduction of the Minor Element Ratio, MER, (and subsequent increase in concentrate grade) with the use of magnetic separation.

Metallurgical and process testing has culminated in Eriez's most recent pilot-plant testing for flotation (2017), supported with a recent comminution study (2017). A multi-month study, using bulk samples and performed at Eriez Flotation Division's pilot-plant facilities in Pennsylvania, USA, has confirmed the earlier bench-scale work as well as further improvements in the process design to improve grade - recovery projections. The test work was structured to focus specifically on each of the major ore types, including:

- Phase I: Carbonatite;
- Phase II: Calcite;
- Phase III: Saprolite of Carbonatite;
- Phase IV: Amphibolite (both 'fresh', and saprolitic);

The current findings and conclusions from the most recent pilot-plant program, are as follows:

- Phosphate grade and recovery are highly dependent on feed size distribution and grade;
- MIMS and WHIMS magnetic separation can improve the concentrate grades by over 2%, and reduce the MER;
- In saprolite of carbonatite, pilot-plant testing projects that a global phosphate recovery of 87% is achievable at a concentrate grade of 35% P<sub>2</sub>O<sub>5</sub>;
- In carbonatite:
  - Typically, recirculation of the second cleaner tails can provide up to a 2.5% increase in P<sub>2</sub>O<sub>5</sub> recovery at a 30% final grade. The percentage of which recovery is expected to increase is highly dependent upon the circuit feed grade and size distribution.
  - The use of additional cleaner stages may be more effective than a scavenger stage (not accounted for in grade – recovery projections);
  - At a feed-grade of 4%, pilot-plant testing projects that a global phosphate of 80% may be achievable at a concentrate grade of 32% P<sub>2</sub>O<sub>5</sub>.

Testing of the flotation performance for amphibolites, while only at a bench-scale, indicates that the impact of amphibolite on overall plant performance will be negligible.

The conclusions from the latest pilot-plant metrical testing program are based solely on the technical merits. The costs and economics for mineral processing have yet to be considered.

Prior to the current pilot-plant work, four 'bench scale' metallurgical testing programs were performed on material taken from Tres Estradas phosphate project since 2012 (in addition to a costing study, by KEMWorks, in 2015).

## Mineral Resource and Minerals Reserve Estimates

Resource Classification	Domain	Volume (m <sup>3</sup> X 1000)	Tonnage (T X 1000)	Density (T/m <sup>3</sup> )	P <sub>2</sub> O <sub>5</sub> %	CaO%	P <sub>2</sub> O <sub>5</sub> as Apatite (%)	CaO as Calcite (%)
Measured	AMSAP	36	55	1.54	6.63	10.75	15.70	19.19
	CBTSAP	491	796	1.63	10.18	18.20	24.11	32.49
	WMCBT	602	1,686	2.81	4.24	34.07	10.03	60.82
	MCBT	11,619	33,004	2.85	3.85	34.26	9.12	61.15
	MAMP	227	655	2.89	3.72	19.09	8.81	34.08
<b>Total Measured</b>		<b>12,975</b>	<b>36,196</b>	<b>2.82</b>	<b>4.01</b>	<b>33.59</b>	<b>9.50</b>	<b>59.95</b>
Indicated	AMSAP	400	653	1.65	5.00	11.49	11.85	20.50
	CBTSAP	2,330	3,834	1.66	9.21	16.24	21.82	28.99
	WMCBT	370	1,026	2.78	4.38	34.57	10.39	61.71
	MCBT	13,000	36,984	2.85	3.67	35.08	8.69	62.62
	MAMP	1,571	4,517	2.88	3.98	19.63	9.43	35.04
<b>Total Indicated</b>		<b>17,671</b>	<b>47,014</b>	<b>2.74</b>	<b>4.18</b>	<b>31.72</b>	<b>9.91</b>	<b>56.63</b>
<b>Total Measured + Indicated Resources</b>		<b>30,646</b>	<b>83,210</b>	<b>2.77</b>	<b>4.11</b>	<b>32.53</b>	<b>9.73</b>	<b>58.07</b>
Inferred	CBTSAP	27	45	1.64	5.41	20.17	12.82	36.01
	WMCBT	16	45	2.83	3.93	33.86	9.32	60.44
	MCBT	7,034	20,247	2.88	3.65	34.72	8.64	61.98
	MAMP	528	1,508	2.87	3.89	19.21	9.22	34.30
<b>Total Inferred</b>		<b>7,605</b>	<b>21,845</b>	<b>2.88</b>	<b>3.67</b>	<b>33.62</b>	<b>8.69</b>	<b>60.01</b>

\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect relative accuracy of the estimates. Mineral resources are reported within a conceptual pit shell at a cut-off grade of 3% P<sub>2</sub>O<sub>5</sub>.

The Audited Mineral Resource identifies 83.21Mt of measured and indicated material with an average grade of 4.11% P<sub>2</sub>O<sub>5</sub> and 32.53% CaO (58.07% calcite equiv.), using a minimum cut-off of 3.0% P<sub>2</sub>O<sub>5</sub>. The estimate also identifies 21.85Mt of inferred material with an average grade of 3.67% P<sub>2</sub>O<sub>5</sub> and 33.62% CaO (60.01 calcite equiv.). By classification, 79% of the resources contained within the optimized pit shell are Measured and Indicated with the remaining 21% of the resource classified as Inferred resource.

The accuracy of resource and reserve estimates is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. Given the data available at the time this report was prepared, the estimates presented herein are considered reasonable. However, they should be accepted with the understanding that additional data and analysis available subsequent to the date of the estimates may necessitate revision. These revisions may be material. There is no guarantee that all or any part of the estimated resources or reserves will be recoverable.

Total estimated Proven and Probable reserves for the Três Estradas Phosphate Project assuming, considering a saleable product 'reference point', are summarized in the table below. Reserves and head grade are reported on a mill-feed (post mining) basis and are inclusive of ore losses and dilution.

### PROVEN AND PROBABLE RESERVES

Classification	Reserves (Sap.)	Reserves (Cbt. + Amp.)	Reserves (Total)	Head Grade (%P <sub>2</sub> O <sub>5</sub> )
Proven	844,302	27,023,619	27,867,921	3.92
Probable	4,352,915	11,334,168	15,687,083	5.01
<b>Prove. + Prob.</b>	<b>5,197,217</b>	<b>38,357,787</b>	<b>43,555,004</b>	<b>4.31</b>

The Proven and Probable Mineral Reserves are included in the Measured and Indicated Mineral Resources.

## Mining

Appropriate mining areas were defined using economic optimization of a 3D block model and took into account the need to optimize project value by considering haulage of ore and waste to the plant and final dumps (respectively), as well as scheduling of stripping / mining operations and quality considerations.

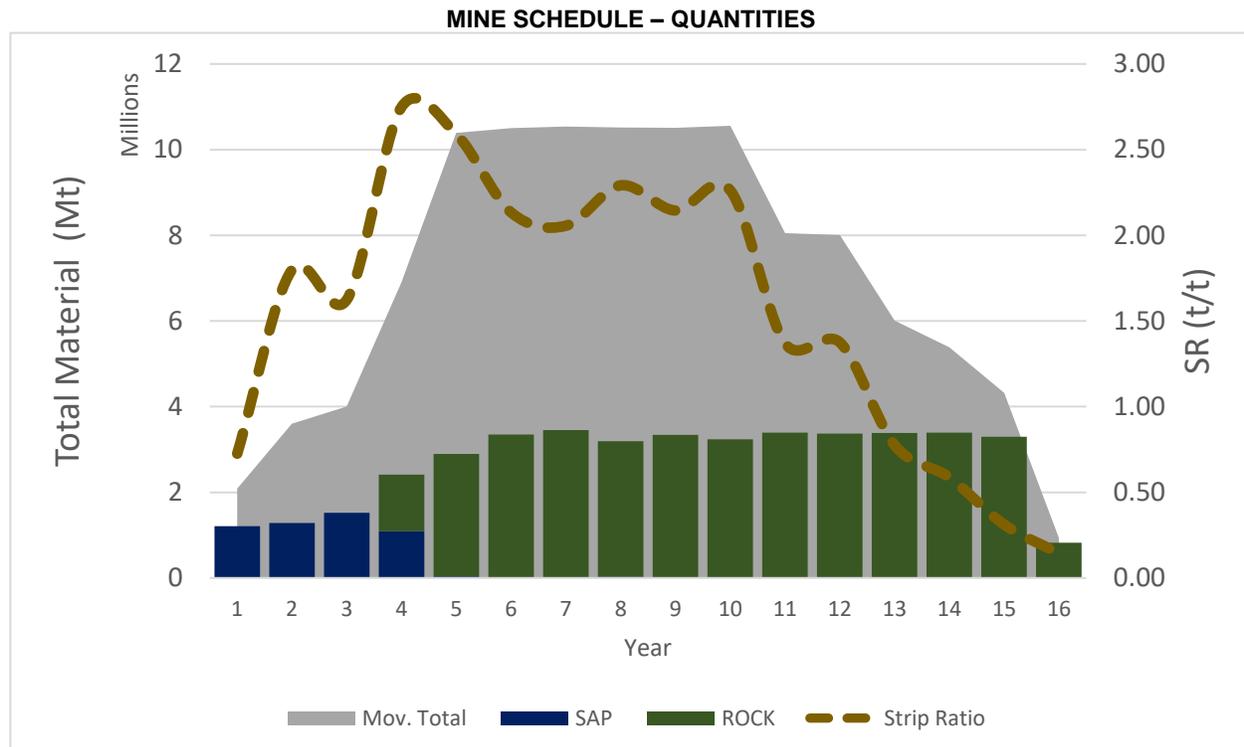
Early economic analyses indicated optimal production levels and (life-of-mine or LOM) (considering market constraints and strategy), as well as an approach that derived most value from the characteristics of the ore types, as follows:

- Phase 1 (Saprolite): Take advantage of the high-head grade, low strip ratio, and relatively low processing costs to produce a high-value phosrock concentrate;
- Phase 2 (Carbonatite): As saprolite is depleted, the plant is expanded to handle the Carbonatite ore types, as well as produce an aglime by-product;
- Phase 3 (Aglime): Remaining stockpile of stored aglime is reclaimed and depleted.

Mine operations for the Três Estradas Phosphate Project are planned as a conventional open-pit, truck and shovel mining methods for the phosphate ores and waste material. Waste and ore will be drilled and blasted before loading and haulage.

Pit designs were based on geotechnical and hydrogeologic studies and recommendations, taking into account the mining equipment and method. Waste is dumped in two dumps, located on the low-wall and high-wall sides of the ultimate pit, with sediment protection dykes.

Over the LOM, the pit is advanced according to the three phases described above, and the need to maximize the delivery of ore to the plant commensurate with the phase, to reduce truck haulage of ore and waste to the plant and dumps, respectively; and to minimize the need for stockpiling and rehandle. The steeply dipping nature of the deposit, it's size, and the over-riding value of the overlying saprolite ore, leads to a rapidly increasing strip ratio (SR) that peaks in Year 5 (at 2.8 tonnes waste: 1 tonne ore, or '2.8'), before decreasing as the pit is completed (averaging 1.6 over the LOM). However, this study has confirmed that this approach is economically optimal.



## ***Processing and Recovery Operations***

The mineral processing facilities for the Três Estradas Phosphate Project are designed in three phases:

**Phase 1:** treat the saprolite ore during the first years of operation. The primary product will be a phosphate concentrate (or phosrock), which will be sold for fertilizer manufactory. The tailings of the saprolite ore phosphate circuit will be disposed in a tailings dam.

**Phase 2:** treat the fresh carbonatite ore during the remaining years of the mine life. The primary product will be a phosphate concentrate (or phosrock). The tailings of the carbonatite ore flotation circuit may be sold as agricultural limestone (Aglime), without any further treatment other than dewatering/drying. The expected production rate of Aglime will be higher than the potential market. Thus, part of it will be dewatered and sold and the remaining will be disposed for reclaiming and commercialization after the mine depletion.

**Phase 3:** recover, dewater and sell the aglime disposed during the Carbonatite treatment.

Other by-products such as lime product for use in cement manufacture or flue gas desulphurization may also be produced, but to achieve the market specification some additional treatment of the phosphate circuit tailings (magnetic separation and/or flotation) will be needed.

The most favourable results for phosphate recovery and concentrate production utilized column flotation technology to treat the whole material, without fines removal (minus 20 µm, or “slimes” fraction). The fine fraction is typically removed as it has an adverse effect on the conventional flotation process. The volume of the fine fraction is very significant and the phosphate grade of the fines is similar to the coarse fraction. The potential losses in removing the fines range from 20% to 45% in the saprolite and 40% to 50% in the fresh carbonatite.

The carbonatite mineralization contains approximately 40% CaO or approximately 71.4% CaCO<sub>3</sub>, which remains in the phosphate flotation tailings.

The unit operations included in this process are:

- Primary crushing;
- Stockpiling of crushed material and reclaiming system;
- Grinding (two stages, closed circuit with hydrocyclones);
- Flotation;
- Phosrock concentrate thickening, filtration, drying, storage and load out;
- Aglime concentrate thickening, filtration, drying, storage and load out (Carbonatite phase);
- Tailings disposal.

## ***Infrastructure, Permitting and Compliance Activities***

Electric power for the region is provided by Companhia Estadual de Energia Elétrica (CEEE – State Electric Power Company). CEEE has 62 substations in Rio Grande do Sul with a total capacity of 8,237.4MVA and 6,056km of transmission lines that are supported by 15,058 structures and operate voltages of 230, 138, and 69 kilovolts.

The water supply in the Lavras do Sul and Bagé municipalities is managed by the Rio Grande do Sul State water utility, CORSAN. Regional water demands are carefully managed during the summer months when demand is high due to local rice farming in order to avoid impact on the urban supply.

A railroad crosses through the Três Estradas Phosphate Project area and through Lavras do Sul. The railroad is operated by RUMO Logistics and links the cities of Cecequi and Rio Grande. The city of Rio

Grande is the largest port in the state. Figure 5.5 is an aerial image of the Rio Grande port area and delineates the area (in yellow) utilized by the fertilizer and petrochemical industries.

The environmental impact and permitting review relies on work completed by Golder Associates in 2015, 2016 and 2017. Golder Associates has been instrumental in collecting and analysing environmental field data to develop the necessary regulatory material submitted to the Rio Grande do Sul's Government. This information has been incorporated in this review.

A comprehensive Environmental and Social Impact Assessment (EIA / RIMA), that meets national and international standards, was undertaken in 2015 and 2016 by Golder Associates based on over 14 months of field data collection and subsequent interpretation. The EIA/RIMA was submitted to State Government Agency (FEPAM) in October 7<sup>th</sup>, 2016.

As a result of later changes in the BFS, mainly related to lay-out of the mine and facilities, mass / water balance optimization and phasing the project according to saprolite / carbonatite ore and aglime phases, Agua produced an updated version of the EIA / RIMA in September 1<sup>st</sup>, 2017, which is currently under FEPAM analysis.

During the final phase of the BFS, additional changes were made to the project mainly related to optimization of the project lay-out, reducing the impacted area. A further update will be required to reflect these recent changes in the project.

Prior to the start of a construction and commissioning phase, the following steps are necessary in accordance with Brazilian law:

- Public Hearings with local communities;
- FEPAM analysis and clarifications;
- Preliminary License (LP) issued by FEPAM;
- Basic Environmental Plan (PBA) and LP conditions addressed by the Project;
- FEPAM analysis and approval;
- Installation License (LI) issued by FEPAM.

### ***Capital and Operating Costs***

The capital costs estimate includes all the direct and indirect costs, local taxes and duties, and appropriate contingencies for the facilities required to bring the Project into production, as defined by a feasibility level engineering study and cover the following major cost centers:

- Mine (mine preparation, equipment and support facilities);
- Waste dumps;
- Processing plant (from primary crusher up to product load out and tailings disposal at tailings dam, fresh water intake, internal accesses, electrical system and external roads refurbishing);
- Transmission line;
- Tailings and water dams.

Direct costs for equipment were estimated from budgetary quotes from equipment vendors, while others were derived for quantities 'take off' approach based on analysis of plans and designs for the processing plant and related infrastructure, completed by ECM Projetos Industriais Ltda. (ECM). Indirect costs were generally estimated by applying experience-based factors commensurate with the mining industry in Brazil.

**INITIAL CAPITAL COST SUMMARY**

<b>Area</b>	<b>Sub-Area</b>	<b>Phase 1 (Saprolite) (million USD)</b>	<b>Phase 2 (Carbonatite) (million USD)</b>
Mining	Mine	-	3.5
	Waste Dump	2.8	-
Processing Plant	General - Access Roads and Earthworks	4.8	2.7
	Process Plant	28.2	40.4
	Administrative / Operational Buildings	2.7	0.7
	Utilities	10.2	2.9
	Electrical System	11.6	14.2
Dam	Aglime Dam	2.7	3.7
	Water Dam	4.2	-
<b>Total - Direct Costs</b>		<b>67.3</b>	<b>68.0</b>
Indirect Costs		8.3	5.4
Contingency		8.3	7.3
<b>TOTAL PROJECT COSTS</b>		<b>83.9</b>	<b>80.8</b>
Recoverable Taxes		(3.3)	(3.5)
<b>TOTAL COSTS (Net of Recoverable taxes)</b>		<b>80.6</b>	<b>77.3</b>

Operating costs were estimated through a combination of experience and familiarity with similar mining projects in the region, as well as the use of industry guidelines and databases.

The annual total operating cost for Três Estradas Phosphate Project is estimated to be:

- Phase 1 (Saprolite): The average annual cost (Years 1 to 3) to produce 300 ktpy of phosrock is USD 15.8 million, or USD 51.30/tonne of phosphate concentrate;
- Phase 2 (Carbonatite): The average annual cost (Years 5 to 15) to produce 300 ktpy of phosrock and 1Mtpy of aglime is USD 38.6 million or USD 77.21/tonne of phosphate concentrate and USD 5.26/tonne of aglime;
- Phase 3 (Aglime): The average annual cost (Years 17 to 35) to produce 1Mtpy of aglime is USD 1.8 million, or USD 1.81/tonne of phosphate concentrate.

**OPERATING COSTS – TRÊS ESTRADAS PHOSPHATE PROJECT**

<b>Area</b>	<b>Sub-Area</b>	<b>Phase 1 Average (y1-y3) (million USD/year)</b>	<b>Phase 2 Average (y5-y15) (million USD/year)</b>	<b>Phase 3 Average (y17-y36) (million USD/year)</b>
Mining	Labor	1.2	1.6	0.0
	Diesel	2.6	5.6	0.0
	Lubricants	0.4	0.8	0.0
	Blasting	0.1	2.1	0.0
	Tires	0.4	0.9	0.0
	Repair Parts	0.4	1.0	0.0
	Wear Parts	0.1	0.2	0.0
	Drainage	0.0	0.3	0.0
	Outsourced Services	1.3	1.0	0.0
	Leasing	0.0	0.8	0.0
<b>Total Cost - Mine</b>		<b>6.5</b>	<b>14.3</b>	<b>0.0</b>
Process Plant	Labor	2.1	2.1	0.0
	Power	2.9	7.3	0.0
	Fuel and additives	0.3	0.3	0.0
	Reagents	2.3	10.3	0.0
	Consumables	0.2	2.1	0.0
	Parts and Maintenance Material	0.8	1.5	0.0
<b>Total Cost - Process</b>		<b>8.7</b>	<b>23.7</b>	<b>0.0</b>
<b>G&amp;A</b>		<b>0.6</b>	<b>0.6</b>	<b>0.0</b>
Aglime Storage Reclaiming	Dredging and Filtration	0.0	0.0	1.2
	G&A	0.0	0.0	0.6
<b>Total Cost - Aglime Storage Reclaiming</b>		<b>0.0</b>	<b>0.0</b>	<b>1.8</b>
<b>TOTAL OPERATIONAL COSTS</b>		<b>15.8</b>	<b>38.6</b>	<b>1.8</b>
Taxes Recovery		(1.1)	(3.2)	(0.0)
<b>TOTAL COSTS (Net of Recoverable Taxes)</b>		<b>14.7</b>	<b>35.4</b>	<b>1.8</b>

The economic analysis follows a discounted cash flow (DCF) model. This was performed by considering the detailed mining, processing and facilities CapEx and OpEx schedules, and applying them against net revenues (after deductions such as royalties, expenses and other deductions). After applying taxes, depreciation and amortization, the discounted cash flow (DCF) was generated, from which various valuation metrics could be derived including Net Present Value (NPV), Internal Rate of Return (IRR) an payback period.

Costs are as reported above. Revenues were generated by applying the price forecasts generated by industry experts. Proper applicating of taxes and duties in Brazil is relatively complex, and an expert in Brazilian taxes, L&M Assessoria Empresarial (L&M), was used to ensure that tax treatment was properly modelled.

## FINANCIAL RESULTS SUMMARY

Financial Analysis	Unit	Pre-Tax <sup>(2)</sup>	Post-Tax
NPV@5%	(USD Million)	300	212
NPV@7.5%	"	186	129
NPV@10%	"	116	78
IRR	(%)	20.7%	18.3%
Total Cash Flow	(USD Million)	1,041	849
Payback <sup>(1)</sup>	(Years)	5.9	6.2
EBITDA Years 1 to 3.5 (Phase 1 - Saprolite)	(USD Million)	28	
EBITDA Years 3.6 to 16 (Phase 2 - Carbonatite)	"	37	
EBITDA Years 17 to 36 (Phase 3 - Aglime)	"	26	
<i>(1) Undiscounted, after start-up; (2) Before direct taxes</i>			

The results of the economic analysis represent forward-looking information and there can be no assurance that phosphate production forecasts, projected capital and operating costs, cash flows, or mine operating schedules will prove to be accurate, as actual results and future events could differ materially from those anticipated. Risks related to forecast mine operations include unexpected events and delays during construction; expansion and start-up; variations in metal grade and recovery rates; changes to government regulations; results of current exploration activities; changes in project parameters as plans continue to be refined; future metal prices; failure of equipment or processes to operate as anticipated; labour or community disputes and other risks of the mining industry. See “Risk Factors” and “Forward-looking Information”.

### ***Exploration, Development and Production***

The results of the BFS indicate the Três Estradas Phosphate Project is technically and economically feasible. The mining and processing concepts applied represent conventional technologies that have been used successfully in international phosphate mining operations for several decades. The deposit's resources are sufficient to provide an economically viable open pit mining project under the circumstances described in this report.

Agua is awaiting approval from the Rio Grande do Sul State Environmental Agency (FEPAM) on approval of its previously submitted Environmental Impact Assessment (EIA). A comprehensive EIA was submitted to the environmental authority that evaluates the project's location, concepts, environmental baseline studies, impacts, and mitigation to certify the project's socio-environmental feasibility. On granting the Preliminary License (LP), the environmental authority confirms the environmental viability and approves the location and concept of the project.

Following the granting of the LP, the Corporation will begin work on the Installation License (LI) which provides the necessary authorization to start developing the mining site and engineering work. It is subject to the presentation of an environmental control plan called the Basic Environmental Plan (PBA), which is submitted to the regulator for review and approval. The PBA outlines compensatory measures and pollution control plans, which have been defined in the LP.

Construction can begin once all necessary permits are obtained, the timing of which is uncertain.

### ***Other Properties***

Agua has an exploration program underway at the Big Ranch target in Southern Brazil that has resulted in the discovery of a new zone of copper mineralisation . The Big Ranch target is located along the northern edge of the Caçapava Granite and consists of an 8-km-long by 4-km-wide alteration zone where multiple zinc and copper showings have been identified including multiple outcrops of gossans within a mineralised and alteration aureole along the northern margin of the intrusion. Agua is now completing detailed soil sampling lines to follow up on the goldrich gossan occurrences and to infill the initial reconnaissance lines. Ongoing mapping and sampling along the Big Ranch target has returned some positive results and management has initiated a ground geophysical survey shortly to identify detailed drilling targets within these broad geochemical anomalies. At present, the Company does not consider Big Ranch to be a material property.

## **DIVIDENDS**

The constating documents of the Corporation do not limit its ability to pay dividends on its ordinary shares. However, the Corporation does not expect to pay dividends in the foreseeable future. Payment of dividends in the future will be made at the discretion of the Board.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Corporation consists of an unlimited number of ordinary shares. As of September 24, 2018, there were 131,484,126 ordinary shares issued and outstanding. In addition, there are 10,034,000 ordinary shares reserved for issuance upon exercise of options and 20,323,318 ordinary shares reserved for issuance upon exercise of warrants.

### **Ordinary Shares**

Holders of ordinary shares are entitled to receive notice of and to attend any meetings of shareholders and shall have one vote per share at all meetings, except meetings at which only holders of another class or series of shares are entitled to vote separately as such class or series. Holders of ordinary shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board and, upon liquidation, dissolution or winding up of the Corporation, are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of ordinary shares. The ordinary shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. Sulliden has the right to participate in certain future equity offerings by the Corporation in order to maintain its *pro rata* investment in the Corporation.

## **MARKET FOR SECURITIES**

### *Trading Price and Volume*

The Ordinary Shares trade on the TSXV under the symbol “AGRL” and on the ASX under the symbol (“AGR”. The tables below shows the price ranges and volume of trading on the ASX and TSXV for each month of the calendar year ended June 30, 2018.

### **ASX**

<b>Period</b>	<b>High (\$/Share)</b>	<b>Low (\$/Share)</b>	<b>Average Daily Volume</b>
July 2017	A\$0.47	A\$0.37	44,771
August 2017	A\$0.44	A\$0.30	61,169
September 2017	A\$0.48	A\$0.37	33,610
October 2017	A\$0.43	A\$0.36	59,551
November 2017	A\$0.385	A\$0.34	27,501
December 2017	A\$0.395	A\$0.31	62,955
January 2018	A\$0.38	A\$0.30	36,778

February 2018	A\$0.315	A\$0.25	82,291
March 2018	A\$0.36	A\$0.28	88,115
April 2018	A\$0.305	A\$0.24	56,384
May 2018	A\$0.23	A\$0.175	91,682
June 2018	A\$0.255	A\$0.185	60,125

### TSX-V

<i>Period</i>	<i>High (\$/Share)</i>	<i>Low (\$/Share)</i>	<i>Average Daily Volume</i>
July 2017	0.485	0.40	19,957
August 2017	0.40	0.35	33,987
September 2017	0.47	0.38	13,803
October 2017	0.48	0.39	21,006
November 2017	0.40	0.355	9,250
December 2017	0.45	0.32	61,923
January 2018	0.495	0.33	26,200
February 2018	0.40	0.295	40,857
March 2018	0.43	0.30	65,209
April 2018	0.34	0.24	59,778
May 2018	0.25	0.195	20,075
June 2018	0.225	0.18	74,766

### Prior Sales

During the financial year ended June 30, 2018, the Corporation issued the following securities:

<b>Transaction Date</b>	<b>Number of Securities</b>	<b>Type of Securities</b>	<b>Issue/ Exercise Price (\$)</b>
April 12, 2018	14,285,800 <sup>(1)</sup>	Ordinary Shares	CAD\$0.35
April 12, 2018	7,142,900 <sup>(2)</sup>	Warrants	CAD\$0.60
December 5, 2017	7,520,000 <sup>(3)</sup>	Stock options	A\$0.60
November 27, 2017	150,000 <sup>(4)</sup>	Stock options	A\$0.54
July 7, 2017	6,335,000 <sup>(5)</sup>	Ordinary shares	A\$0.40
July 3, 2017	5,000,000 <sup>(6)</sup>	Ordinary shares	A\$0.40

<sup>(1)</sup> Ordinary shares issued pursuant to a private placement financing

<sup>(2)</sup> Warrants issued pursuant to a private placement financing

<sup>(3)</sup> Ordinary shares issued pursuant to an option exercise.

<sup>(4)</sup> Ordinary shares issuance pursuant to financings.

<sup>(5)</sup> Options granted to certain consultants, directors and officers.

## Directors & Officers

The following table sets forth the name, province or state of residence and position held with the Corporation of each of the current executive officers and directors of the Corporation. All directors hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

Name, and State/Province and Country of Residence	Current Position	First Appointed as Director	Shares Held	%
Justin Reid, Ontario, Canada	Managing Director (Director)	April 7, 2015	408,037	0.32%
David Gower <sup>(1)(2)</sup> , Ontario, Canada	Non-Executive Director	November 30, 2012	559,234	0.43%
Brian Moller <sup>(2)</sup> , Queensland, Australia	Non-Executive Director	December 18, 2013	120,000	0.09%
Alec Pismiris <sup>(1)(2)</sup> , Western Australia, Australia	Non-Executive Director	March 26, 2014	91,966	0.07%
Paul Pint, Ontario, Canada	Executive Chairman (Director)	January 12, 2016	404,037	0.31%
Diane Lai <sup>(1)</sup> , Ontario, Canada	Non-Executive Director	July 7, 2017	Nil	Nil
Catherine Stretch, Ontario, Canada	Chief Commercial Officer	N/A	66,159	0.05%
Ryan Ptolemy, Ontario, Canada	Chief Financial Officer	N/A	602	0.0%
Fernando Tallarico, Belo Horizonte, Brazil	Technical Director	N/A	137,143	0.10%
Zargos Gandara Hood, Belo Horizonte, Brazil	Controller	N/A	Nil	Nil
Andrew Bursill, New South Wales, Australia	Company Secretary	N/A	10,000	0.01%

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

The directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control over, 1,797,178 ordinary shares, representing approximately 1.4% of the issued and outstanding ordinary shares of the Corporation as of the date hereof, based on the information provided by these individuals.

All directors of the Corporation will be due for re-election at the next Annual General Meeting of the Corporation.

*The principal occupation, business or employment of each of the Corporation's directors and executive officers within the past five years are disclosed in the brief biographies below.*

**Justin Reid:** From February 2011 until February 2013, Mr. Reid held the role of Managing Director Global Mining Sales at National Bank Financial, where he directed the firm's sales and trading in the mining sector. From February 2013 to August 2014, Mr. Reid served as President of Sulliden Gold Corporation Ltd, and from February 2013 to the present, Mr. Reid has acted as CEO of Sulliden Mining Capital Inc., his primary occupation. Mr. Reid is a geologist and capital markets executive with over 20 years of experience focused exclusively in the resource space. Mr. Reid holds a B.Sc from the University of Regina, an M.Sc from the University of Toronto and MBA from the Kellogg School of Management at Northwestern University.

**David Gower:** Mr. Gower was formerly the President and CEO of Apogee Opportunities Inc. (formerly Apogee Silver Ltd.) from 2007 to 2011. Since 2009 Mr. Gower's primary occupation has been as President of Brazil Potash Corporation, a private mineral exploration and development corporation. Since 2011 Mr. Gower has also acted as a consultant to various TSX and TSX Venture Exchange listed mining companies. Mr. Gower is a Professional Geologist with a strong record of exploration and project development in Brazil including the Araguaia nickel deposits and the Autazas potash discoveries. Gower holds a B.Sc. in Geology from St. Francis Xavier University and a M.Sc. in Geology from Memorial University. He is a member of the Association of Professional Geoscientists of Ontario and of the Canadian Institute of Mining.

**Brian Moller:** Mr. Moller is a partner at the legal firm HopgoodGanim, his primary occupation, where he has worked for over 30 years. Mr. Moller specializes in capital markets, mergers and acquisitions and corporation restructuring, and has acted in numerous transactions and capital raisings in both the industrial and resources and energy sectors. Mr. Moller acts for many publicly listed companies in Australia and regularly advises boards of directors on corporate governance and related issues. Mr. Moller holds an LL.B. from the University of Queensland.

**Alec Pismiris:** Mr. Pismiris is a consultant with over 30 years' experience in the securities, finance and mining industries and currently is a director of five ASX listed companies. Mr. Pismiris completed a Bachelor of Commerce degree at the University of Western Australia, is a member of the Australian Institute of Company Directors and an associate of the Governance Institute of Australia.

**Paul Pint:** Mr. Pint is a capital markets professional with over 20 years of experience. Mr. Pint began his capital markets career on the institutional equity team at a large Canadian financial institution. Over his career, he has held a number of senior positions at various financial institutions and boutique investment banks in Canada. From 2009 until March 2012 acted for Desjardins as Managing Director, Head of Equity Sales, and between June 2012 and December 2015, Mr. Pint served as Director, Institutional Equity Sales for National Bank Financial. Mr. Pint is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

**Diane Lai:** Ms. Lai is an entrepreneur and seasoned executive with over 25 years of global marketing and product management experience in the technology sector. Diane began her career in product development in the United Kingdom at Vodafone, returned to North America in 1996 to work for Entrata Communications in San Diego California. Diane returned to Canada as Director Product Marketing in 2000 to work for FloNetwork, which was acquired by DoubleClick Inc and then Google Inc. In 2010 Diane started an organic skincare company to address the severe allergies of her own son. More recently Diane was the Vice President of Marketing and IT for Yellow Pages Media (TSX: Y), and Chief Operating Officer for ARHT Media Inc. (TSV: ART). Diane graduated from the University of Waterloo, holds an MBA from the Kellogg School of Management and was granted the ICD.D designation by the Institute of Corporate Directors.

**Catherine Stretch:** Ms. Stretch is the CEO of Castara Management Inc., a company she founded in February 2011 to provide corporate advisory services to early stage resource companies. During this time, Ms. Stretch has been engaged in a number of projects and roles developing mining and agriculture resources in Canada, South America and Asia and became Chief Commercial Officer of Aguia in 2015. Prior to 2011, Ms. Stretch was a partner in a fund management firm that had over \$1 billion in assets under management. Ms. Stretch has a Bachelor of Economics from the University of Western Ontario and a Masters of Business Administration in International Business from the Schulich School of Business at York University.

**Ryan Ptolemy:** Mr. Ptolemy is a Chartered Professional Accountant, Certified General Accountant and CFA charter holder whose primary occupation is Chief Financial Officer for a number of public and private companies. From August 2005 to September 2009, Mr. Ptolemy was at an independent investment dealer in Toronto, most recently serving as Chief Financial Officer where he was responsible for financial reporting, auditing, budgeting and internal controls. Thereafter, he joined Rodinia Lithium Inc. as the Chief Financial Officer in 2010. Mr. Ptolemy is currently the Chief Financial Officer of Belo Sun Mining Inc., Routemaster Capital Inc., African Gold Group, Inc., Aberdeen International Inc., Fura Gems Inc. and Valencia Ventures Inc.

**Fernando Tallarico:** Mr. Tallarico's primary occupation since May 2007 has been as Technical Director of Forbes & Manhattan Group, a private merchant bank focused on the resource sector. In his role with Forbes & Manhattan Group Mr. Tallarico has held senior roles with mining companies including Exploration Manager of Castillian Resources, Exploration Director of Falcon Metais, and his role with the Company. Mr. Tallario holds a PhD from the Universidade Estadual de Campinas in Brazil.

**Zargos Gandara Hood:** Mr. Hood's background is in business administration related to auditing, consulting and M&A. Since September 2008, his primary occupation has been as Brazil Operations Finance Director of Forbes & Manhattan Group, a private merchant bank focused on the resource sector. During that time, Mr. Hood has held senior roles with mining group companies including Falcon Metais Ltda, Brazil Potash Ltd, Irati Energy and Aguia. Mr. Hood holds a MBA Finance from IBMEC – Instituto Brasileiro de Mercado de Capitais in Brazil.

**Andrew Bursill:** Mr. Bursill is a principal of Franks & Associates Pty Ltd, his primary occupation, and has been with the firm for over 15 years where he has specialized in the provision of outsourced company secretary and financial services. During this time, Mr. Bursill has been a director and company secretary for numerous listed and unlisted public companies. Mr. Bursill is a member of the Institute of Chartered Accountants in Australia and holds a Bachelors of Agricultural Economics from the University of Sydney.

#### *Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

Other than as set forth below, no director or executive officer of the Corporation is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that, (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under the securities legislation, for a period of more than 30 consecutive days (an "Order"); (ii) was subject to an Order that was issued, after the person ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director, executive officer or shareholder holding a sufficient number of securities to materially affect control of the Corporation:

- (a) has, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any corporation (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy, or insolvency, or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

No director or executive officer of the Corporation, or a shareholder holding sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or

sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### *Conflicts of Interest*

Certain of the Corporation's directors and officers serve or may agree to serve as directors or officers of other mining companies or have significant shareholdings in other mining companies. To the extent that such other companies may participate in ventures in which the Corporation may participate, or seek to compete with the Corporation to acquire mineral properties, certain directors or officers of the Corporation may have a conflict of interest in such matters. In the event that such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will disclose such conflict and generally step out of the room during discussions and abstain from voting for or against the approval of such matters. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular Corporation will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Corporation making the assignment. Under the laws of Canada, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

#### *Director Term Limits and Other Mechanisms of Board Renewal*

The Corporation has not adopted term limits for the directors on its board or other mechanisms of board renewal based on the current stage of development of the Corporation, management and the board do not feel that such policies are necessary.

#### *Policies Regarding the Representation of Women on the Board*

The Corporation has not adopted a written policy relating to the identification and nomination of women directors based on the current composition of the board, coupled with the current stage of the development of the Corporation, management and the board do not feel that such a policy is necessary. There is currently one female member of the Corporation's board of directors.

#### *Consideration of the Representation of Women in the Director Identification and Selection Process*

The Corporation does not specifically consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. Based on the current composition of the board, coupled with the current stage of the development of the Corporation, management and the board do not feel that such a policy is necessary. There is currently one female member of the Corporation's board of directors.

#### *Consideration Given to the Representation of Women in Executive Officer Appointments*

The issuer does not specifically consider the level of representation of women in executive officer positions when making executive officer appointments. Ms. Catherine Stretch is an executive officer and occupies a very senior management position. Based on the current composition of the Corporation's executive officers, coupled with the current stage of the development of the Corporation, management and the board do not feel that such a policy is necessary. There is currently one female executive officer.

#### *Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer*

The Corporation has not adopted a target regarding women on the Corporation's board or in executive officer positions. Based on the current composition of the Corporation's board of directors and executive officers, coupled with the current stage of the development of the Corporation, management and the board

do not feel that such a policy is necessary. There is currently one female executive officer and one female board member.

#### *Number of Women on the Board and in Executive Officer Positions*

There is currently one female member on the Corporation's board of directors representing approximately 17% of the board. There is currently one female executive officer of the Corporation representing approximately 17% of officers.

## **AUDIT COMMITTEE DISCLOSURE**

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”) requires the Corporation to have a written audit committee charter and to make the disclosure required by Form 52-110F1.

#### *Audit Committee Charter*

A copy of the Charter of the Audit Committee of the Board, which has been adopted by the Board in order to comply with NI 52-110 and to more properly define the role of the Audit Committee in the oversight of the financial reporting process of the Corporation is attached hereto as Schedule “A”. Nothing in the Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

The Audit Committee is comprised of Diane Lai, David Gower and Alec Pismiris (Chair). Each member of the Audit Committee is independent of the Corporation and financially literate, as such terms are defined in NI 52-110.

#### **Relevant Education and Experience**

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee.

**Alec Pismiris:** Mr. Pismiris has over 30 years' experience in the securities, finance and mining industries and currently is a director of five ASX listed companies. Mr. Pismiris completed a Bachelor of Commerce degree at the University of Western Australia, is a member of the Australian Institute of Company Directors and an associate of the Governance Institute of Australia.

**David Gower:** Mr. Gower was formerly the President and CEO of Apogee Opportunities Inc. (formerly Apogee Silver Ltd.) from 2007 to 2011. Since 2009 Mr. Gower's primary occupation has been as President of Brazil Potash Corporation, a private mineral exploration and development corporation. Since 2011 Mr. Gower has also acted as a consultant to various TSX and TSX Venture Exchange listed mining companies. Mr. Gower is a Professional Geologist with a strong record of exploration and project development in Brazil including the Araguaia nickel deposits and the Autazas potash discoveries. Gower holds a B.Sc. in Geology from St. Francis Xavier University and a M.Sc. in Geology from Memorial University. He is a member of the Association of Professional Geoscientists of Ontario and of the Canadian Institute of Mining.

**Diane Lai:** Ms. Lai brings over 22 years of global experience in business development, management and acquisitions. From April 2016 to March 9, 2017, she was the chief operating officer of ARHT Media Inc. She formerly worked at Vodaphone in the United Kingdom and Entrata Communications in California, before returning to Canada where she was instrumental in the acquisition of FloNetwork to DoubleClick and Platform Computing to IBM. Ms. Lai's entrepreneurial nature led to the launch of a successful organic skin care company in 2010. She formerly held board positions at Windmill Line Co-Operative, Cloverdale Inc. in Bermuda and currently holds a board position with DLG Inc. Ms. Lai graduated from the University of Waterloo and holds an MBA from the Kellogg School of Management at Northwestern University.

## **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board.

## **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any available exemption regarding the composition, responsibilities, independence, financial literacy or otherwise of the Audit Committee.

## **Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. In accordance with its charter, all non-audit services are pre-approved by the Audit Committee.

## **External Auditor Service Fees**

### Audit Fees

The Corporation's external auditors, Ernst & Young (Australia), Chartered Accountants, billed the Corporation A\$96,178 in the financial year ended June 30, 2017 and A\$134,167 in the financial year ended June 30, 2018, for audit fees.

### Audit-Related Fees

The Corporation's external auditors, Ernst & Young (Australia), Chartered Accountants, billed the Corporation A\$8,488 in the financial year ending June 30, 2017 and NIL in the financial year ended June 30, 2018 for assurance and related services related to the performance of the audit or review of the Corporation's financial statements, which are not included in audit fees.

### Tax Fees

The Corporation's external auditors, Ernst & Young (Australia), Chartered Accountants, billed the Corporation NIL in the financial year ending June 30, 2017 and NIL in the financial year ended June 30, 2018 for tax compliance, tax advice and tax planning.

### All Other Fees

No other fees were charged by the external auditors for the financial years ended June 30, 2017 and June 30, 2018.

## ***PROMOTERS***

To the best of the Corporation's knowledge, no person or Corporation has been within the two most recently completed fiscal years, or is during the current fiscal year, a promoter of the Corporation or any of its subsidiaries.

## ***LEGAL PROCEEDINGS AND REGULATORY ACTIONS***

Other than as set out herein and in the Corporation's public disclosure including financial statements and MD&A available at [www.sedar.com](http://www.sedar.com), there are no current material legal proceedings and there were no material legal proceedings during the year ended June 30, 2018 to which the Corporation was a party or of which any of the Corporation's property was subject, nor, to the best of the Corporation's knowledge, are there any such material legal proceedings contemplated.

There have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended June 30, 2018, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision in the Corporation. The Corporation has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended June 30, 2018.

## ***INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS***

None of the directors or executive officers of the Corporation or a person or Corporation who beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the voting securities of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries, other than the participation by Sulliden in private placement financings in April 2018.

## ***TRANSFER AGENTS AND REGISTRARS***

The Corporation's transfer agent and registrar is TSX Trust, located in Toronto, Ontario and LINK Market Services, located in Sydney, Australia.

## ***MATERIAL CONTRACTS***

Except for contracts entered into by the Corporation in the ordinary course of business or otherwise disclosed herein, no contracts entered into by the Corporation during the financial year ended June 30, 2018, or which remain in effect, can reasonably be regarded as presently material.

## ***INTERESTS OF EXPERTS***

Millcreek prepared the Technical Report on behalf of Aguia in accordance with the current requirements of National Instrument (NI) 43-101. In accordance with accepted standards and best-practices for certification of resources, Millcreek's representatives Mr. Steven Kerr (C.P.G.-10352) and Mr. Alister Horn (MMSAQP-01369), who authored the report are considered Qualified Persons under the NI 43-101 Standards of Disclosure for Mineral Projects. To the knowledge of the Corporation, none of the authors nor the firms they work with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the Technical Report or as at the date hereof.

Dr. Fernando Henrique Bucco Tallarico, B.Sc. Geology, M.Sc., Ph.D. and P.Geo. M.Sc., Technical Director for Aguia, is the in-house Qualified Person under National Instrument 43-101 for all technical materials. Mr. Tallarico has reviewed and approved the scientific and technical information disclosed in this AIF. Mr. Tallarico is a consultant of Aguia whose holding of securities of the Corporation as of the date hereof do not exceed 1% of the issued and outstanding securities of the Corporation.

Ernst & Young Australia, are the auditors of the Corporation and have performed the audit in respect of the audited annual consolidated financial statements of the Corporation as at and for the year ended June 30, 2018. Ernst & Young Australia, were independent of the Corporation in accordance with the applicable rules of professional conduct.

## ***ADDITIONAL INFORMATION***

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under the Corporation's stock option plan is contained in the management information circular of the Corporation dated October 27, 2017.

Additional financial information is provided in the Corporation's annual consolidated financial statements and management's discussion and analysis for the year ended June 30, 2018. These documents and other information about the Corporation can be found on SEDAR under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A

### AGUIA RESOURCES LIMITED AUDIT COMMITTEE CHARTER

#### 1. COMMITTEE MEMBERS

1.1 The Board has established an Audit and Risk Management Committee (Committee) subject to the terms of this Audit and Risk Management Committee Charter (Charter).

The Committee is to consist of:

- entirely Independent Directors (as defined in the Board Charter); and
- three members.

Where there are not three or more Independent Directors of the Company, the Board may appoint non-Independent Directors to the Committee.

1.2 Each member of the Committee is to be financially literate. Between them, the members of the Committee are to have accounting or related financial expertise, technical knowledge and a sufficient understanding of the industry in which the Group operates to be able to discharge the Committee's mandate effectively.

1.3 The Company Secretary and representatives of the Group's external auditors may be invited to attend meetings of the Committee from time to time.

1.4 From time to time, the Board shall appoint a chairman of the Committee (Chairman) from the Committee's members who is an Independent Director as the chairperson who is not the Chairperson of the Board.

#### 2. PURPOSE

2.1 This Charter sets out the role, responsibilities, composition, authority and membership requirements of the Committee.

2.2 This Charter will be made available on the Company's website.

#### 3. DEFINITION AND OBJECTIVES OF THE COMMITTEE

3.1 The Committee is a committee of the Board.

3.2 The Committee's primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company by:

Audit related

- recommending to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Group;
- recommending to the Board the compensation of the external auditor;
- ensuring that the quality of financial controls is appropriate for the business of the Group;
- reviewing the scope and results of external and internal audits;

- directly overseeing the work of external auditors and resolving disagreements between management and the external auditors regarding financial reporting;
- monitoring corporate conduct and business ethics, including auditor independence and ongoing compliance with laws and regulations;
- maintaining open lines of communication between the Board, Management and the external auditors, thus enabling information and points of view to be freely exchanged;
- reviewing matters of significance affecting the financial welfare of the Group;
- ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate;
- reviewing the Company's financial statements, MD&A and annual and interim profit and loss press releases before the Company publicly discloses the information;
- considering whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- considering the appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements;
- reviewing the Group's internal financial control system;
- considering the appointment or removal of the external auditor, the rotation of the external audit partner and approving the remuneration and terms of engagement of the external auditor;
- developing, reviewing and maintaining a policy on hiring partners and employees, and former partners and employees, of present and former auditors in compliance with the requirements of Canadian National Instrument 52-110 "Audit Committees";
- monitoring and reviewing the external auditor's independence, objectivity and performance, taking into consideration relevant professional and regulatory requirements and the performance of the external auditor;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external audit firm and making recommendations on any proposal by the external auditor to provide non-audit services ;
- pre-approving all non-audit services provided by the external auditor; and
- where the Company has an internal audit function, reviewing and making recommendations regarding:
  - (i) the appointment or removal of the head of internal audit;
  - (ii) the scope and adequacy of the internal audit work plan; and
  - (iii) the objectivity and performance of the internal audit function.

## Risk related

1. ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Group's operations, practices and systems and overseeing this framework;

2. developing, and periodically assessing whether, adequate procedures are in place for the review of the Company's public disclosure of financial information;

- defining and periodically reviewing risk management as it applies to the Group and clearly identify all stakeholders;
- ensuring the Committee clearly communicates the Company's risk appetite (as set by the Board), policies and strategies to Management, employees, contractors and appropriate stakeholders;
- ensuring that Directors and Management establish a risk aware culture which reflects the Company's risk policies and appetite;
- reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures;
- considering the processes the Company will employ for evaluating and continually improving the effectiveness of its risk management and internal control processes;
- considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities;
- considering whether the Group has any material exposure to economic, environmental and social sustainability risks and if it does, how the Company manages those risks;
- reviewing any incident involving fraud or other breakdown of the Group's internal controls;
- reviewing the Group's insurance program, having regard to the Group's business and the insurable risks associated with its business; and
- establishing and maintaining procedures for the receipt, retentions and treatment of complaints received by the Group regarding accounting, internal accounting controls, or auditing matters and maintaining the confidentiality of anonymous submissions by employees of the Group which concern questionable accounting or auditing matters.

Membership of the Committee will be disclosed in the Corporate Governance Statement, the Annual Report or the Company's website, together with details of the relevant experience and qualifications of members of the Committee.

## 4. REPORTING

4.1 Proceedings of all meetings are minuted and signed by the Chairman.

4.2 The Committee, through its Chairman, is to report to the Board at the earliest possible Board meeting after each Committee meeting. Minutes of all Committee meetings are to be circulated to the Board. The report should include but is not limited to:

- the minutes of the Committee and any formal resolutions;

- information about the audit process including the results of internal and external audits;
- an assessment of:
  - (i) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs; and
  - (ii) the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit partners;
- recommendations for the appointment or removal of an auditor;
- any determination by the Committee relating to the performance and independence of the external auditor and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assessment of the performance and objectivity of the internal audit function;
- results of its review of risk management and internal compliance and control systems;
- information about its assessment of any material exposure of the Company to economic, environmental and social sustainability risks (if any) and suggestions or recommendations on how these risks may be managed; and
- any matters that in the opinion of the Committee should be brought to the attention of the Board and any recommendations requiring Board approval or action.

4.3 At least annually, the Committee should prepare for the Board a report which documents for the record:

1. a review of the formal written Charter and its continuing adequacy and an evaluation of the extent to which the Committee has met the requirements of the Charter;
2. an assessment of whether external reporting is consistent with Board members' information and knowledge and is adequate for shareholder needs;
3. the adequacy of the Group's internal controls;
  - an assessment of the accuracy and integrity of the Company's annual and interim financial statements;
  - an assessment of the Company's processes supporting external reporting;
  - a review of the procedures for selecting and appointing the external auditor and for the rotation of the external audit engagement partners;
  - recommendations for the appointment, or if necessary, the removal, of the external auditor;
  - an assessment of the performance and the independence of the external auditors; and
  - the results of a review of risk management policies and internal control systems, including considerations of whether the Group has a material exposure to any particular risk.

## 5. RISK MANAGEMENT POLICIES

The Committee will ensure that the necessary controls are in place for risk management policies to be maintained by:

- devising a means of analysing the effectiveness of risk management and internal compliance and control system and of the effectiveness of their implementation; and
- reviewing, at least annually, the effectiveness of the Group's risk management system to satisfy the Committee that it continues to be sound.

## 6. MEETINGS

6.1 The Committee will meet at least quarterly, at such times and places as determined by the Committee. The Committee is governed by the same rules regarding meetings (including the procedure used to call meetings, and conducting meetings electronically, in person or by telephone), notice of meetings and waiver of notice by committee members, written resolutions in lieu of a meeting, and voting at meetings that apply to the Board.

6.2 From time to time, non-Board members may be invited to attend Board meetings when audit matters are being discussed, if it is considered appropriate by the Committee. However, no Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.

6.3. Notwithstanding subclause 6.2, if in the opinion of the Committee, their investigation or discussion will be assisted by hearing from the interested Director, the Committee may invite that Director to address the Committee. The Committee will give fair consideration to that address. The Director will not, however, be invited to take part in the deliberations following that address.

## 7. ACCESS

7.1 The Committee shall have unlimited access to the external and internal auditors, and to senior management of the Group. The Committee shall also have the ability and authority to seek any information it requires to carry out its duties from any officer or employee of the Group and such officers or employees shall be instructed by the Board to co-operate fully in provision of such information.

7.2 The Committee has the authority to consult with, and set the pay of, independent counsel, advisors and experts where they consider it necessary to carry out their duties. Any costs incurred as a result of the Committee consulting independent counsel, advisors or experts will be borne by the Company.

7.3 The Committee may conduct or authorize investigations as it deems necessary.

7.4 The Committee also has the authority to communicate directly with internal and external auditors.

7.5 The Committee will pre-approve all non-audit services to be provided to the Group by external auditors of the Group, unless such services, in the aggregate, meet the de minimis exception set out in Canadian National Instrument 52-110 "Audit Committees".

## 8. PROCEEDINGS OF THE COMMITTEE

The provisions of the Company's Constitution which govern proceedings of committee meetings are deemed to be incorporated into this Charter. Where there is a conflict between this Charter and the Constitution, the Constitution will prevail.

