



May 2018

Dear Shareholders,

As we approach the midpoint of the year, we want to take this opportunity to provide you with an update on the major milestones Aguia has achieved over the last 12 months and the longer-term implications for shareholders as the Três Estradas project begins to transition from exploration and development to construction and production. It is through the ongoing support of our shareholders that we have been able to define a much more extensive phosphate asset than we originally anticipated and advance it towards a shovel ready state.

Earlier this year we also announced an exciting new discovery of copper mineralization not far from our Phosphate deposit and exploration is now underway at our Canhada and Big Ranch targets. The recent completion of a \$5 million bought deal financing provides us with the necessary funding to complete the permitting process at Três Estradas and advance the copper exploration.

ARE COMMODITIES READY FOR AN UPSWING IN 2018?

After a promising start to 2018, global equity markets have declined through the second quarter and volatility has increased. Concerns about rising interest rates to combat inflation and uncertainty fuelled by protectionist trade rhetoric from the US administration have made markets jittery. Nevertheless, macroeconomic indicators remain strong with robust earnings, consistent GDP growth and economic stimulus from US tax reform contributing to a high level of business confidence.

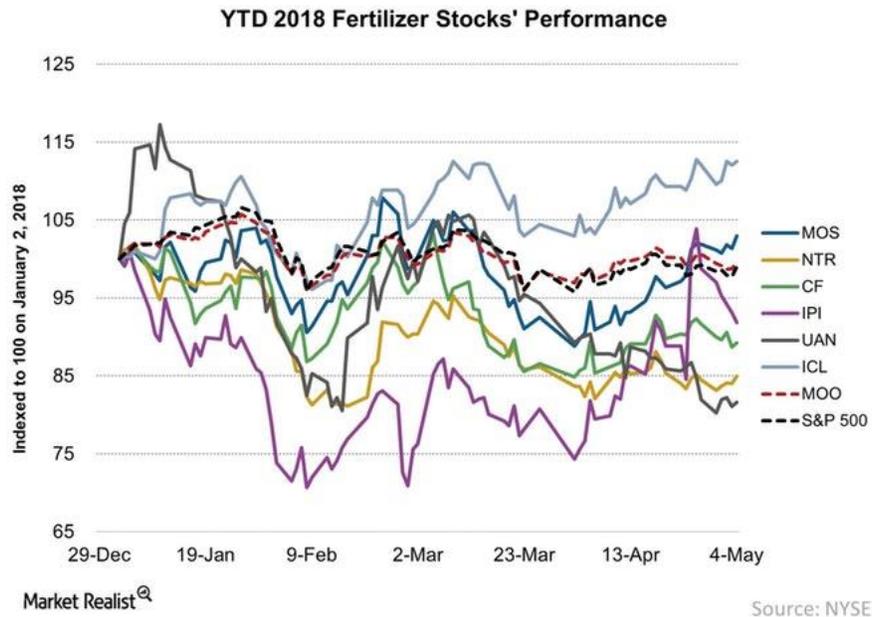
This positive economic outlook bodes well for the commodities sector if history is any indication of what lies ahead. Historically, commodity prices are positively correlated with accelerating economic growth, higher inflation, and tightening monetary policies. This is good news for commodity investors who have languished on the sidelines recently while the overall equity market seemed unstoppable. An analysis of the relationship between the stock market and the GSCI Index (a commodity futures price index comprised of 24 different commodities) indicates the spread between stocks and commodities is bigger than it's been in nearly 50 years. Commodities are cheap and could be ready for another bull run.

GSCI/S&P500 ratio: equities expensive, commodities cheap?



FERTILIZER PRODUCER PERFORMANCE

While most fertilizer producer equity prices remain in negative territory YTD, key players were active in mergers and acquisitions resulting in significant changes to the competitive landscape that will have long term implications for the industry.



At the end of December, Potash Corp. and Agrium announced the US Trade Commission had approved their proposed merger, marking the final regulatory hurdle for the business combination. On January 1, the combined companies began trading under the name Nutrien, now the world's largest potash producer with operations in 18 countries.

In early January, Mosaic Company announced that it had completed the acquisition of Vale's fertilizer assets for \$1.4 billion. This makes Mosaic the world's largest phosphate producer and adds a significant portfolio of production and distribution assets in Brazil. The assets Mosaic acquired from Vale include 5 Brazilian phosphate mines, 4 chemical and fertilizer production plants and a 40% stake in a Peruvian phosphate mine. This transaction emphasizes the importance Mosaic places on accessing the booming Brazilian agriculture market.

Aguia's stock has languished this year in spite of a flurry of positive news and developments announced in recent months. We believe this is a combination of the lukewarm sentiment for the industry in general and a surprisingly illiquid share base. While Agua has successfully been able to access capital markets with \$27 million raised over the last couple of years to fund our development program, our investors are increasingly institutional long-term holders who are content to hold their positions and not trade. To address the illiquidity issue, senior management will be embarking on a retail focused roadshow in Canada and Europe to increase exposure and create some buzz about the developments that will occur in the coming months.

GLOBAL FERTILIZER PRICES ON THE REBOUND

Fertilizer capacity expansions in excess of global demand growth pushed prices for the key fertilizer nutrients nitrogen, phosphate and potassium ("NPK") to multi-year lows, but in mid-2017 nitrogen and

potash started to show signs of recovery while phosphate prices still lagged. **With inventories now running low, demand is increasing, and phosphate prices are up 21% YTD.**

This is very important for Agua because the recent release of our Bankable Feasibility Study occurred in perhaps the worst phosphate pricing environment in years yet was still able to deliver positive economics for a viable project. Our sensitivity analysis for Três Estradas shows that phosphate price and foreign exchange have the biggest impact on the economic forecast so as global phosphate prices move up, Três Estradas becomes even more attractive for investors.

BRAZIL'S ECONOMIC RECOVERY POWERED BY THE AGRICULTURAL SECTOR

In the second half of 2017, Brazil emerged from a difficult two-year period of recession and the economy is growing again in 2018. The agriculture and agribusiness sectors have been the biggest contributor to this recovery, representing 23% of GDP, the highest level in 17 years.

The 2016/2017 total harvest in Brazil reached approximately 240MM tonnes, more than double the harvest ten years ago. In that time period, overall farmed acreage in Brazil increased by 26% while productivity increased by 55%, a clear indicator that gains in Brazil's agricultural sector are derived from modern farming methods and use of fertilizers, rather than just conversion of land. Soybean and Corn production reached record levels in 2017 and continue to grow. A positive outlook for these commodities has translated into higher levels of spending on farming inputs such as seeds, pesticides, and fertilizers, increasing the demand for Phosphate.

AGUA PHOSPHATE AT TRES ESTRADAS

The release of the BFS last month was the culmination of many months of hard work by our outstanding Brazilian technical team. Infill drilling that started late 2016 and into 2017, demonstrated the continuous and homogenous nature of the deposit both laterally and at depth. The drill program led to the discovery of a new limb of the deposit which remains open to the northeast. The objective of the drill program was to convert Inferred Resources to the Measured & Indicated Resource categories and this objective was achieved with the release of a new JORC/43-101 Mineral Resource in September 2017.

Extensive trade-off studies and results from pilot plant testing conducted in 2017 were incorporated in the BFS which delivered a project NPV of US\$300 million and 21% IRR (pre-tax). CAPEX for Phase 1 will be US\$84 million (including contingency). Based on the current Mineral Resource the mine will have a life of 16 years in production followed by another 20 years of aglime recovery from the tailings. Total Revenue is projected at US\$1.65 billion, generating EBITDA of US\$1.08 billion. For more details you can find the report on our website, SEDAR and ASX.com.au.

With the BFS now complete we are focused on approval of the Environmental Impact Assessment which will result in the granting of the Preliminary License, considered one of the major milestones for Brazilian mining projects. We expect FEPAM (the Environmental Agency) will call a public hearing soon and anticipate the LP will be granted sometime in the next 2-4 months. We do not anticipate any issues with this step as we have received widespread support from the local community and government in Rio Grande do Sul and there are no indigenous groups in the region, so this removes a layer of complexity that other Brazilian mining projects may face.

The next step in our permitting process will be the Installation License which will authorize the start of construction. To obtain this approval we will need to fulfill any conditions of the LP, obtain approval of the mine development plan and demonstrate the project's economic feasibility and obtain approval of the Basic Environmental Plan. Concurrent with fulfilling the requirements of the Installation License application we will commence discussions on project funding and offtake. As the only domestic producer

of phosrock in the southern region of Brazil, it will be our objective to target the fertilizer blenders located 4 hours away from Três Estradas to displace their current phosrock supply that is imported from Morocco and Peru. Our proximity to the blenders coupled with access to the road and rail network provide us with a sustained cost advantage compared to the imports.

We will also continue to explore interesting targets adjacent to Três Estradas that could provide opportunities for further consolidation to the Rio Grande phosphate belt and significantly add to the overall life of mine.

AGUIA COPPER

While our main focus continues to be the advancement of our phosphate project towards construction and production, the recent “grassroots” discovery of copper mineralization at Canhada and Big Ranch has been an exciting new development for us at Aguia. The Copper mineralization discoveries could generate material value creation for Aguia shareholders on the back of very solid underlying economics of the Phosphate deposit.

The Canhada target is located 20 km south of the City of Lavras do Sul, where Aguia has its field office, and consists of a 9-km-long by 3-km wide structurally-controlled trend within which a 2km x 1km airborne potassium anomaly (which remains open to the northeast) has been identified with an extensive coincident copper-in-soils anomaly in an area where multiple copper occurrences have been identified in bedrock by Aguia geologists.

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. Further mapping and rock sampling along this zone has identified multiple gossan occurrences that define a corridor extending at least 3 km in length along the northern margin of the granite. Wide spaced reconnaissance soil lines returned a continuous copper anomaly in excess of 6 km in length and up to 1 km wide.

Soil sampling along these two targets will continue and in advance of a systematic exploration program that will include a ground induced polarization survey followed by a scout reverse circulation drilling campaign.

In conclusion, our team at Aguia is very excited about the months and quarters ahead. Not only is the sector beginning to show signs of recovery, but with all the hard work of the past couple of years culminating in a go-forward plan for Três Estradas plus some new discoveries to explore, Aguia is positioned to add value to our shareholders as we move forward with all projects within the Company.

We would like to thank you again for your support and patience, and please feel free to contact us if you have any questions or would like to discuss in further detail.

Yours truly,

Justin and Paul

Qualified Person

The technical information in this press release has been reviewed and approved by Dr. Fernando Tallarico, who is a member of the Association of Professional Geoscientists of Ontario, Technical Director for Aguia

and a Qualified Person as defined by National Instrument 43-101. Dr. Tallarico consents to the inclusion of his name in this release.

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Fernando Tallarico, who is a member of the Association of Professional Geoscientists of Ontario. Dr Tallarico is a full-time employee of the company. Dr Tallarico has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Tallarico consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Cautionary Statement on Forward Looking Information

This update contains "forward-looking information" within the meaning of applicable Canadian and Australian securities legislation. Forward-looking information includes, without limitation, statements regarding the Bankable Feasibility Study, the economics of the Tres Estradas project, the next steps for the Tres Estradas project, the path to receiving permits and licenses for the Tres Estradas project, the marketing and market for phosphate, aglime and commodities in general, the anticipated mining and production of the Tres Estradas project, the metallurgical results, production targets, the anticipated timetable, permitting, forecast financial information, and ability to finance the project, and the prospectivity and potential of the Tres Estradas project, results of exploration activities at the Canhada and Big Ranch Targets, soil and assay results, plans for future drilling and exploration programs, the mineral resource estimates, production targets, the anticipated timetable, permitting, forecast financial information, bankable feasibility study and ability to finance the project, and the prospectivity and potential of the Canhada and Big Ranch Targets.

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 state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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 Company to be materially different from those expressed or implied by such forward-looking information, including risks inherent in the mining industry and risks described in the public disclosure of the Company which is available under the profile of the Company on SEDAR at www.sedar.com, on the ASX website at www.asx.com.au and on the Company's website at www.aguiarsouces.com.au. These risks should be considered carefully.

Although the Company 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. Persons reading this news release are cautioned that such statements are only predictions and there can be no assurance that such information 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 Company disclaims any intent or obligation to update or revise any forward looking statements whether as a result of new information, estimates, options, future events, results or otherwise and does not undertake to update any forward-looking information, except in accordance with applicable securities laws.