

ASX: AZS

30 October 2015

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 30 SEPTEMBER 2015

The Board of **Azure Minerals Limited** ("Azure" or "the Company") is pleased to provide its Quarterly Activities Report for the period ended 30 September 2015.

HIGHLIGHTS

ALACRÁN PROJECT

Azure makes high grade silver discovery at Mesa de Plata

- **Maiden Reverse Circulation (RC) drill program intersected substantial silver mineralisation in four holes, including:**
 - **9m @ 1,235g/t Ag (from 3.0m depth) within 39m @ 347g/t Ag**
- **Thick horizontal layer of silver mineralisation, capping flat-topped hill with strike length of up to 900m and up to 300m in width**
- **Mineralisation starts from surface and continues consistently and uninterrupted for thicknesses of up to 70m**
- **Diamond drilling in progress for metallurgical and mineralogical studies**
- **RC drill program for mineral resource estimation to commence shortly**
- **Ongoing exploration identifies new areas highly prospective for further silver and gold mineralisation**

PROMONTORIO PROJECT

Exploration continues under Earn-In and Joint Venture Agreement with Kennecott Exploration Mexico, S.A. de C.V ("Kennecott")

- **Deep-seeking Induced Polarisation (IP) and Magneto-Telluric (MT) surveys in progress**
- **Six of 18 planned lines completed (42 of 120 line kilometres)**

CORPORATE

- **\$1.5m funding secured to progress Mesa De Plata discovery via a placement to existing shareholder Mr Mark Creasy, and a significant New York-based resources investment fund**

ALACRÁN PROJECT

(Azure can earn 100% ownership from subsidiary of Teck Resources Limited, subject to certain back-in rights)

During the Quarter the Company continued intensive exploration activities at the Alacrán Project, which included a 14-hole Reverse Circulation (RC) drill program at Mesa de Plata (for silver), La Morita (for porphyry-related copper mineralisation), San Simon and Puerto del Oro (for gold-silver mineralisation), and Palo Seco (for zinc-silver mineralisation) (see Figure 1).

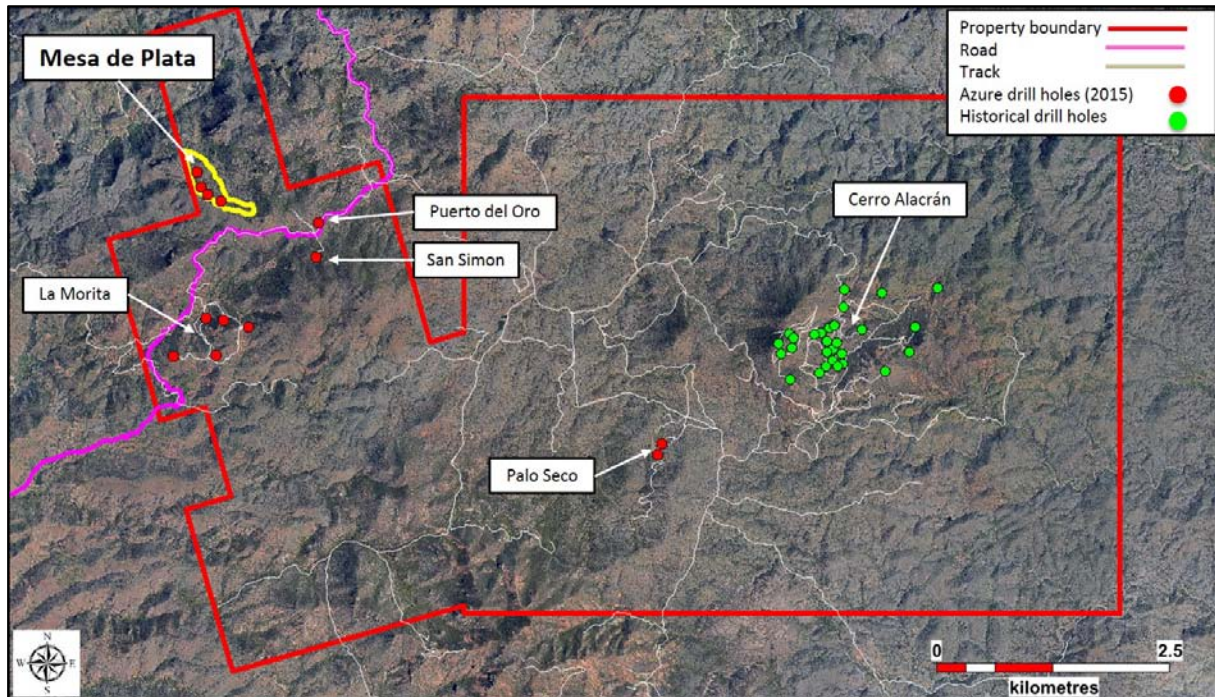


Figure 1: Aerial photograph of Alacrán property, showing drill targets

MESA DE PLATA SILVER DISCOVERY

Drilling

Drilling at Mesa de Plata targeted widespread silver anomalism on surface, which was identified via a gridded soil sampling and outcrop sampling programs conducted in June 2015. These surface sampling programs returned numerous silver grades greater than 30g/t, up to a maximum of 489g/t Ag from widespread, outcropping vuggy silica (refer ASX releases 3 June, 24 June and 25 September 2015).

The Induced Polarisation (IP) survey (refer ASX release 2 July 2015) revealed a strong, electrically resistive, horizontal layer extending from surface to depths of between 40m-60m at Mesa de Plata and in areas further to the east. This resistivity anomaly was interpreted to represent strongly siliceous rocks that coincided with the surface silver anomalism.

Drilling was undertaken to determine whether the anomalous silver was a surface enrichment feature or extended to the depths indicated by the IP survey.

Four vertical RC holes (LM-06 to LM-09) were drilled, spaced between 120m and 160m apart along the central ridgeline of the mesa. Each hole was drilled to a depth of about 90m and samples were collected over 1.5m intervals. Vuggy silica containing silver mineralisation was

intersected in all four holes, with thicknesses varying from 33m to 70m, starting from surface (see Figure 2).

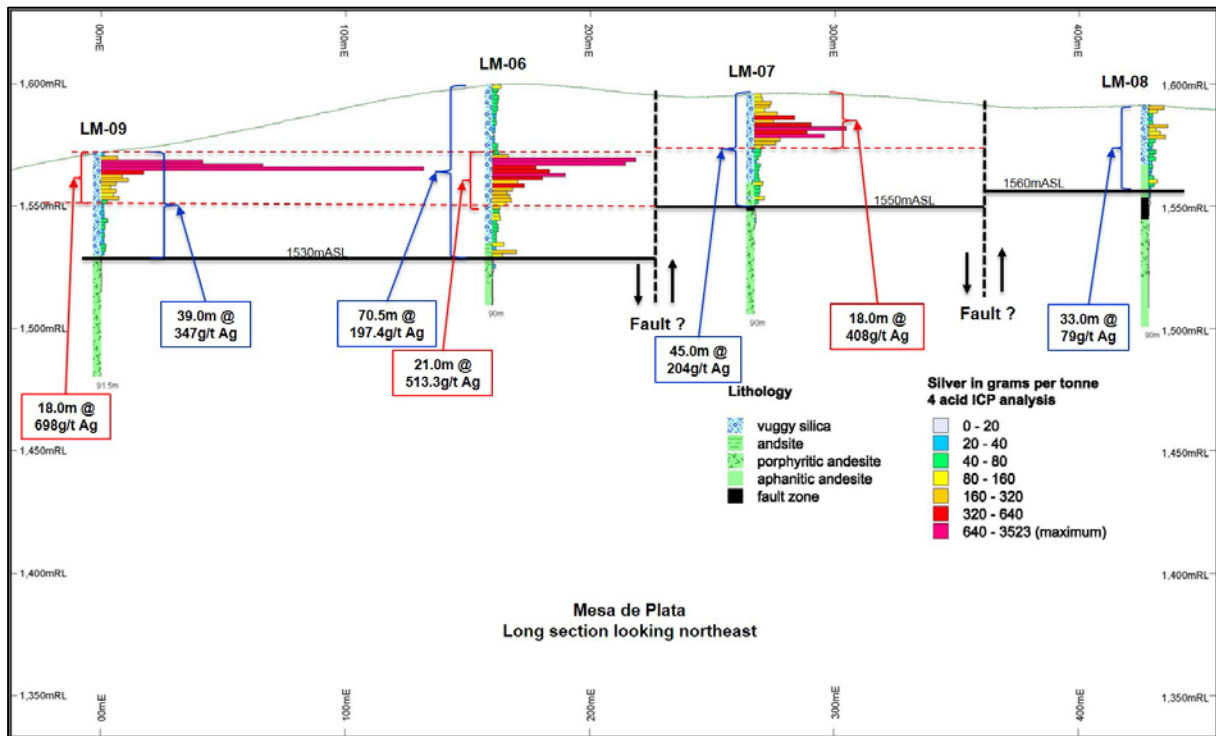


Figure 2: Long section of Mesa de Plata drill holes looking northeast

Medium to high grade silver mineralisation is hosted throughout the vuggy silica (see Table 1). Within the High Grade Zone, silver assays for all samples exceed the lower grade cut-off of 100g/t Ag (refer ASX release dated 16 September 2015).

TABLE 1: Silver mineralised drill intercepts from Mesa de Plata

DRILL HOLE	HIGH GRADE ZONE ¹ Interval Length	OVERALL MINERALISED ZONE ² Interval Length
LM-06	21.0m @ 513g/t Ag from 28.5m	70.5m @ 197g/t Ag from surface
LM-07	18.0m @ 408g/t Ag from 3.0m	45.0m @ 204g/t Ag from surface
LM-09	18.0m @ 698g/t Ag from 1.5m	39.0m @ 347g/t Ag from 1.5m
	<i>Including:</i> 9.0m @ 1,235g/t Ag from 3.0m	

Detailed evaluation of the assay results confirm that the silver mineralisation is consistently present throughout the vuggy silica horizon. The silver mineralisation itself is not commonly

¹ High Grade Zones use a 100g/t Ag lower grade cut-off and no top cut; with included zones using a 200g/t Ag lower grade cut-off and no top cut.

² Overall Mineralised Zones use a 40g/t Ag lower grade cut-off and no top cut.

visible, however the vuggy silica host rock is easily recognisable in outcrop and in the RC drill cuttings.

Drilling demonstrated that the vuggy silica horizon is relatively horizontal and forms a cap to the Mesa de Plata ridge. The depth to the lower contact, ie the thickness of the vuggy silica layer, is dependent upon the surface elevation of the drill hole collar, as the lower contact has a reasonably consistent elevation, with vertical variations probably due to localised, small-scale faulting. The elevation of the outcropping mineralisation is governed by the undulating topography.

Extensions to Mesa De Plata

To the north and east of Mesa de Plata, vuggy silica and strongly silicified volcanic rocks outcrop extensively, forming several prominent ridges located about 350m northeast of Mesa de Plata. Azure has called this new zone Loma Bonita (Spanish for Beautiful Hill).

Azure carried out reconnaissance rock chip and soil sampling throughout this area to determine potential for extensions or repetitions of the Mesa de Plata silver mineralisation, and for new occurrences of gold and base metal mineralisation.

Rock chip sampling has identified significant silver grades on the Loma Bonita ridge (refer ASX release 16 October 2015). Most samples returned anomalous to high grade silver assays. Importantly, six samples returned silver grades greater than **100g/t Ag**, with a maximum value of **369g/t Ag**. These silver results are similar to the grades from outcrop sampling that led to the discovery of Mesa de Plata.

Ridge and spur soil sampling was carried out along the crests of the highest parts of the local topography in order to minimise the potential for contamination by down-hill shedding. Initially, samples were collected along the ridge hosting the Mesa de Plata silver mineralisation as a control measure, and sampling was then expanded to cover Loma Bonita.

The soil sampling along the Mesa de Plata ridgeline returned consistently anomalous silver grades from **5g/t to 38g/t Ag** (refer ASX release 21 October 2015), thereby confirming the effectiveness of the sampling method. No gold grades above the lower detection limit (<0.005g/t Au) were returned from Mesa de Plata.

Soil sampling of Loma Bonita returned strongly anomalous gold and silver grades over the 750m length of the ridgeline, with maximum values of **2.44g/t Au** and **104g/t Ag**. Four consecutive 50m-spaced samples returned grades greater than **1g/t Au** and **30g/t Ag** (refer ASX release 21 October 2015).

Significantly, silver values at Loma Bonita are greater than those returned from over Mesa de Plata, and the high gold assays returned are very encouraging when compared to the below detection gold values on Mesa de Plata.

Azure believes that there is excellent potential at Loma Bonita for significant high grade, bedrock-hosted gold and silver mineralisation.

OTHER PROSPECTS AT ALACRÁN

In addition to the drilling at Mesa de Plata, Azure drilled an additional 10 holes to test other targets for a variety of metals.

Two holes (PS-01 & 02) were drilled at Palo Seco to test for zinc and silver mineralisation in the vicinity of the historical mine workings. Single holes were drilled at Puerto del Oro (LM-01) and San Simon (LM-02) to test for gold-silver mineralisation identified from surface and underground mine sampling. Minor mineralisation was intersected at Palo Seco, Puerto del Oro and San Simon (refer ASX release 16 September 2105).

Six holes were drilled at La Morita, with five holes testing geochemical anomalies presenting as secondary copper mineralisation located at surface and within the underground mine workings (refer ASX releases 3 June and 24 June 2015). These anomalies were considered potentially indicative of a blanket of supergene copper or primary, porphyry-hosted copper sulphide mineralisation.

All La Morita drill holes intersected anomalous copper values (up to 0.5% Cu), which are similar to the grades identified at surface (refer ASX release dated 6 October 2015). However no primary porphyry mineralisation nor supergene mineralisation blanket was intersected. The anomalism encountered does not sufficiently explain the source of the secondary copper mineralisation or the high grade copper mineralisation sampled within the La Morita adit. The source may occur at depth in association with the strong chargeability anomaly identified by the Induced Polarisation (IP) survey (refer ASX release 2 July 2015), and further investigation is required.

One hole (LM-10) targeted the southern edge of the chargeability anomaly, but due to limitations with the drill rig, the hole was terminated at a down-hole depth of 290m, well short of the 500m target. Importantly, the hole intersected rocks with potassic alteration, pyrite mineralisation and quartz veinlets. These features may indicate the nearby presence of porphyry style mineralisation, and further work will be undertaken to test this possibility.

In order to test the strongest area within the IP chargeability anomaly for porphyry copper mineralisation, an application for a permit to construct access roads into the area and drill pads has been submitted.

However, in the short term, given the significance of the new silver discovery at Mesa de Plata, and the high priority, intensive exploration and resource development activities planned for that project, further exploration to determine the source of the copper mineralisation encountered at La Morita, including deep diamond drilling, will take place at a later date.

PROMONTORIO PROJECT

(Azure 100%; Kennecott may earn up to an 80% interest)

Field exploration under the Earn-In and Joint Venture Agreement between Kennecott Exploration Mexico S.A. de C.V. ("Kennecott") and Azure continued during the September Quarter, with the commencement of a substantial ground geophysical survey using the Titan 24 system.

Titan 24 IP (Induced Polarisation) and MT (Magneto-Telluric) surveys are designed to map the electrical properties of mineralised bodies in three dimensions to depths in excess of one kilometre. This will enable Kennecott and Azure to plan its follow-up drilling programs with maximum effectiveness and ensure optimal testing of the porphyry copper target.

Initially, the survey was planned to comprise five line totalling about 35 line kilometres covering the core of the Promontorio project area. However, following evaluation of results

from the earlier airborne magnetics and radiometrics survey (refer ASX release 13 July 2015), the area to be covered by the Titan survey was significantly expanded, and consequently the time to complete the survey is commensurately longer.

The revised survey now consists of 18 east-west lines totalling about 120 line kilometres (see Figure 3). To date, six lines for 42 line kilometres have been completed. Processing and interpretation of the geophysical data will be undertaken following completion of the survey, however early review indicates the presence of encouraging chargeability and resistivity features.

Azure will release exploration results to the market as they are finalised and become available.

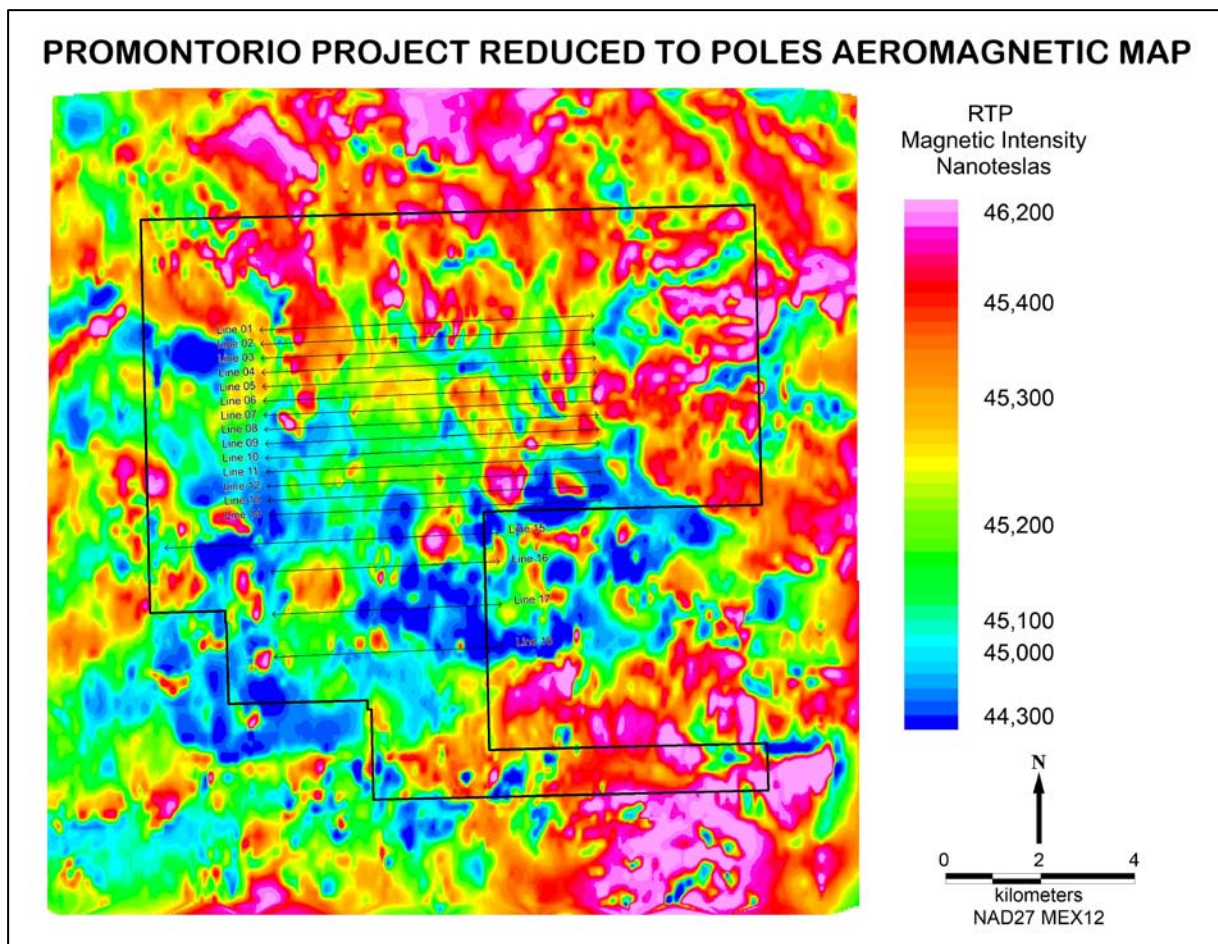


Figure 3: Reduced to the Pole (RTP) aeromagnetic image of Promontorio Project showing lines for Titan 24 IP & MT surveys

-ENDS-

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Competent Person Statements

Information in this report that relates to previously reported Exploration Results has been cross-referenced in this report to the date that it was reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement.

APPENDIX 1:

ALACRÁN BACKGROUND

Alacrán is located in northern Mexico approximately 50km south of the USA border. The property covers 54km² of highly prospective exploration ground in the middle of the Laramide Copper Province. This is one of North America's most prolific copper-producing districts, extending from northern Mexico into the southern United States.

Alacrán lies in close proximity to several large copper mines, including being 15km from the world class, giant Cananea Copper Mine operated by Grupo Mexico. This is one of Mexico's premier mining districts, with world class production of copper together with significant amounts of gold, silver and molybdenum.

There is excellent access to and within the property, via a sealed highway from Hermosillo, capital of the state of Sonora, and existing mine roads and ranch tracks. The nearby town of Cananea is a mining-friendly jurisdiction with experienced exploration and mining services, as well as physical infrastructure including roads, railway, airport, electrical power and water.

Commercial and artisanal mining occurred within the project area in the early 20th century, ending in 1913 due to the Mexican Revolution. Since that time, Alacrán has seen only limited exploration and its potential for hosting large porphyry copper deposits and smaller high grade precious and base metal deposits remains largely untested by modern exploration techniques.

The Anaconda Copper Mining Company explored the property intermittently from the 1930's to the 1960's. Data relating to this work is held in the Anaconda Geological Documents Collection, part of the American Heritage Centre in the University of Wyoming. Azure has visited the library and retrieved copies of numerous technical reports and maps.

Between the 1960's and the early 1980's, the Consejo de Recursos Minerales (Mexican Geological Survey) carried out occasional exploration programs, including drilling 6 holes at the Cerro Alacrán prospect in 1970 and undertaking geophysical surveys over the Palo Seco and La Morita prospects in 1981.

Grupo Mexico S.A.B.de C.V. ("Grupo Mexico") then acquired the project and drilled 26 holes at Cerro Alacrán in the 1990's. This drilling, which was restricted to an area of approximately 50 hectares, outlined a large body of near-surface, copper oxide and chalcocite (copper sulphide) mineralisation. The size, grade and the extent of this mineralised body is yet to be defined as a mineral resource to JORC standards.

Minera Teck S.A. de C.V. ("Teck"), a Mexican subsidiary of Canadian company Teck Resources Limited, acquired the property from Grupo Mexico in 2013 and undertook data compilation and limited surface exploration.

Azure Minerals acquired the rights to the project in December 2014 through its fully owned Mexican subsidiary Minera Piedra Azul S.A. de C.V.

Azure has signed an Agreement with Teck to acquire 100% of the property, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico. Teck is Canada's largest diversified resource company. Grupo Mexico is Mexico's largest and one of the world's largest copper producers.



Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,182)	(1,182)
(b) development	-	-
(c) production	-	-
(d) administration	(375)	(375)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(1,553)	(1,553)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – JV Advances	957	957
	954	954
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(599)	(599)

Appendix 5B
Mining Exploration Entity Quarterly Report



1.13	Total operating and investing cash flows (brought forward)	(599)	(599)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,589	1,589
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	1,589	1,589
Net increase (decrease) in cash held			
		990	990
1.20	Cash at beginning of quarter/year to date	1,775	1,775
1.21	Exchange rate adjustments to item 1.20	(11)	(11)
1.22	Cash at end of quarter	2,754*	2,754*

* Note that cash at the end of the quarter includes \$908,000 which has been advanced by Kennecott Exploration and is quarantined for use solely on the Promontorio project.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	108
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

During the quarter Kennecott Exploration Mexico S.A. de C.V. advanced US\$607,000 towards exploration costs at the Promontorio project.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	700
4.2 Development	-
4.3 Production	-
4.4 Administration	300
Total	1,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,696	1,717
5.2 Deposits at call	58	58
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,754	1,775

Changes in interests in mining tenements

Refer to Annexure 1 for full list of mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-



Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	1,100,486,953	100,486,953		
7.3 +Ordinary securities				
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs	105,466,846	105,446,846		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	25,000,000	Nil	<i>Exercise price</i> \$0.058	<i>Expiry date</i> 30/06/17
	25,924,075	Nil	\$0.045	30/11/16
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to read "Brett Dickson".

Sign here: Date: 30 October 2015
(Director/Company secretary)

Print name: Brett Dickson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Annexure 1
Schedule of interests in mining tenements

Project	Common Name		Tenement	Percentage held / earning
El Tecolote	El Tecolote	All Minerals	230771	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio ³	Hidalgo	All Minerals	235270	100% ¹
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio Regional	All Minerals	234447	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%
Alacran ²	Kino 3	All Minerals	166312	-
	Kino 2	All Minerals	166313	-
	Kino 4	All Minerals	166314	-
	Kino 8	All Minerals	166315	-
	Kino 9	All Minerals	166316	-
	Kino 10	All Minerals	166317	-
	Kino 11	All Minerals	166318	-
	Kino 15	All Minerals	166365	-
	Hidalgo No. 4	All Minerals	166366	-
	Kino 16	All Minerals	166367	-
	Hidalgo No. 3	All Minerals	166368	-
	Hidalgo No. 2	All Minerals	166369	-
	Hidalgo No. 5	All Minerals	166370	-
	Hidalgo No. 6	All Minerals	166371	-
	Hidalgo No. 8	All Minerals	166372	-
	Hidalgo No. 7	All Minerals	166373	-
	Hidalgo	All Minerals	166374	-
	Hidalgo No. 9	All Minerals	166375	-
	San Simon	All Minerals	166376	-
	San Simon No. 2	All Minerals	166377	-
El Alacran	All Minerals	201817	-	

1. Azure has an option to purchase 100%
2. Azure has acquired an option to purchase 100%
3. Kennecotte Exploration Mexico S.A. de C.V. has an option to earn up to an 80% interest in the Promontorio project.