



## CAPITAL STRUCTURE

### Current

SHARES ON ISSUE	578.7m
MARKET CAP	\$8.1m @ 1.4c
CASH*	\$ 1.6m
UNDILUTED EV	\$6.5m

### Pro-Forma

SHARES ON ISSUE	1,032m
MARKET CAP	\$14.4m @ 1.4c
CASH	\$ 1.6m
UNDILUTED EV	\$12.8m

### Options

AGRAV 10C EXP 20/11/25	8.5m
AGRAX 10C EXP 30/11/26	18.5m
BROKER 2C EXP 29/7/25	2.5m
BROKER 5C EXP 29/1/27	5.0m

\* Current cash balance derived from quarterly announcement dating 30 January 2024 and includes \$1.0m raised from the recent shortfall placement.

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AGUIA



DESK NOTE 5 Feb 24

## Agua Resources (ASX:AGR)

**Agua Resources** (“Agua”) is an exploration company with well-advanced and 100% owned organic phosphate and copper projects in Brazil. Both projects contain sizeable resources with favourable economics with the potential to deliver strong future shareholder returns. To complement these projects, **AGR has proposed to acquire Andean Mining** (“Andean”) in an off-market takeover bid expected to be completed in March 2024. Andean has a portfolio of gold, copper, and silver assets in Colombia across three projects.

**Lynx Advisors believes the acquisition of Andean will be transformational for Agua shareholders** as the potential near-term free cash flows from the flagship Santa Barbara Project can help AGR further develop this project and others within its portfolio.

- Exposure to highly sought-after commodities – gold, organic phosphate, copper, and silver.
- Santa Barbara Gold Project presents a near-term gold-mining opportunity, offering an extremely high-grade, low-cost restart operation with a strong upside for further exploration. It has the potential to create up to \$2m monthly free cash flow by late 2024.
- Tres Entradas Phosphate Project has a Bankable Feasibility Study (BFS) and Brazilian Government Development Consent with a stated resource of 83.1Mt @ 4.11% P2O5 and an NPV of \$111M on a mineral reserve of 5Mt and Capex of US\$26M, with potential for rare earth and niobium exploration.
- Andrade Copper Project consists of a Measured and Indicated copper resource of 22.6Mt @ 0.43% Cu and 2.11 g/t Ag, with an inferred resource of 3.0Mt @ 0.43% and 1.85 g/t Ag.
- El Dovio Project is a high-grade, copper and gold Volcanogenic Massive Sulphide (VMS) system with historical drill results including 6.65m @ 12.94 g/t AuEq and 4.95m @ 17.78 g/t AuEq.
- Atocha Project is a high grade, epithermal gold and silver project.
- Highly experienced board and strong in-country management with extensive operational experience in underground mines.

# 01 ANDEAN PROJECTS

## SANTA BARBARA PROJECT (COLOMBIA)

The Santa Barbara Project aims to begin production in late 2024 at a rate of 50 tpd (tonnes per day). The main operating metrics include:

- Head grade of 25 g/t Au
- Recovered grade of approximately 20 g/t
- Milling rate of 50 tonnes per day or 18,250 tonnes per annum (p.a.)
- Gold production of approx. 11,700 oz p.a.
- Revenues of US\$22m (AUD\$33m) assuming US\$1900/oz
- Andean expects operating costs to be below US\$300 per tonne including government royalty payments
- Free cash of US\$18m (AUD\$27m) p.a.

### PROJECT HISTORY

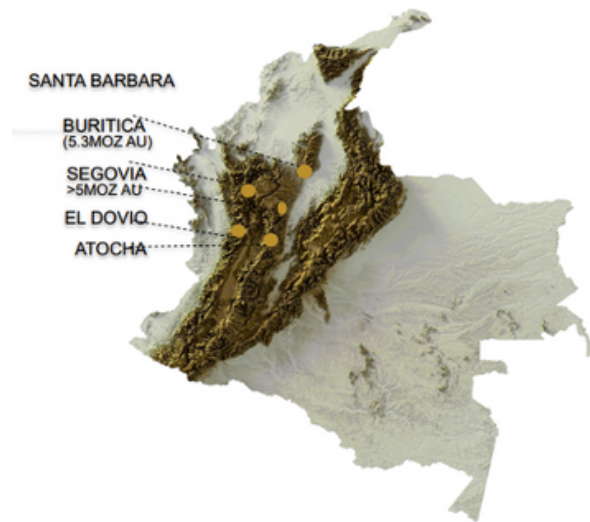
The Santa Barbara Project is approximately 320 hectares. Early exploration was completed by Canadian-listed Baroyeca Gold & Silver Inc. (CVE: BGS). The company processed a total of 500 tonnes of ore via the onsite 30tpd (tonne per day) pilot processing facility.

Baroyeca recovered 90% with grades of 24 g/t Au and 56 g/t Au but failed to raise money on the Toronto Stock Exchange. Subsequently, Andean purchased the project in July 2023 for C\$0.615m.

### JURISDICTION AND TENURE

The Santa Barbara Project is 10km from an established mining community and within 5km of Pueblito Mejia, a local township. Arrangements will need to be made for on-site power and site-specific processing water. Colombia's military also conduct patrols within the area - adding to the security of the jurisdiction.

Thus far, Andean has been granted a PTO and Social Licence. However, the EIS license is yet to be granted. A PTO is a Mining Technical Work Plan (Programa de Trabajo y Obras) designed for an application holder to submit studies and exploration materials.



This includes a minimum of defining the area of exploration, providing topographic and cartographic images of the area, marine and/or bathymetric logistics, location and methods of calculation for estimating reserves, chemical substances used in the process, mining plan and technical guides used to justify the duration of production.

EIS/EIA licences are focused on environmental impacts and cover a key set of criteria including area of influence, surface, and ground water concession, wastewater discharge method, tailings, air emissions, solid waste management as well as a forest use permit.

The social licence assesses the proposed plan and its impact on local communities.

Whilst this process is underway, Andean is still able to perform exploratory mining, and the plant is still deemed operationally ready to begin upgrading, producing, and stockpiling material.

Santa Barbara currently has a 30tpd pilot plant delivering average recoveries of 20 g/t Au.

### GEOLOGY AND COMPARABLES

Other successful Colombian gold mines which initially started as small-scale operations and host similar geologies include the following:

#### Buritica Gold Mine

The Buritica Gold Mine ("Buritica"), owned by Continental Gold Limited ("Continental"), successfully discovered grades of up to 10 g/t Au and produced 12koz of gold from 2001-2007.

In 2022 alone, the newest operator of the project (Zijin Mining) mined 247koz of gold and 579koz of silver. This was based on a mineral resource of contained gold of 10.34Moz with a grade of 6.61g/t, and silver of 36.14Moz with a grade of 23.12g/t.

At full capacity, the project will produce more than 8 tonnes of gold per annum, putting Buritica among some of the largest and highest-grade gold mines in the world.

Zijin Mining Group (SSE: 601899, SEHK: 2899) acquired all outstanding shares in Continental Gold (ASX: CNL, OTCQX: CGOOF) for C\$1.4 billion. Note that Newmont Goldcorp Corporation ("Newmont") held about 21.5% of Continental at the time.

Buritica's all-in-sustaining-cost (AISC) is \$450/oz – which also makes it one of the lowest-cost intensive gold mines in the world (see opposite).

### Segovia Gold Mine

The Santa Barbara project has similar vein systems and geology to those discovered at Segovia; a project now held by Aris Mining Corporation (TSE: ARIS). At Segovia, mining has continued for over 150 years with more than 5Moz of gold extracted.

The current resource is ~3.6Moz at a grade of 14.34 g/t Au. In 2022, ARIS produced 215,373 ounces of gold and plans to increase its annual gold production to 300,000 ounces per year.



Project	Grade (g/t Au)	Resource (Moz)	Gold Production (oz p.a.)	Operating or AISC Costs (USD)
Santa Barbara	25.00	-	11,700 (Proposed)	\$300
Buritica	6.61	10.34	245,000 (Current)	\$450
Sergovia	14.34	3.6	215,000 (Current)	\$1,045

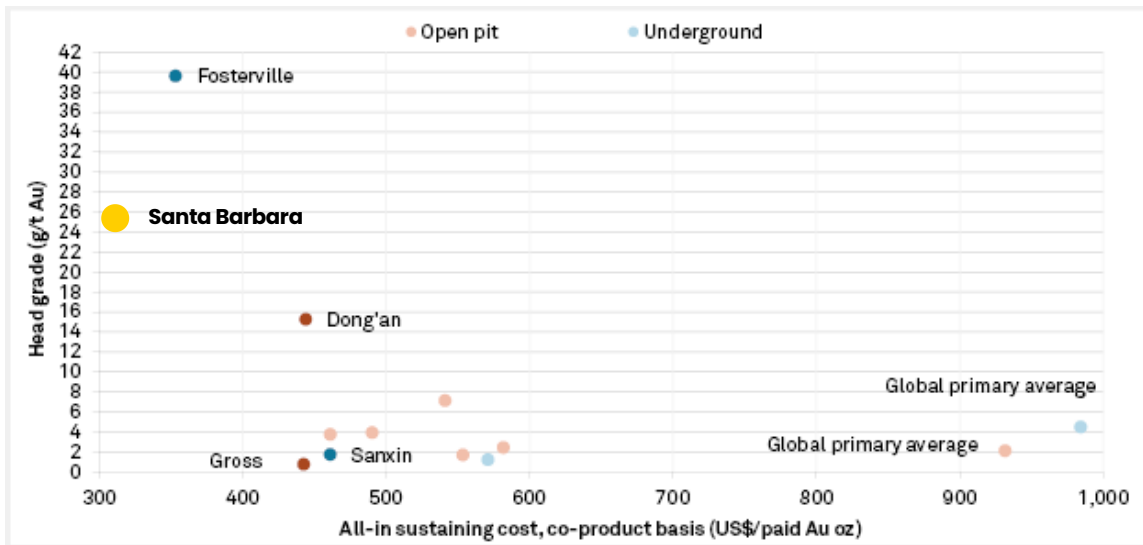
Figure 2: Santa Barbara Project Comparison

Given the same jurisdiction, geology, and proximity to Santa Barbara – we can extrapolate that Andean may have a mine that is highly competitive on an overall cost and capital expenditure basis. In terms of grade, Santa Barbara has a head grade of 25 g/t Au, which is substantially higher than the global average of ~2-5g/t Au, as shown overleaf.

**The success of Buritica and Segovia demonstrates a clear pathway into how Agucia can scale operations from an initial resource. This is highly encouraging and proves the potential value of the Santa Barbara Project.**

Property	Country	AISC (oz)
Fosterville	Australia	353
Gross	Russia	443
Dong'an	China	444
Buritica	Colombia	450
Sanxin	China	461
Voro	Russia	461
Olimpiada	Russia	490
Kyzyl	Kazakhstan	541
Blagodatnoye	Russia	553
Cadia East	Australia	571
Malomir	Russia	582

Figure 1: Lowest cost gold mines in 2019 Source: S&P Global Market Intelligence - The World's 10 Lowest-Cost Gold Mines



**Figure 3: Grade vs cost with data as of Sept 7, 2020.** Source: S&P Global Market Intelligence - The World's 10 Lowest-Cost Gold Mines

### EXPLORATION AT SANTA BARBARA

Previous work on the Santa Barbara Project vein system suggests an estimated strike range of 50m to 400m. Grades sampled at 2 separate veins over the full length of the strike returned 38.91 g/t Au and 31.0 g/t Au. Alongside the restart of the mine, further exploration drilling will be conducted with the testing of 7km of epithermal gold veins planned by Andean.

### METALLURGY

Precipitation and processing work using a 500-tonne bulk sample has delivered gold recoveries of approximately 90% at over 98% purity, returning weighted average recovered grades of over 20g/t Au.

### DEVELOPMENT OF SANTA BARBARA

The company will need 6 development ends to reach the desired output of 50 tpd and so far, Andean has discovered 3 sets of faces in the ore. Andean is currently seeking the necessary approvals for increasing the capacity of Santa Barbara from 30tpd to 50tpd at a cost of approximately \$1.5m-\$2m. This would allow the plant to produce over 10,000 oz p.a. at cash costs of less than US\$300/oz. US-based Hanlon Engineering is advising Andean on recommissioning the mine. At a later stage, Andean plans to further lift capacity to 250 tpd for annual gold production of 50,000 oz p.a.

### THE GOLD PROCESS

The gold at Santa Barbara is known as 'free-milling ore', which is recovered through crushing, grinding, and cyanidation. After mining the ore, crushing, and grinding processes are designed to expose as much surface area as possible. This will allow for better leaching and recovery of the gold. The material is then leached with sodium cyanide through a specialised cyanidation process called 'Agitation Cyanidation Leaching'. This process is better suited to breaking down materials of a finer particle size, providing several key advantages over other methods resulting in larger processing capacity, speed and higher rates of gold extraction.



## SITE FACILITIES

Santa Barbara is well-equipped with on-site quarters for over 15 people. The site currently has an outdoor smelting facility, a compliant explosives magazine and the following:

### Power generation

one 110 kva unit generator powering the processing plant, and a 75 kva unit powering equipment underground.

An expansion to power capacity will be required to increase production to 50tpd and whilst grid power is ~1km away, further work will be required to extend the capacity.

### Crushing

Santa Barbara has a 2-stage crushing process, whereby ore is fed into a 2 tph (tonnes per hour) primary jaw crusher and into a secondary crusher. The company has advised they intend to install a larger primary jaw crusher of 5-10 tph, replace the secondary crusher, and reconfigure the feed system for larger and more continuous volumes.

### Grinding

The site has an 80 tph capacity grinding machine, with a ball mill output of 80% (<75 microns). Thus far, only 30 HP motors are present onsite, however larger motors will be required if lifters are installed to increase production.

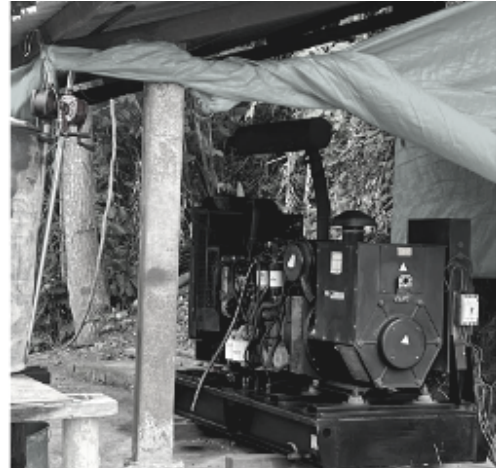
### Agitating and Precipitation

The site contains 3 cyanide agitator tanks and 1 precipitation tank, with residence time averaging 33 hours, delivering tailings of up to 1.5 g/t. Both agitator and precipitation tankage volume will be doubled to allow for increased throughput and longer residence time to lift gold recovery.

## SANTA BARBARA NEXT STEPS

- The imminent arrival of EIS
- Restart and increase of capacity to 50tpd
- Further drilling to delineate mineralisation

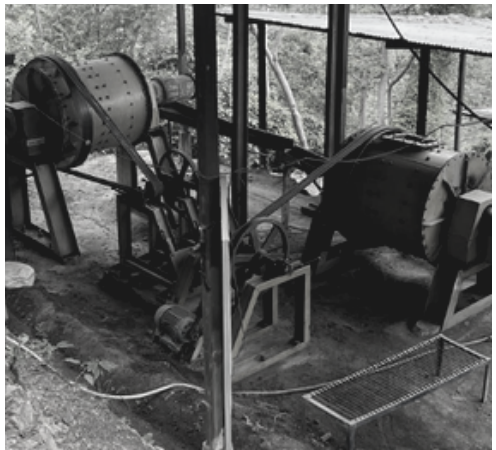
Power generator



Crusher



Grinding process



Cyanide agitator



## EL DOVIO PROJECT (COLOMBIA)

Consisting of 1,299 Ha, the 100% Andean-owned El Dovio Project contains a polymetallic and quartz vein system with assayed results indicating gold, copper, zinc, and silver. The geology appears to be a VMS-style system, which is typically high-grade and multi-metal systems found in clusters.

Previous explorer, Newrange Gold Corp. (“Newrange”), drilled 32 holes in 2013/14 and results included 6.65m @ 12.94 g/t AuEq and 4.95m @ 17.78 g/t AuEq. Some notable trenching results by Newrange include 45m @ 5.6 g/t Au and 0.5% Cu.

Results from El Dovio’s metallurgical work by Andean show high recoveries for all metals of approximately 95% into separate copper and zinc concentrates. Importantly, 93.6% of the gold and 86% of the silver report into the copper concentrate.

### EL DOVIO NEXT STEPS

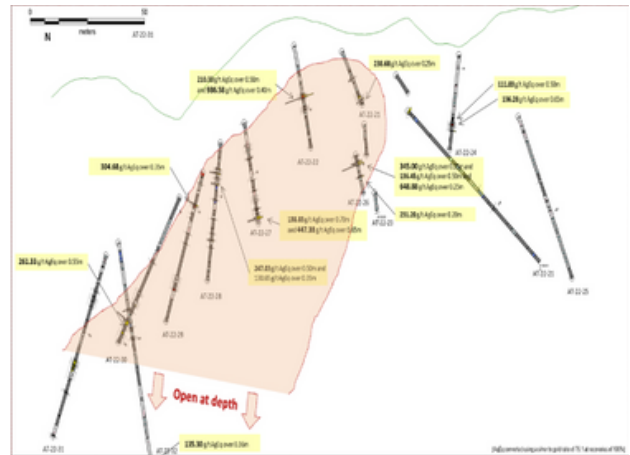
- Continuation of drilling to further tonnage development.

## ATOCHA PROJECT (COLOMBIA)

Andean Mining also owns a high-grade silver and gold exploration project in the Department of Tolima, Colombia. Andean bought 100% of the Atocha Project for C\$0.35M cash and 3 million shares (\$0.15M) in July 2023.

Rock chip sampling completed at various outcrops in Q2-2021 returned average grades of 182 g/t Ag. Baroyeca Gold & Silver Inc. (TSXV: BSG), the previous operator, completed 13 drill holes with intersections at high grades (as shown below). This includes 2,233 g/t AgEq over 0.80m.

Historical drilling by Baroyeca returned more than 25 intercepts @ 200g/t AgEq with a weighted average grade of 570 g/t AgEq and an average intercept of 0.50m. Rock chip samples at the project returned gold values up to 14.65 g/t Au.

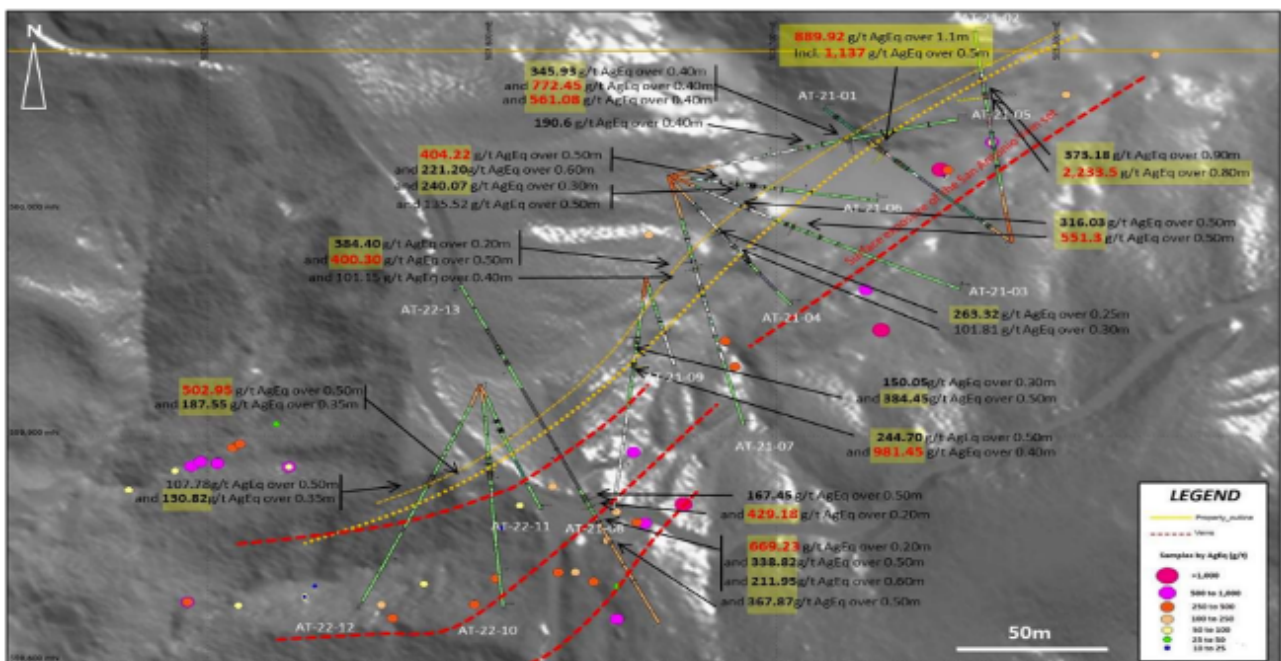


**Figure 4: Drilling at Atocha** Source: Andean investor presentation Mar-23

Clusters of high vein densities show over 30km of cumulative gold-silver strike length identified from surface. Baroyeca also discovered another primary vein system (called ‘La Ye’), which is comprised of 6 major veins over a strike length >500m and is open in all directions.

### ATOCHA NEXT STEPS

- Continuation of diamond drilling to establish a JORC resource.



**Figure 5: Silver assays at Atocha** Source: Andean investor presentation Mar-23

## 02 AGUIA PROJECTS

AGR's 'Tres Entradas Phosphate Project' and 'Andrade Copper Project' are roughly ~60km from each other, in the state of Rio Grande Do Sul.

### TRES ENTRADAS PHOSPHATE PROJECT (BRAZIL)

Highlights:

- Sizeable resource of 83.21Mt @ 4.11% P<sub>2</sub>O<sub>5</sub> with favourable economics such as a CAPEX of \$26M and NPV of \$111M.
- Pampafos product is more effective, non-toxic, organic, soluble, cheaper than chemical alternatives and domestic competitors.
- High local demand with a current dependence on imported phosphate.
- Strong rare earth elements (REE) potential at 2.16% TREO (21,618ppm) and niobium grades of up to 4.09% Nb<sub>2</sub>O<sub>5</sub>.

AGR obtained the project in 2011. The phosphate deposit consists of an elongated carbonatite intrusion, with a surface expression of 2.5km along strike with a width of ~300m.

#### FEASIBILITY STUDIES AND METRICS

The Company's Organic Phosphate Project holds a Measured and Indicated resource of 83.21Mt @ 4.11% P<sub>2</sub>O<sub>5</sub> and Inferred resource of 21.8Mt @ 3.67% P<sub>2</sub>O<sub>5</sub>. With a life of mine of 18 years, CAPEX of \$26M and NPV of \$111M, the project is planned to produce 306,000 tonnes of Pampafos, Aguiá's natural phosphate fertiliser.

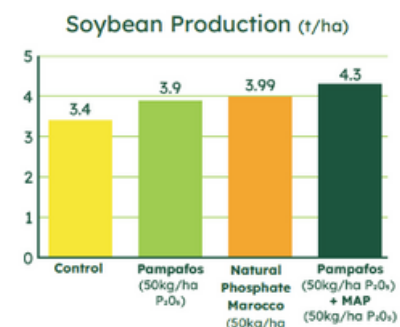
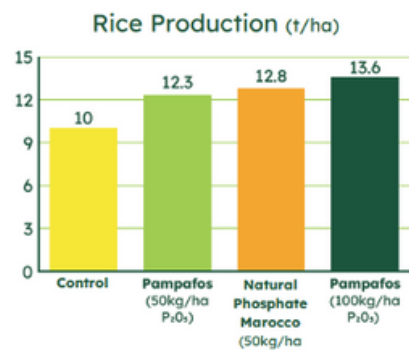
These values from the current Bankable Feasibility Study (BFS) are derived from 1 deposit only.

**It's important to note there are a further 5 carbonatites at the project with surface sampling returning significant P<sub>2</sub>O<sub>5</sub> grades. Thus, there is a tremendous opportunity to expand on any current proposed operations.**

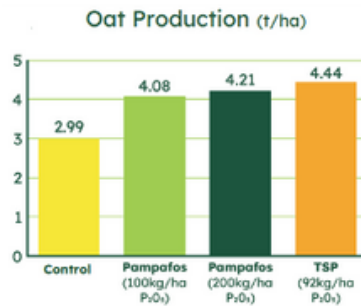
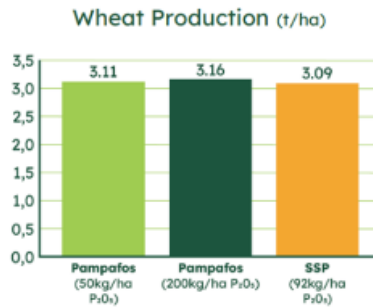


#### PAMPAFOS PRODUCT

Aguiá's organic phosphate is soluble, competitively priced and cheaper than other chemical alternatives. AGR is performing agricultural testing in international settings to determine additional demand and cost premium for their Pampafos product. With a grade of 10% P<sub>2</sub>O<sub>5</sub>, Aguiá's product hol







Independent analysis of Pampafos has revealed that it does not contain any toxic ingredients compared to many of its peers. The product is in its 4th year of independent testing with sufficient data to prove evidence of its effectiveness in organic testing, solubility testing and agronomical testing. The mine location, ~315km from the largest port on the continent (Porto Alegre) allows for an easier path to commercialisation.

### PHOSPHATE IN BRAZIL

Agua's phosphate mine will be the first in the state of Rio Grande Do Sul and there are no competitors nearby in Uruguay, Paraguay, and Northern Argentina. Note that 70% of Brazil's phosphate is imported and Rio Grande do Sul imports all its phosphate needs to produce ~\$50bn worth of agricultural products. **Given Brazil's dependence on phosphate, this project is deemed of national interest and is supported at a federal level.**

### RARE EARTHS AND NIOBIUM POTENTIAL

On the 9th of October 2023, Agua also announced the completion of a diamond drilling program which proved the presence of rare earth elements with assays returning 24.7m @ 1.27% TREO (12,700ppm TREO) from 10m and 18.6m @ 0.75% TREO (7,500ppm) from 6m.

AGR encountered its highest grade at 2.16% TREO (21,618ppm). Note that these results are based on only 1 of 6 known carbonatites at the project stretched over a total of 141km<sup>2</sup>. This **suggests there is potential room for delineating a rare earth resource if these grades are found to be consistent or improved upon in further drill campaigns.**

Niobium was also detected with a range between 1000ppm-1400ppm Nb<sub>2</sub>O<sub>5</sub>. AGR saw maximum values of up to 4.09% Nb<sub>2</sub>O<sub>5</sub>. If we assess potential purely off grades, AGR's results are highly competitive with explorers like WAI Resources Limited (ASX:WAI) who originally had assays of just 0.9% Nb<sub>2</sub>O<sub>5</sub> and 0.6% Nb<sub>2</sub>O<sub>5</sub> with rare earth traces of just 0.3% TREO from their 'Luni' and 'P2' Carbonatites. Having improved upon these results with newer grades averaging around ~4% Nb<sub>2</sub>O<sub>5</sub> (similar to AGR), WAI's share price increased over 8000% since its all-time low in July 2022. Although it is too early to know whether AGR will have a commercially viable niobium deposit, early results are encouraging.

### RISKS

On the 8th of July 2021, AGR announced a public civil action suit against the project on the grounds of technical discrepancies in the Environmental Impact Assessment (EIA). However, AGR is confident that the work carried out on the EIA "was done so with the utmost competence by a number of highly regarded experts in their fields."

AGR is currently waiting on a decision from the judge regarding the injunction.

### DEBT FUNDING

The government-owned Development Bank of Southern Brazil approved a loan of \$3.75m in 2021, covering 50% of Tres Estrada's expected CAPEX at the time. While this loan has now expired due to the court action and increased post-COVID capital costs, AGR may reapply for a future loan. The company believes it has a "very good relationship" with the bank, receiving public support when its construction permit was granted in November 2022.

### TRES ENTRADAS NEXT STEPS

- Release of International Studies.
- Further exploration for REE and niobium.
- Resolving Court Dispute and Injunction.
- Considering other lower cost, and quicker development routes "without necessarily being delayed by the outstanding litigation with the view to achieve early cash flow".



## ANDRADE COPPER PROJECT (BRAZIL)

AGR's Copper Project spans 1,550km<sup>2</sup>, consisting of the Andrade Copper Deposit which includes a Measured and Indicated Copper Resource of 22.6Mt @ 0.43% Cu and 2.11 g/t Ag and an Inferred Resource of 3.0Mt @ 0.43% and 1.85 g/t Ag. The project has an estimated life of mine of 14 years, CAPEX of \$20M and NPV of \$108.1M.

The Rio Grande Copper Belt has a similar geology to the Botswanan 'Kalahari Copper Belt', which hosts Sandfire's (ASX: SFR) Motheo Copper Mine.

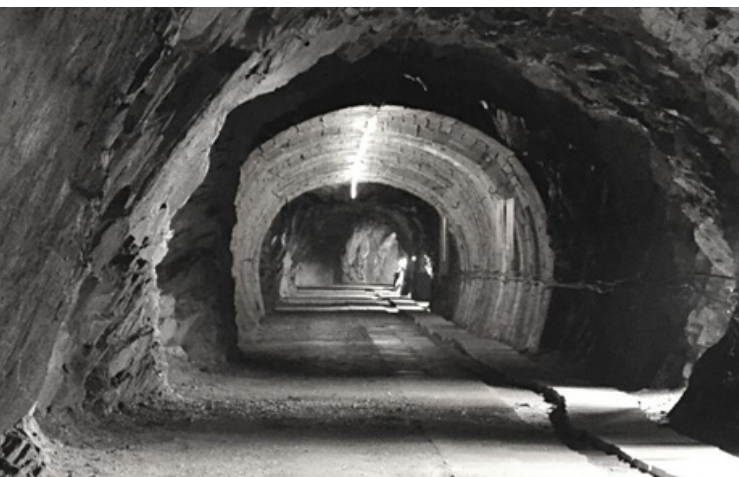
The project also has 11 drill-ready targets on the same belt. Trenching at the Primavera Target, which sits along the same 9.3km strike length as the Andrade Deposit, has yielded results including 52m @ 1.03% Cu, 6.20 g/t Ag and 11m @ 1.16% Cu, 25.13 g/t Ag.

AGR are looking for a Joint Venture partner to further explore the project.

## 03 MANAGEMENT

### WARWICK GRIGOR

Warwick Grigor is currently a Non-Executive Chairman for Andean Mining and Chairman of Aguida. With over 40 years of corporate finance experience, Mr. Grigor also runs his Family Office and Corporate Advisory firm, Far East Capital Limited. Mr. Grigor served as Executive Chairman of Canaccord Genuity Australia ("Canaccord") from 2008 to 2015 and was previously a Senior Mining Analyst at County Natwest Securities, Australia's leading broker at the time.



### WILLIAM HOWE

Upon successful completion of the acquisition, Mr. Howe will be joining the board of AGR. He has over 40 years of experience in the resources industry and was a founding director of Straits Resources Limited, now Aeris Resources Limited (ASX: AIS). Mr. Howe was also managing director of Hampton Mining Pty Ltd and Metminco Limited ("Metminco") from 2006 to 2018. Metminco merged with Andes Resources to form LCL Resources (ASX: LCL). William, Andean's founder, plans to relocate to Colombia upon the completion of the merger. William has 4 years direct experience in Colombia.

### OTHER - RAUL SANABRIA

Raul is Andean's in-country geologist with over a decade of experience in Colombia and a long-time association of the Santa Barbara and Atocha regions. Raul was both vendor and employee of the projects with the previous operator Baroyeca Gold and Silver Inc. (TSX: BGS).

## 04 KEY RISKS

### COMMODITY PRICE SENSITIVITY RISK

As a near-term producer in 2 projects (Organic Phosphate and Santa Barbara), AGR is exposed to the movement of commodity prices which could influence the economic feasibility of the project/s. If demand for phosphate or gold decrease, a decline in prices could lead to AGR losing money over the long-term. This could lead to a halt in production and subsequent negative implications on cash flow and balance for the company.

### JURISDICTIONAL RISK

Both Brazil and Colombia possess idiosyncratic risks unique to both countries. This is due to the differences in mining industry practices. Both countries may be exposed to unquantifiable or unforeseen geopolitical changes which may alter the security of their respective tenure/s, ownership of mineral resources and nature of mineral rights. This may have specific implications on AGR that could hinder the development of projects.

## **CAPITAL FUNDING RISK**

AGR will still need to raise capital in the future for expanding the capacity of the Santa Barbara Plant and/or beginning production at their Organic Phosphate Project. Changes in projected revenues and/or inability to raise the required amount of capital may lead to delays in production. Further equity raising will lead to dilution of shareholder value.

## **EXPLORATION & EXECUTION RISK**

Like any junior explorer and near-term producer, operational risks are still present in AGR and Andean's projects. This includes the inability to find more relevant mineral or build upon the existing resources. Additional risks include poorly anticipated grades, metallurgical recoveries, feasibility studies or changes in weather conditions.

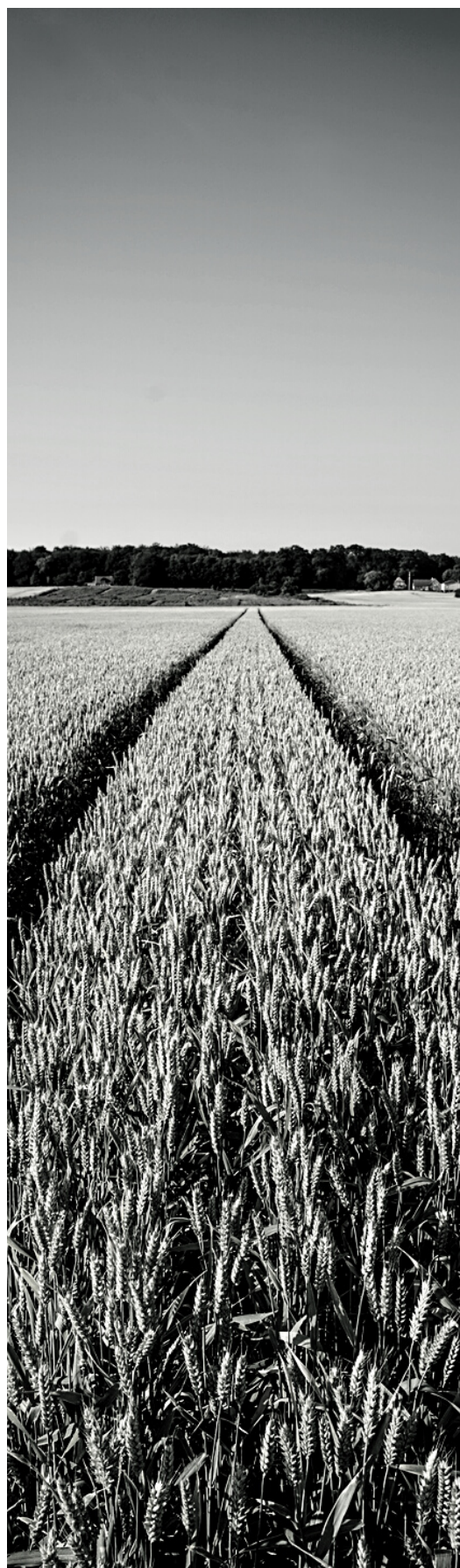
# **05 APPENDIX**

## **ORGANIC PHOSPHATE INDUSTRY**

Phosphate is found in apatite rock deposits worldwide as calcium phosphate. Whilst used primarily in agriculture, applications for phosphate vary significantly including pharmaceutical, chemical manufacturing and personal care/everyday use products. Note that despite phosphate being the 11th most abundant element on the earth, there is no real substitute for it in these use cases.

Given its importance in the global agricultural supply chain, sustained supply is required to ensure that food production is not impacted. The global phosphate fertiliser market is poised to move at a compounded annual growth rate (CAGR) of approximately 5.7% from 2022-2040.

This is largely driven by the increased need for food security, especially among developing and emerging economies as well federal endorsement from agrarian economies like India. Note that 40% of Brazil's GDP is contingent on grain harvest which is dependent on phosphate supply. At full capacity, this project can supply up to 10% of the State of Rio Grande Do Sul targeting grain and cattle farmers.



## 06 DISCLAIMERS

### METHODOLOGY & DISCLOSURES

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