

2 May 2019

Dear Agua Shareholders,

In mid-April, Agua received a requisition to call a general meeting of shareholders. The Requisitioning Shareholders are Kemosabe Capital Pty Ltd., Henderson International Pty Ltd. and Messrs David and Harry Shearwood. The Requisitioning Shareholders are seeking to remove David Gower, Diane Lai, Paul Pint, Brian Moller and Alec Pismiris as Directors of Agua and replace them with Martin McConnell (a client of Kemosabe), Jonathan Edward Guinness, Christine Mary McGrath (sister of Kemosabe's founder) and David Kit Shearwood. With the exception of Mr. Shearwood, none of these individuals are known to Agua.

Agua has lodged a notice of meeting containing resolutions to appoint the directors proposed by the Requisitioning Shareholders. Having carefully reviewed with our legal advisors the notice of requisition and the purported notice of intention to move resolutions for the removal of directors, Agua considers that the purported removal resolutions in the requisition are invalid and accordingly have not been put to shareholders.

Agua understands that Kemosabe Capital provides investment management advice and strategic wealth planning to high net worth investors. Kemosabe's Founder is Richard McGrath. Mr. Shearwood joined Kemosabe Capital in October 2016 as a representative, consultant and analyst after many years of association with Kemosabe Capital founder Richard McGrath, according to his biography which appeared on the Kemosabe website until recently and has now been removed. Mr. Henderson is a client of Kemosabe Capital. Jointly the three requisitioning shareholders own more than 5% of the outstanding shares of Agua.

For a number of years, Kemosabe has been a strong supporter of Agua. In November 2017, Agua entered into a marketing arrangement with Kemosabe to promote Agua's stock and extend Agua's reach to its existing and prospective Australian investor base in exchange for which Agua paid Kemosabe a monthly fee. Messrs McGrath and Shearwood have spent an extensive amount of time with Agua management and travelled to site in Brazil. They were extremely enthusiastic about the outlook for Agua and advised Kemosabe clients to participate in Agua's private placements and to buy Agua shares on the ASX. Kemosabe was paid commission for the clients' participation in various Agua placements. In total, Kemosabe has billed Agua A\$195,846 in commissions and A\$155,000 in monthly marketing fees.

Unfortunately, it now appears that Messrs McGrath and Shearwood no longer supports the current Agua Board and management. Prior to this there has been no indication that the relationship between Kemosabe and Agua has been anything but positive and supportive.

Agua's Board of Directors strongly believes that the actions of the Requisitioning Shareholders are not in the best interests of our shareholders as a whole and could prove highly disruptive at a pivotal time in the Company's development. Agua's Board of Directors should be assembled with careful consideration of experience developing junior mining projects in Brazil, knowledge of geology and engineering, diversity, corporate governance knowledge, financial literacy, knowledge of ASX and TSX Venture continuous disclosure obligations,

etc. Aguia has been provided with no information to date that any of the proposed candidates demonstrate these skills or have ever been involved in a mining project in South America.

### Três Estradas Phosphate Project

Aguia's priority project is the Três Estradas Phosphate Project in Rio Grande do Sul, Brazil. Aguia's team has been advancing this asset for a number of years and it is now at a pivotal moment in its development, on the verge of being granted the environmental permit. This will be a milestone of enormous significance that has taken years of hard work to achieve and catapults the company to the next stage of development: completing the detailed engineering of the mine site and preparing for construction.

Aguia's Directors and Management are certainly aware that the past three years have been challenging for the company's share performance. It has been a tough market for junior mining and for phosphate. Nevertheless, Aguia's team has been working diligently to advance and build significant value in the company. This has included:

- 22,667 metres of drilling;
- a significant expansion of the Três Estradas Mineral Resource;
- an almost total conversion from Inferred Resource to Measured and Indicated Resource;
- a Preliminary Economic Assessment;
- a Bankable Feasibility Study;
- substantial reductions to CAPEX, OPEX and the mine's environmental footprint,
- significant improvements to phosphate recoveries;
- an exhaustive Environmental Impact Assessment prepared by world class environmental consultants;
- a marketing study which confirmed the viability of the phosrock production and also identified a major secondary revenue stream from aglime;
- signing of option agreements on properties surrounding Três Estradas that have the potential to significantly extend the life of mine;
- a listing on the TSX Venture exchange;
- a comprehensive program to establish and build strong working relationships with local community and government, AND;
- staked a compelling new copper discovery with the potential for significant shareholder upside and issued a maiden resource.

For Brazilian mining projects, obtaining the environmental permit is a pivotal derisking point that opens the path for the mine to move into the construction and then production phases. A company such as Aguia seeking to obtain this permit must spend years developing a comprehensive survey of the mine site and an extremely detailed plan to demonstrate minimal impact on the flora, fauna, waterways and communities who are in proximity to the mine. Two deadly tailings dam failures at large Brazilian mine sites in the past few years have only increased the scrutiny that an applicant will face. Aguia's team has delivered a world class environmental impact assessment and spent years developing relationships and building trust in the region. The qualifications of Aguia's Directors and management are a key consideration for the authorities granting the permit. **To have the senior leadership of the Company replaced with a Board of Directors that to the best of our knowledge has no experience with Brazilian permitting and mine operation could be catastrophic for Três Estradas. In our view, the timing of the Requisitioning Shareholders could not be worse.**

### Staking the Highly Prospective Rio Grande Copper

While the environmental review and engineering was taking place for Três Estradas, our geologists went back out in the field to follow up on some interesting findings they'd observed but hadn't had a chance to pursue while focused on advancing the phosphate Mineral Resource. Aguia has now staked 52 tenements and acquired 8 for a total of 86,187 hectares (861km<sup>2</sup>) within the prolific Rio Grande Copper Belt. This has been achieved at

minimal cost and now includes a maiden JORC/NI 43-101 compliant Mineral Resource for the Andrade claims we acquired in the first quarter.

We believe the copper discovery presents some very interesting prospects for Aguia shareholders in future, but at present the value is not being reflected in Aguia's share price so management and the Board are exploring options to monetize this asset for shareholders. We have heard from shareholders who are very excited about the upside potential for the copper and also heard from others who invested in Aguia for the phosphate and would prefer not to see that story diluted. There is no doubt in our minds that the two assets will have vastly different requirements in the next few years and keeping them together may not be best for either. Três Estradas is at an advanced stage, on the cusp of moving into a building phase with many millions of dollars spent over the last few years to define, confirm and derisk the asset. The Rio Grande Copper in comparison is still very early stage and high risk and will require many millions of dollars for drilling, feasibility, environmental studies, permitting, etc. before it reaches the stage Três Estradas is at right now.

Two very different commodities at two very different stages of development is confusing for shareholders and the market. It also creates challenges for management on capital allocation – for example, should money be spent acquiring land and building a power line for Três Estradas or more drilling to expand the Andrade resource? We are currently analysing options to advance the copper project funding which could include keeping it in Aguia or a spin out to a new public entity. A spin out scenario would see the majority of the new copper company shares distributed to existing Aguia shareholders in addition to the new copper company reimbursing Aguia for funds spent on exploration to date. Aguia shareholders could then make their own decision as to whether they wish to continue to participate in the copper story as the shares will be in their hands. We are examining the options internally to develop a proposal that is fair, tax effective and creates a good platform for both the phosphate and copper to succeed. Ultimately, it will be up to shareholders to decide as any copper spin out and distribution of new copper company shares will require a shareholder vote.

#### **Uncertainty Created by the Requisitioning Shareholders**

We are aware that Mr. Shearwood has taken dissident action against Australian companies a number of times in the past – proving unsuccessful in each case. Most recently in mid-2017, Mr. Shearwood unsuccessfully attempted to requisition a meeting of Leigh Creek Energy Limited (ASX:LCK) several times, having previously been its Managing Director. As with Aguia, these actions occurred at a critical time for Leigh Creek which was in the process of finalizing a significant long-term strategic investment.

In the interest of resolving this requisition quickly and at minimal disruption, Aguia's Managing Director Justin Reid and Non-Executive Director Brian Moller met with the Requisitioning Shareholders on Wednesday, April 24<sup>th</sup>, 2019 at Kemosabe's office in Sydney to discuss a compromise. Messrs Reid and Moller pointed out that while willing to consider providing the Requisitioning Shareholders with a seat on the Board, the proposed Directors lack the experience necessary and did not appear to have considered the qualifications to be a director of a company listed in Canada. The Requisitioning Shareholders indicated they were not willing to compromise and intend to proceed with a shareholder meeting to put forward their resolutions. Mr. Shearwood had previously requested a seat on the Aguia Board before the meeting requisition was launched. Aguia considered this request and having discussed with its legal counsel, advised Mr. Shearwood that he would not be considered independent given his involvement with Mr. McGrath and Kemosabe clients and suggested they put forward another candidate who would be independent and could represent the interests of Kemosabe clients. They did not do so, launching the meeting requisition instead.

**Given the lack of Brazilian mining experience at this critical time in Aguia's development, the entire senior management team including Managing Director Justin Reid, Chief Commercial Officer Catherine Stretch, Technical Director Fernando Tallarico and Senior Resource Geologist Thiago Bonas, would not in good conscience be able to continue in their roles with the Company in the event the individuals proposed by the Requisitioning Shareholders were appointed to the Board.**

We believe 2019 has the potential to be a major inflection point for Aguia and the work that has occurred over the past few years has laid the foundation for future success. Aguia's Board of Directors and management team has decades of experience developing mining projects in South America and running public companies. To our knowledge, the Board nominees put forward by the Requisitioning Shareholders have no experience with mining in South America, no relationships in South America, no experience with TSX Venture listings and no particular qualifications that would make them suitable to run Aguia. Any such move to put these people in charge could entirely derail both projects. We ask Aguia shareholders to carefully consider which group is likeliest to deliver – the existing Board and management team which includes geologists, mining engineers, lawyers and capital markets professionals from Australia, Canada and Brazil or the individuals proposed by the Requisitioning Shareholders whose qualifications remain unknown?

We look forward to this issue being resolved so we can get past the current uncertainty and make best use of precious time and resources to continue building value for shareholders through the advancement of Três Estradas and Rio Grande Copper.

Should you wish to communicate any questions or concerns with us in confidence, please contact us [myaguia@aguiaresources.com.au](mailto:myaguia@aguiaresources.com.au).

Yours truly,

The Board of Directors and Senior Management of Aguia  
(Paul Pint, Justin Reid, Brian Moller, Alec Pismiris, Diane Lai, David Gower, Catherine Stretch, Fernando Tallarico and Thiago Bonas)