



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

(Containing information through November 29, 2017 unless otherwise noted)

Background

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to Aguia Resources Limited. ("we", "our", "us", "Aguia" or the "Company") as of November 29, 2017 unless otherwise noted. The MD&A provides a detailed analysis of the Company's operations and compares its financial results with those of the previous periods and should be read in conjunction with our interim consolidated financial statements for the three months ended September 30, 2017 and 2016. The financial statements and related notes of Aguia have been prepared in accordance with International Financial Reporting Standards ("IFRS") and do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

Please refer to the notes of the June 30, 2017 consolidated financial statements for disclosure of the Company's significant accounting policies. Unless otherwise noted, all references to currency in this MD&A refer to Australian dollars. References to R\$ refer to the Brazilian Real and C\$ refer to the Canadian dollar.

Additional information relating to the Company can be found on the Aguia website at www.aquiareources.com.au

Dr. Fernando Henrique Bucco Tallarico, B.Sc. Geology, M.Sc., Ph.D. and P.Geo. M.Sc., P.Geo), 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 in this MD&A.

Cautionary Statement Regarding Forward Looking Information

Except for statements of historical fact relating to Aguia, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking information includes, without limitation, statements with respect to: possible events, the future price of limestone and phosphate, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of projects and new deposits, success of exploration, development and mining activities, permitting timelines, currency

fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words “anticipates”, “plans”, “expects”, “indicative”, “intend”, “scheduled”, “timeline”, “estimates”, “forecasts”, “guidance”, “opportunity”, “outlook”, “potential”, “projected”, “schedule”, “seek”, “strategy”, “study” (including, without limitation, as may be qualified by “feasibility” and “pre-feasibility”), “targets”, “models”, or “believes”, or variations of or similar such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, or “should”, “might”, or “will be taken”, “occur” or “be achieved” and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Aguia and its external professional advisors as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Forward-looking information is provided for the purpose of providing information about management’s expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in the “Risk Factors” section of this MD&A. These factors are not intended to represent a complete list of the factors that could affect Aguia. Economic analyses in technical reports are based on commodity prices, costs, sales, revenue and other assumptions and projections that can change significantly over short periods of time. As a result, economic information in a technical report can quickly become outdated. Aguia disclaims any intention or obligation to update or revise any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law.

Overview of the Company

Aguia Resources Ltd. is an exploration and development company focused on Brazilian phosphate projects to supply the Brazilian agriculture sector. Aguia is listed on the Australian Stock Exchange (“ASX”) under the symbol AGR and the Toronto Venture Exchange (“TSXV”) under the symbol AGRIL and has offices in Sydney, Australia and Belo Horizonte, Brazil. The Company currently controls over 1,110 km² 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 Company seeks to develop its holdings of phosphate deposits into viable mining operations providing phosphate and agricultural limestone to Brazil’s agriculture industry. The Company’s phosphate properties in Brazil include its principal project, Três Estradas in Rio Grande do Sul State. Aguia’s other property is the Lucena Project in Alagoas State.

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.

The Lucena Phosphate Project, comprising 48 tenements and applications for 345.5 km² 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 JORC compliant mineral resource.

Highlights for the three months ended September 30, 2017 include:

- Três Estradas Pilot Plant confirms excellent recoveries and concentrate grades for industrial scale (see press release dated October 4, 2017).
- The Company released an updated Mineral Resource statement for the Três Estradas based on the results of the infill drilling. Total Measured resource of 36 million tonnes grading 4.0% P2O5 and total Indicated resource of 47 million tonnes grading 4.2% P2O5, using a cut of grade of 3% P2O5 and an additional 21.8 million tonnes grading 3.7% in the Inferred category (see press release date September 19, 2017).
- The Company 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 Company 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 (see press release dated September 5, 2017).
- The Company 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”). The BFS now approximately 60% complete.
- Infill drilling results returned grades and thicknesses predicted in our model and demonstrated the homogenous nature of the Tres 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.
- On July 26, 2017, the Company announces it has repurchased a 1% Net Smelter Royalty from Sulliden Mining Capital Inc.
- On July 7, 2017 Diane Lai was appointed as a new non-executive member of the Board of Directors.
- The Company 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 Company at a price of \$0.40/C\$0.40 per unit for gross proceeds of C\$10,544,334.
- On July 6, 2017 the Company received confirmation from TSXV that the conditions for listing the Company’s ordinary shares for trading on the TSXV had been satisfied and shares commenced trading on the TSXV under the ticker “ARGL”.

Outlook

For fiscal 2018, the Company continues to focus on the advancement of the Três Estradas project. The Company will focus on the following activities:

- 1) The Company will be focused on incorporating the Mineral Resource statement into the BFS as the basis of economic and production forecasts.
- 2) The Company’s technical team will be working on the BFS, continuing to optimize the plan through trade-off studies and working closely with Millcreek Mining and the other technical consultants to develop a robust project.

- 3) With the TSXV listing now complete, Aguia's management will be focused on expanding its investor base and increasing its profile in North America and Europe through retail roadshows, investment conferences and meetings with institutional investors.
- 4) Expect the approval of the Environmental Impact Assessment ("EIA") in the first half of 2018 which will result in the awarding of the Preliminary License ("LP").
- 5) The Company estimates that it will spend C\$2,500,000 on the preparation of the Três Estradas project's BFS, C\$2,000,000 on exploration of the Três Estradas project and C\$400,000 on community consultations in 2018.

For the Lucena Project, the Company will focus on the following activities:

- 1) The Company will continue to develop its joint venture with a local cement company to explore the overburden limestone as raw material for ceramic and cement products.

Summary of Unaudited Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1-2018 30-Sep 2017	Q4-2017 30-Jun 2017	Q3-2017 31-Mar 2017	Q2-2017 31-Dec 2016	Q1-2017 30-Sep 2016	Q4-2016 30-Jun 2016	Q3-2016 31-Mar 2016	Q2-2016 31-Dec 2015
Net (loss)	(436,460)	(1,176,233)	(761,993)	(1,391,390)	(735,532)	(473,036)	(452,905)	(4,206,447)
Net (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Working Capital*	3,888,843	3,991,689	2,512,439	5,663,950	855,685	2,285,816	3,722,256	4,939,550
Total Assets	37,422,875	34,167,877	29,759,076	31,246,754	23,577,646	24,857,675	23,775,794	23,952,937
Total Non-current Liabilities	-	-	-	-	-	-	-	-

* Working Capital is defined as current assets minus current liabilities. Working capital is a Non-IFRS figure without a standardized meaning. Please see "Non-IFRS Measures" for a reconciliation.

Factors Affecting Comparability of Quarters

Results of operations can vary significantly due to a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by a number of factors, including the level of working capital, the availability of external financing, the time required to gather, analyze and report on geological data related to its properties and the nature of activity, and the number of personnel required to advance each individual project.

Net losses are significantly impacted from impairment losses incurred in Q2-2016 - \$3,194,000 (Lara project impairment). In Q2 2017, the Company recorded a \$203,504 payment relating to the settlement agreement with PREST drilling regarding a legal dispute on behalf of Potassio do Atlântico.

The Company's level of activities increased in 2015, 2016 and 2017 with the completion of a PEA in August 2015, subsequent optimization of that PEA in July 2016 and ongoing BFS in 2017. A drill campaign took place plus several technical studies to optimize the Três Estradas project. During this period, environmental studies were completed enabling the Company to submit its EIA on October 7,

2016. In the last quarter of 2016 and the two quarters of 2017, the Company was engaged in a new drilling campaign to convert Inferred mineral resources to Measured and Indicated mineral resources for the BFS. Numerous technical studies were conducted during 2017 to support the BFS analysis. The September 2017 quarter (Q1-2018) net loss was reduced by \$304,931 due to the change in fair value of warrants issued in the June/July 2017 private placement.

Total assets increased from September 2015 to June 2017 as cash was invested to develop Aguiá's Três Estradas project. The reduction of cash position plus impairment adjustments during the period reduced total assets balance to \$23,577,646 by Q3-2016. Working capital fluctuated from June 2015 (Q4-2015) position of (\$1,102,321) before the private placement to peak value September 2015 (Q1-2016) of \$9,373,128 and reducing to \$855,685 by September 2016 (Q1-2017). The impact of a share placement of \$8,500,000 completed in October 2016 can be seen in the final December 2016 working capital position of \$5,663,950. During this same period, short term liabilities were reduced by repaying a loan of \$1,000,000 to related parties. Working capital decreased to \$2,512,439 in March 2017 due to an intense period of activity for the Três Estradas drilling campaign and BFS studies. In June 2017 (Q4-2017) there was an increase in working capital of \$3,991,689 due to the recent financing. The September 2017 quarter (Q1-2018) working capital fluctuation was small when compared to June 2017 quarter (Q4-2017) as the Company received funds of \$4,365,059 from the capital raised that closed in July 2017.

Changes in foreign exchange rates also contributed to fluctuating quarterly net (losses). The Company holds a portion of its monetary assets and liabilities in Brazil and therefore changes in the rate of exchange between the Brazilian Real and the Australian dollar result in reported gains and losses on foreign currency fluctuations.

There were no significant changes in accounting principles during the eight most recent quarters.

Results of Operations – Financial

The following is a discussion of the results of operations of the Company for the three months ended September 30, 2017 and 2016. This should be read in conjunction with the Company's consolidated financial statements for the three months ended September 30, 2017 and related notes.

For the three months ended September 30, 2017 and 2016:

	Three months ended Sep 30,	
	2017	2016
Net loss	(436,460)	(735,532)
Interest income	13,007	3,586
Other Income	-	
Corporate Expenses	(249,393)	(274,334)
Bussiness development cost	(129,804)	(47,183)
Employee benefits expenses	(90,959)	(63,601)
Professional fees	(64,952)	(1,830)
General administration	(188,163)	(144,947)
Depreciation	(3,759)	(3,682)
Share-base payments	(27,368)	
Exploration and evaluation expenses		(203,540)
Movement in fair value of derivatives	304,931	

For the three months ended September 30, 2017, the Company recorded a net loss of \$436,460 (\$0.00 per share) compared to a net loss of \$735,532 (\$0.00 per share) for the three months ended September 30, 2017.

Business development cost increased by \$82,621 in Q1-2018 compared to Q1-2017 as a result of TSXV listing and financing expenses.

Professional fees increased by \$63,122 in Q1-2018 compared to Q1-2017 as a result of legal and audit fees incurred with the TSXV listing and financing.

General administration increased by \$43,216 in Q1-2018 compared to Q1-2017 as a result of increased corporate travel costs and increased administrative costs in Brazil and Canada related with the TSXV listing.

Movement in fair value of derivatives in Q1-2017 resulted from the change in the fair market value of the warrants issued in Canadian dollars that were part of the June / July 2017 private placement financing.

CASH FLOW STATEMENT	Sep 30, 2017
Payments to suppliers and employees	(923,297)
Interest income	13,007
Other Income	
Net cash flow from/(used) in operating activities	(910,290)
Payment for exploration	(2,581,669)
Net cash flow from/(used in) in investing activities	(2,581,669)
Proceeds from issue of shares	4,365,059
Share issue transaction costs	(755,000)
Repayment of borrowing	
Net cash flow from/(used in) in financing activities	3,610,059
Net increase / decrease in cash and cash equivalents	118,100
Cash at beginning of financial period	6,731,733
Net foreign exchange differences	(12,869)
Cash balance at end	6,836,964

During the three months ended September 30, 2017, the Company used cash in operating activities of \$910,290 of which \$923,297 related to payments to suppliers and employees offset by interest income of \$13,007. The Company invested \$2,581,669 in exploration activities. During the quarter ended September 30, 2017, the Company received \$4,365,059 from issuance of shares and spent \$755,000 on share issue costs.

THREE MONTHS ENDED SEPTEMBER 30, 2017 EXPLORATION AND EVALUATION PROPERTY-BY-PROPERTY BASIS

	<u>Tres Estradas Project</u>	<u>Lucena Project</u>	<u>Total E&E</u>
Total Exploration & Evaluation - June 30, 2017	17,476,014	9,766,343	27,242,357
Labor	360,318	6,778	367,096
Property (Claims, Land Fees)	28,292	2,331	30,623
Travel & Accomodation	59,687	-	59,687
Vehicle / Equipment Lease & Maintnce	14,526	-	14,526
Field Supplies	2,517	-	2,517
Other Exploration Expenses	1,453,935	477	1,454,412
Drilling / Assays	15,041	-	15,041
Consulting and Techical Studies	689,416	-	689,416
Geophysics / Geochemistry	4,969	-	4,969
EHS	80,093	-	80,093
Depreciation	-	-	-
Asset Exchange variation of the period	366,811	44,716	411,527
Impairment	-	-	-
Increase of Exploration & Evaluation	3,075,605	54,302	3,129,907
Total Exploration & Evalutation September 30, 2017	20,551,620	9,820,645	30,372,264

During the three months ended September 30, 2017, the Company focused on developing its flagship Três Estradas project. Exploration and evaluation expenses reflect the work on the environmental studies, consulting and technical studies on the project for the BFS. On July 2016 the Company paid USD 1 million for repurchased a 1% Net Smelter Royalty from Sulliden Mining Capital Inc. The payment impact is reflected in other exploration expenses.

Liquidity and Capital Resources

Given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the development of a property that leads to the production of phosphate. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

The Company currently has a negative operating cash flow and finances its mineral exploration activities through equity financings. The Company's financial success will be dependent on the economic viability of its mineral exploration properties and the extent to which it can establish economic mineral reserves and operations.

The Company had working capital of \$3,888,843 as at September 30, 2017 (June 30, 2017 - \$3,991,688) including cash and cash equivalents of \$6,836,964 (June 30, 2017 - \$6,731,733). None of the cash equivalents are invested in asset-backed securities.

The Company completed a private placement that closed in three tranches between June 30 and July 7, 2017, which consisted of the sale of an aggregate of 26,360,835 units of the Company at a price of \$0.40/C\$0.40 per unit for gross proceeds of C\$10,544,334.

The Company's estimate of the adequacy of its working capital is a forward-looking statement as it involves known and unknown risks, uncertainties and other factors. Actual results could differ, perhaps materially; with the result that the adequacy of working capital required for fiscal year 2018 expressed by such forward-looking statements is materially different than so stated. Also, the ability of the Company to successfully acquire and develop additional properties in the resource sector or to continue development of its current properties is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through equity financing when required. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company. See "Cautionary Statement Regarding Forward Looking Information".

The Company is currently focusing its efforts on the Três Estradas Phosphate project.

Non-IFRS Measures

The Company has included a Non-IFRS performance measure, working capital, throughout this document. In the mining industry, this is a common Non-IFRS performance measure but does not have a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following tables provide a reconciliation of working capital to the financial statements as at September 30, 2017 and June 30, 2017.

	Sep 30, 2017	Jun 30, 2017
Current assets		
Cash and cash equivalents	6,836,964	6,731,733
Prepaid expenses and sundry receivables	155,690	136,307
	<u>6,992,654</u>	<u>6,868,040</u>
Current liabilities		
Accounts payable and accrued liabilities	3,103,811	2,876,352
Working Capital		
Current Assets less Current Liabilities	<u>3,888,843</u>	<u>3,991,688</u>

Capital Risk Management

The Company's capital includes cash and equity, comprised of issued ordinary shares, share-based payment reserve and deficit in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's properties are in the intermediate exploration stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned engineering, test work, advancement and development of the mining projects, and pay for administrative costs, the Company will spend working capital and expects to raise the additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the three months ended September 30, 2017. The Company is not subject to externally imposed capital requirements.

Commitments and contingencies

Legal contingencies

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount that may be required to be paid in connection thereto, will have a material effect on the financial condition or future results of operations. As at September 30, 2017 and June 30, 2017, no amounts have been accrued related to such matters.

Environmental Commitments

The Company's mining and exploration activities are subject to various federal, state and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Results of Operation - Exploration

TRÊS ESTRADAS PROPERTY

Background

The Três Estradas Project is located in the municipality of Lavras do Sul, approximately 320 kilometers (km) southwest of Porto Alegre, the capital city of Rio Grande do Sul in southern Brazil and 1,790km south of Brasilia. The mining operation will consist of mining phosphate from the Três Estradas deposit as well as mining phosphate from the Joca Tavares deposit located southeast of Três Estradas. Phosphate material from both deposits will be milled and processed at Três Estradas.

Agua has been diligently following a systematic approach in its exploration programs for Três Estradas and Joca Tavares. Agua has undertaken detailed geologic mapping, topographic surveys, remote sensing, soil and rock geochemical surveys, and geophysical surveys. Agua has completed four drilling campaigns on the Três Estradas area between 2011 and 2015. Drilling has included 78 core holes

(10,801.45m), 154 reverse circulation (“RC”) holes (3,304m), and 487 auger holes (2,481.65m). At Joca Tavares, Agua completed 89 auger holes (359.65m) followed by a 40-hole core drilling program (2,305.90m) in late 2015.

Between December 2016 and April 2017, more than 14,000 metre of infill drilling occurred which included 9,708 metres of diamond drilling and 4,496 metre of reverse circulation drilling.

In the twelve-month period subsequent to December 31, 2015, environmental studies were undertaken to enable the Company to complete the EIA for the Três Estradas Phosphate Project. This study was compiled in a final report that was filed and presented to the Rio Grande State Environmental Agency FEPAM on October 7, 2016. Next steps include further discussions with the Rio Grande State Environmental Agency and public hearings in the Lavras do Sul area. Within 6 to 12 months, the Company is optimistic that the Agency will approve the EIA and issue the Preliminary License for the Três Estradas Phosphate Project. The Preliminary License is considered a major milestone in the development of a mining project in Brazil and represents a substantial de-risking in the path to construction and production. This is the phase of permitting where all of the technical data relating to the environmental impact assessment is presented and the community consultations are completed to provide the social license to proceed to installation and operating permits.

Bankable Feasibility Study Update

Agua Resources Ltd. has provided an update to shareholders on the progress of the bankable feasibility study for its Três Estradas phosphate project in southern Brazil, and confirms that the BFS is on track for completion in or around March, 2018. The completion of test work programs indicate significant potential capital expense and operating expense savings to be gained through process improvements and production efficiencies. The optimal run of mine rate of three million tonnes per year established for production of 300,000 tonnes per year phosphate concentrate. The BFS will focus on mining high-grade oxidized ore in initial years of operation. The optimizations to crushing circuit, milling circuit, flotation circuit and filtration all expected to result in CAPEX and OPEX reductions. Market study confirms no further processing required to produce commercial agricultural lime suitable for local consumption as a byproduct from phosphate production. The Company has targeted the BFS for completion in March 2018.

Several important test work programs have been successfully completed, including: a column flotation commercial-scale pilot plant program by Eriez in Pennsylvania, crushing and grinding test work by Metso in Brazil, solid and liquid separation of flotation concentrate and tailings by Utah's Pocock Industrial Inc., and geotechnical drilling and test work for foundation design with Prosonda in Brazil.

These recent results have delivered the information necessary to define the process flow diagrams, mass and energy balance, and most importantly to allow the Agua engineering team to finalize the trade-off studies. The most significant results include:

- Confirmation of the optimal run of mine (ROM) rate at three million tonnes per year with production of phosphate concentrate capped at 300,000 tonnes per year;
- 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 million tonnes per year over the ROM, with a process recovery of 87%, producing 300,000 tonnes per year of phosphate concentrate grading 35% P₂O₅;
- 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 five kilowatt-hours per tonne) and as such can

be processed with an optimized sizer instead of the jaw crusher that was envisioned in the preliminary economic assessment (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 1.4 million tonnes per year. This approach is anticipated to significantly reduce the capital and operating costs of the milling circuit compared to the 4.5 Mtpy capacity semi-autogenous grinding 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 on October 5, 2017). This will result in further capital and operational cost savings.

Filtration test work developed at Pocock demonstrated that press-filtering 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 agricultural lime 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 continuing secondary revenue stream from production.

Filtration tests of the agricultural lime conducted at Pocock demonstrate that press-filtering alone should dewater the agricultural lime to commercial specifications. This simplification will introduce significant CAPEX and OPEX savings, particularly when compared with the one-million-tonne-per-year-capacity dryer that was contemplated in the PEA.

Finally, 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. Aguia's engineering team will be working on the mine plan parameters in parallel with defining the processing plant and infrastructure requirements.

Três Estradas Pilot Plant

Aguia Resources Ltd. has completed extensive pilot plant testing of its oxidized and fresh carbonatite phosphate ores from the Três Estradas project in southern Brazil. The multi-month pilot plant program conducted by Eriez Flotation Division (Pennsylvania, United States) returned excellent recoveries and concentrate grades for both fresh and oxidized carbonatites from the Três Estradas deposit. Pilot-scale flotation plant test work on the oxide mineralization produced a concentrate grading 35% P₂O₅ (phosphorus pentoxide) yielding a total circuit recovery of 87%. Pilot-scale plant test work on the fresh carbonatite pilot flotation plant circuit produced a concentrate grading 32% P₂O₅ yielding a total circuit recovery of 80%. The pilot plant results confirm the previous bench-scale column flotation tests and provide data for the design of the commercial-scale column flotation circuit for the operation. Results confirm Três Estradas has similar metallurgical performance to Vale's Cajati mine in Brazil and Yara's Siilinjärvi mine in Finland. Results demonstrate excellent beneficiation results can be achieved using well-established processes and may positively impact the operation's cost profile. The completion of pilot plant program is a key step in Aguia's BFS (see press release dated October 4, 2017).

Mineral Resource

On September 19, 2017, the Company announced a new Mineral Resource estimated at total of Measured resources of 36 million tonnes grading 4.0% P₂O₅ and Indicated resources of 47 million tonnes grading 4.2% P₂O₅, using a cut off of 3% P₂O₅ and an additional 21.8 million tonnes grading 3.7% in the Inferred category (see press release dated September 19, 2017).

Region Exploration Activities

Aguia has resumed exploration of neighbouring properties. The aim is to identify additional oxidized carbonatite sources that could ultimately contribute to the Tres Estradas project. Based on regional mapping and airborne geophysical data, Aguia has identified a number of exploration targets surrounding the Tres Estradas and Joca Tavares carbonatites.

Santa Clara is a priority target for Aguia as it is located only four kilometres from Tres Estradas, thus having the potential to add oxidized material to the Tres Estradas operation with minimal transport cost. The target was identified using airborne magnetic and radiometric signatures that closely resemble Tres Estradas. Initial scouting along this NE-trending, 2.2-kilometre long and 900-metre wide target has identified outcropping, mineralized carbonatite that has returned up to 6.38% P₂O₅ in rock grab samples. Further sampling and mapping are planned followed by drilling.

Porteira and Santa Ines are adjacent to the Joca Tavares carbonatite and were identified using airborne geophysics. Both targets are associated with discrete magnetic anomalies, and ground follow-up analysis has identified a series of breccias, carbonatites and altered host sedimentary rocks that returned assays of up to 14.57% P₂O₅ in Porteira and 16.32% in Santa Ines. The Porteira target is approximately 2-kilometre long by 600-metre wide, and Santa Ines is approximately 3.8-kilometre long by 800-metre wide. Further prospecting, rock and soil sampling followed by auger and RC drilling is planned.

Mato Grande is a 700 metres long by 200 metres wide carbonatite target located northeast of Tres Estradas and close to the city of Cacapava. The company is currently completing an auger drilling program along this carbonatite and assay results are pending. Historical data on this carbonatite have reported up to 8.38% P₂O₅ in carbonatite samples.

Off Balance Sheet Arrangements

The Company is not party to any off-balance sheet arrangements.

Related Party Transactions

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %
Agua Mining Pty Ltd	Australia	100.00%
Agua Phosphates Pty Ltd	Australia	100.00%
Agua Potash Pty Ltd	Australia	100.00%
Agua Metais Ltda	Brazil	100.00%
Potassio do Atlantico Ltda	Brazil	100.00%
Agua Rio Grande Mineracao Ltda *	Brazil	100.00%
Agua Fertilizantes S.A. **	Brazil	49.00%

During the three months ended September 30, 2017 and 2016, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods / services	
	Three months ended Sep 30,	
	2017	2016
- Payment for legal services from HopgoodGanim of which Mr Brian Moller is a partner.	7.867	20.000
- Payment for accounting and company secretary services from Franks & Associates Pty Ltd of which Mr Andrew Bursill is a principal.	14.401	21.236

The following balances included in accounts payable and accrued liabilities were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
Directors and officers of the company	-	-	46,500	41,085

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended	
	2017	Sep 30, 2016
Short-term benefits	241,872	231,394
Share-based payments	27,368	-

In accordance with IAS 24 Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

Financial Instruments and Other Instruments

The carrying value of cash and cash equivalents, prepaid expenses, sundry receivable, accounts payable and finance leases approximate their fair values due to the short maturity of those instruments.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended September 30, 2017.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Australian and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

The Company's maximum exposure to credit risk at the balance sheet date is the carrying value of cash and cash equivalents, trade and other receivables.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at September 30, 2017, the Company had current assets of \$6,992,654 to settle current liabilities of \$3,103,811. Approximately \$500,000 of the Company's financial liabilities as at September 30, 2017 have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company's cash equivalents are subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on cash and cash equivalent balances on hand at September 30, 2017, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$6,800 (June 30, 2017 - \$6,700).

Currency Risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar and Brazilian Real. Fluctuations in the exchange rates between these currencies and the Australian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

A strengthening of \$0.01 in the United States dollar against the Brazilian Real would have decreased net income by approximately \$49,000 for the three months ended September 30, 2017 (September 30, 2016 - \$32,000). A strengthening of \$0.01 in the Australian dollar against the United States dollar would have decreased other comprehensive income by approximately \$31,000 for the three months ended September 30, 2017 (September 30, 2016 - \$55,000). Rates as at September 30, 2017 and 2016 are represented in the following chart:

	As at	
	Sep 30, 2017	Sep 30, 2016
1 Australian dollar = US dollars	0.7839	0.7672
1 Australian dollar = CAD dollars	0.9763	1.0045
1 Australian dollar = Brazilian Reais	2.4870	2.4730
1 US dollar = Brazilian Reais	3.1726	3.2230
1 Canadian dollar = Brazilian Reais	2.5468	2.4614

As at September 30, 2017 the monetary balances in non-Australian dollar currencies are as follows:

	Brazilian Reais
Cash	R\$ 1,452,786
Accounts receivable and Prepaid expenses	R\$ 146,908
Intangible (project investments)	R\$ 49,543,424
Accounts payable	-R\$ 1,275,962
	<u>R\$ 49,867,156</u>

Outstanding Share Data

As at November 29, 2017, the Company has 117,198,326 common shares issued and outstanding. Stock options, warrants and convertible securities outstanding as at November 29, 2017 are as follows:

Number of Stock Options		Exercise	
	Outstanding	Price	Expiry Date
	400,000	\$0.840	26/06/2018
	560,000	\$1.30	30/09/2018
	614,000	\$1.10	27/11/2018
	260,000	\$0.625	07/12/2019
	810,000	\$0.600	16/12/2019
	120,000	\$0.640	02/06/2020
	150,000	\$0.540	28/07/2022
	2,914,000		

Numbers of Warrants		Exercise	
	Outstanding	Price	Expiry Date
	13,180,418	CAD\$ 0.65	30/06/2020

Risks and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

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, mineral 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. Substantial expenditures are required to establish measured, indicated and inferred mineral resources through drilling. Upon completion of a feasibility study, with an accompanying economic analysis, proven and probable mineral reserves may be estimated. Because of these uncertainties, no assurance can be given that exploration programs will result in the expansion of mineral resources or the establishment of

mineral reserves. 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.

Mine development capital cost estimates are vulnerable to market forces, cost escalations and reductions, exchange rate fluctuations and supplier price changes. These factors can affect capital cost estimates.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or reserve 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 mineral prices, market conditions and actual events could have a material adverse effect on the Company's mineral resource and reserve estimates, financial position and results of operations.

Uncertainty Relating to Mineral Resources

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.

Foreign Operations

At present, the mineral properties of Aguia are located in Brazil. As a result, the operations of the Company 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; 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 Company. The Company 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.

Licenses and Permits, Laws and Regulations

The Company'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 Company may be required to

compensate those suffering loss or damage by reason of its activities. The Company will be required to obtain additional licenses and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no assurance that the Company will be able to maintain or obtain all necessary licenses, 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 the necessary authorizations and licenses and complying with these authorizations, licenses and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of the Tres Estradas Project. Any failure to comply with applicable laws, regulations, authorizations or licenses, 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 which could have a material adverse effect on the Company's business, properties, results of operations, financial condition or prospects. The Company can make no assurance that it will be able to maintain or obtain all of the required mineral licenses 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 Company. In addition, it may not obtain one or more licenses. Any such failure may have a material adverse effect on the Company's business, results of operations and financial condition.

The Environmental Secretary Office of the State of Rio Grande do Sul is the regulatory authority responsible for evaluating and determining the appropriateness of preliminary licenses. As part of the standard application process the Environmental Secretary Office holds public hearings. There can be no assurances that the Environmental Secretary Office of the State of Rio Grande do Sul will grant a license to the Company.

Environmental

The Company'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 Company, including the suspension or cessation of operations.

The current and future operations of the Company, including development and mining activities, are subject to extensive federal, state and local laws and regulations governing environmental protection, including protection and remediation of the environment and other matters. Activities at the Company's properties may give rise to environmental damage and create liability for the Company for any such damage or any violation of applicable environmental laws. To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that the Company may incur to remedy environmental pollution would reduce otherwise available funds and could have a material adverse effect on the Company. If the Company 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. The Company 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 Company to obtain licenses for its activities. The Company must update and review its licenses from time to time, and is subject to environmental impact analyses and public review processes prior to approval of new activities. Aguia can make no assurance that it will be able to maintain or obtain all of the required environmental and social licenses 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 Company's activities. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the Company's or its subsidiaries' financial capabilities. Developments elsewhere in the Brazilian mining industry or in relation to Brazilian mining legislation may add to regulatory processes and requirements, including additional scrutiny of all current permitting applications.

Liquidity Concerns and Future Financings

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

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company 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.

The Company 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 Company 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 Company.

Project development costs

The Company plans to continue to develop its Três Estradas Project. There can be no assurance that this project will be fully developed in accordance with the Company's current plans or completed on time or to budget, or at all.

Litigation

Aguia 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 are open to interpretation and Aguia may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause Aguia to incur legal costs in the future. Given

the speculative and unpredictable nature of litigation, the outcome of any future disputes could have a material adverse effect on Agüia.

Dependence on Key Personnel

The success of the Company is dependent upon the efforts and abilities of its senior management and board of directors. The loss of any member of the management team or board of directors could have a material adverse effect upon the business and prospects of the Company. In such event, the Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel will be found.

Conflicts of Interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in mining or natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Significant Accounting Policies

The Company's significant accounting policies can be found in Note 1 of its annual consolidated financial statements for the twelve months ended June 30, 2017.

New and Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after July 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. There was no material impact from the adoption of this standard.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and

the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet considered the potential impact of the adoption of IFRS 15 on its financial reporting.

IFRS 16 – Leases ("IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

Critical Accounting Estimates

The preparation of the Company's Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and impact estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.