

Azure Minerals Limited

ABN 46 106 946 918

Interim Financial Statements

For the Half-Year Ended 31 December 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by Azure Minerals Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AZURE MINERALS LIMITED

CORPORATE INFORMATION

ABN 46 106 346 918

Directors

Peter Anthony John Ingram (Chairman)
Anthony Paul Rovira (Managing Director)
Wolf Gerhard Martinick (Non-Executive Director)

Company Secretary

Brett Dickson

Registered Office

Level 1, 34 Colin Street
WEST PERTH WA 6005
(08) 9481 2555

Solicitors

K&L Gates
Level 32,
44 St Georges Terrace
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited

Share Register

Computershare Investor Services Pty Ltd
Level 2, 45 St, Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Website

www.azureminerals.com.au

ASX Code

Shares AZS

AZURE MINERALS LIMITED

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AZURE MINERALS LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Azure Minerals Limited and the entities it controlled (“Azure” or “the Group”) at the end of, or during, the half-year ended 31 December 2015.

1. General information

Directors

The following persons were directors of Azure Minerals Limited during all or part of the half-year as indicated below, and up to the date of this report:

Peter Ingram
Anthony Rovira
Wolf Martinick

2. Review of Operations

Alacrán (Azure can earn 100% ownership from subsidiary of Teck Resources Limited, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico)

During the period strong progress was made on the Alacrán Project, with a particular focus on advancing the high grade silver discovery at Mesa de Plata, while continuing exploration activities on surrounding prospective areas.

The Company has completed the resource drill-out program of the Mesa de Plata silver mineralised zone. The program consisted of three stages of drilling (two RC and one diamond core), comprising 61 RC and five diamond holes (Figure 2) for a total of 6,350.7m (ASX: 25 January 2016).

Silver mineralisation at Mesa de Plata is hosted in silicified volcanic rocks and residual quartz (vuggy silica) which outcrop extensively along the ridge. Drilling confirmed that mineralisation starts at surface with true thicknesses up to 60m and extends throughout the Mesa de Plata ridge, and that internal continuity of mineralisation is excellent.

The central zone of high grade silver mineralisation, which averages greater than 200g/t Ag over a vertical thickness of approximately 20m, extends over an area of 400m x 150m. This is surrounded by, and underlain by, a larger zone of moderate grade silver mineralisation (averaging 40-80g/t Ag) up to 60m thick, extending over an area of about 1,000m x 150-200m. The overall mineralised body dips shallowly to the northeast, and is confined to the southwest (up-dip) and northeast (down-dip) by erosional contacts forming valleys.

Completion of the drill program at Mesa de Plata has enabled the calculation of a JORC-compliant Mineral Resource estimate to commence, which the Company anticipates will be completed by March.

Preliminary metallurgical testwork conducted during the period tested the mineralogical and metallurgical qualities of the Mesa de Plata mineralisation. The testwork program demonstrated that the mineralisation is amenable to both cyanide leaching and flotation processes, with strong recoveries in excess of 70% (ASX: 17 December 2015).

To follow up these encouraging results, a diamond rig has been mobilised to Mesa de Plata to conduct large diameter core drilling to collect bulk samples for an advanced metallurgical testwork program. It is expected that this drilling campaign will take about one to two months to complete and the subsequent metallurgical program may take three to four months.

While Mesa de Plata remains a development focus for Azure, there is significant potential for further exploration success in areas proximal to Mesa de Plata, such as Loma Bonita and Puerto del Oro.

Overall, the Company's studies indicate that the alteration and mineralisation styles at Mesa de Plata and in nearby areas are typical of other lithocap-hosted, epithermal gold and silver deposits in Mexico and elsewhere in Latin America. This supports Azure's belief that a large mineralising system is present here with potential to host significant precious metal deposits.

AZURE MINERALS LIMITED

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 throughout the period, with the completion of the ground geophysical survey using the Titan 24 system.

Data processing is complete and interpretation is currently being undertaken by both Kennecott and Azure. Preliminary reviews by Azure indicate the presence of encouraging chargeability and resistivity features.

Kennecott and Azure are using this data to plan follow-up drilling programs to ensure optimal testing of the porphyry copper target. Details on the planned drilling programs will be released as they become available.

3. Review of Operations and Results

The operating loss after income tax of the Group for the period was \$3,031,544 (2014: \$1,169,600). Included in this loss figure is \$2,460,352 (2014: \$845,650) of exploration expenditure written off.

Cash outflows from operating activities for the period were \$2,368,359 (2014: \$1,098,336).

4. Other items

Significant Changes in State of Affairs

During the financial period the Group raised \$6,560,600 (after expenses) through the issue of 250,466,846 shares in three tranches, being 10,154,346 issued at \$0.0098; 95,312,500 issued at \$0.016 and 145,000,000 issued at \$0.036.

No other significant changes in the Group's state of affairs occurred during the reporting period.

Changes in Controlled Entity

There have been no changes in controlled entities during the half-year.

5. Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 15.

This report is made in accordance with a resolution of the Board of Directors:



Anthony Rovira
Managing Director
West Perth
Date: 2 March 2016

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Consolidated	
	Note	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,689,569	1,775,412
Trade and other receivables		986,026	1,064,291
Total Current Assets		6,675,595	2,839,703
Non-Current Assets			
Available-for-sale investments	14	948	948
Capitalised exploration expenditure	6	4,465,009	4,913,050
Other financial assets		45,378	45,378
Plant and equipment	7	125,286	108,483
Total Non-Current Assets		4,636,621	5,067,859
TOTAL ASSETS		11,312,216	7,907,562
LIABILITIES			
Current Liabilities			
Trade and other payables		188,507	235,051
Provisions		103,696	94,281
Total Current Liabilities		292,203	329,332
Non-Current Liabilities			
Provisions		49,962	49,962
Total Non-Current Liabilities		49,962	49,962
TOTAL LIABILITIES		342,165	379,294
NET ASSETS		10,970,051	7,528,268
Equity			
Contributed equity	8	57,682,169	51,121,569
Reserves		2,976,015	3,063,288
Accumulated losses		(49,688,133)	(46,656,589)
TOTAL EQUITY		10,970,051	7,528,268

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated	
		31 Dec 2015 \$	31 Dec 2014 \$
Continuing Operations			
Other income		196,813	7,960
Depreciation and amortisation		(10,246)	(13,468)
Exploration expenditure written off		(2,460,352)	(845,650)
Exploration expenditure recovered		950,382	367,545
Salaries and wages		(430,280)	(261,915)
Consultants		(60,003)	(6,941)
Director fees		(47,500)	(49,756)
Travel and accommodation		(72,205)	(73,081)
Promotion		(35,131)	(54,630)
Insurance		(10,962)	(20,853)
Other administration expenses		(68,156)	(47,953)
Share based payments		(662,002)	-
Other expenses		(321,902)	(170,858)
		(3,031,544)	(1,169,600)
Loss from continuing operations before income tax			
Income tax expense		-	-
		(3,031,544)	(1,169,600)
Loss from continuing operations after income tax			
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit and loss</i>			
-			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Changes to available-for-sale financial assets, net of tax	4	-	-
Exchange differences on translation of foreign operations		(749,275)	52,839
Other comprehensive (income)/loss for the period net of tax		(749,275)	52,839
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(3,780,819)	(1,116,761)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss (cents per share)	10	(0.28)	(0.15)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2015

31 December 2015

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2015	51,121,569	3,161,492	(39,996)	(58,208)	(46,656,589)	7,528,268
Loss for period	-	-	-	-	(3,031,544)	(3,031,544)
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(749,275)	-	(749,275)
Total other comprehensive income/(loss)	-	-	-	(749,275)	-	(749,275)
Total comprehensive income/(loss) for the period				(749,275)	(3,031,544)	(3,780,819)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	6,560,600	-	-	-	-	6,560,600
Share based payments	-	662,002	-	-	-	662,002
Total transaction with owners	6,560,600	662,002	-	-	-	7,222,602
Balance at 31 December 2015	57,682,169	3,823,494	(39,996)	(807,483)	(49,688,133)	10,970,051

31 December 2014

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale-Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2014	47,965,163	3,031,401	(39,996)	(153,352)	(45,505,229)	5,297,987
Loss for period	-	-	-	-	(1,169,600)	(1,169,600)
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	52,839	-	52,839
Total other comprehensive income/(loss)	-	-	-	52,839	-	52,839
Total comprehensive income/(loss)for the period				52,839	(1,169,600)	(1,116,761)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	928,289	-	-	-	-	928,289
Total transaction with owners	928,289	-	-	-	-	928,289
Balance at 31 December 2014	48,893,452	3,031,401	(39,996)	(100,513)	(46,674,829)	5,109,515

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,086,065)	(610,262)
Payments for exploration expenditure	(2,414,847)	(799,927)
Proceeds from mineral properties rights reimbursement	950,382	306,287
Other income	175,463	-
Interest received	6,708	5,566
	<u>(2,368,359)</u>	<u>(1,098,336)</u>
Net cash outflow from operating activities		
Cash flows from investing activities		
Payment for plant and equipment	(32,041)	(943)
Acquisition of mineral properties	(190,165)	(210,031)
	<u>(222,206)</u>	<u>(210,974)</u>
Net cash in/(outflow) from investing activities		
Cash flows from financing activities		
Proceeds from capital raising (net of costs)	6,560,600	928,289
	<u>6,560,600</u>	<u>928,289</u>
Net cash inflow from financing activities		
Net increase/(decrease) in cash and cash equivalents	3,970,035	(381,021)
Cash and cash equivalents at the beginning of the half-year	1,775,412	978,865
Effects of exchange rate changes in cash and cash equivalents	(55,878)	(13,181)
Cash and cash equivalents at the end of the half-year	<u>5,689,569</u>	<u>584,663</u>

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year ended 31 December 2015 have been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and *the Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2015 and public announcements made by Azure Minerals Limited during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 30 June 2015 and the corresponding half year interim reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2015 that have been applied by the Group. The 30 June 2015 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2015.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half-year.

NOTE 3 OPERATING SEGMENTS

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on this criterion, management has determined that the Group has one operating segment being mineral exploration in Mexico. As the Group is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 3 OPERATING SEGMENTS (Cont'd)

	CONSOLIDATED	
	31 Dec 2015	31 Dec 2014
	\$	
Other income from external sources	175,463	-
Reportable segment loss	(2,168,796)	(505,481)
Reportable segment assets	5,749,544	6,051,473
Reportable segment liabilities	(138,452)	(160,060)
	31 Dec 2015	31 Dec 2014
Reconciliation of reportable segment loss		
Reportable segment loss	(2,168,796)	(505,481)
Other profit		-
Unallocated:		
- Salaries and wages	(430,280)	(261,915)
- Travel and accommodation	(72,205)	(73,081)
- Other corporate expenses	(357,797)	(326,113)
- Depreciation	(2,466)	(3,010)
Loss before tax	<u>(3,031,544)</u>	<u>(1,169,600)</u>

NOTE 4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

Exchange differences on translation of foreign operations	<u>(749,275)</u>	<u>52,839</u>
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NOTE 5 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents are comprised the following:

	31 Dec 2015	30 Jun 2015
	\$	\$
Cash at bank and in hand	325,122	487,126
Short term deposits	5,364,447	1,288,286
	<u>5,689,569</u>	<u>1,775,412</u>

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 6 CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED	
	31 Dec 2015	30 Jun 2015
	\$	\$
At Cost	4,465,009	4,913,050
Reconciliations		
Movements in the carrying amounts of capitalised expenditure between the beginning and end of the current financial period		
Opening net book amount	4,913,050	4,343,687
Foreign exchange adjustment	(638,206)	110,644
Additions	190,165	458,719
Closing net book amount	4,465,009	4,913,050

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale.

NOTE 7 PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group acquired assets with a cost of \$32,041 (six months to 30 June 2015: \$48,367). No assets were sold during the six months ended 31 December 2015 (six months to 30 June 2015: Nil).

NOTE 8 ISSUED CAPITAL

	Shares	\$
Balance as at 1 July 2014	779,026,491	47,965,163
Share placement issued at \$0.03	21,435,545	643,066
Options exercised at \$0.02	16,995,833	339,916
Share issue expenses	-	(54,693)
Balance as at 31 December 2014	817,457,869	48,893,452
Balance as at 1 July 2015	995,020,107	51,121,569
Share placement at \$0.0098	10,154,346	100,000
Share placement at \$0.016	95,312,500	1,525,000
Share placement at \$0.036	145,000,000	5,220,000
Share issue expenses	-	(284,400)
Balance as at 31 December 2015	1,245,486,953	57,682,169

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 8 ISSUED CAPITAL (Cont'd)

Options on issue as at 31 December 2015	Number
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 4.5 cents on or before 30 November 2016	25,924,075
Exercisable at 6.0 cents on or before 30 November 2018	31,200,000
	82,124,075
Options on issue as at 31 December 2014	Number
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 4.5 cents on or before 30 November 2016	25,924,075
	50,924,075

NOTE 9 SHARE BASED PAYMENTS

During the financial period 31,200,000 options exercisable at 6.0 cents on or before 30 November 2018 were issued to directors and employees as part of their long term incentive remuneration. The fair value of these options granted was calculated as 2.1 cents each by using the Binomial option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	6.0
Weighted average life of options (years)	3.0
Weighted average underlying share price (cents)	3.9
Expected share price volatility	100%
Risk free interest rate	2.13%

NOTE 10 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 1,079,224,577. Diluted loss per share is not considered dilutive and has therefore not been presented.

NOTE 11 COMMITMENTS AND CONTINGENCIES

There has been no significant change in the Group's commitments and contingent liabilities since the end of the last reporting period.

NOTE 12 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2015 financial statements. During the period options exercisable at \$0.06 each which expire at 30 November 2018 were issued and short term incentive bonuses were paid as follows:

<i>Issued to</i>	Options Issued		Bonus Paid
	<i>Number Issued</i>	<i>Fair Value of Options</i>	\$
Anthony Rovira – Managing Director	10,000,000	\$212,180	\$75,000
Peter Ingram – Chairman	5,000,000	\$106,090	-
Wolf Martinick – Non Executive Director	5,000,000	\$106,090	-
Brett Dickson – Company Secretary	6,200,000	\$131,552	\$38,280

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2015.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 13 EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

NOTE 14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 - the fair value is calculated using quoted market prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 31 December 2015	\$ Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948
As at 30 June 2015	\$ Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948

Due to their short term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

NOTE 15 IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2016 but is available for early adoption. When adopted, the standard will have no effect as the group does not hold any financial instruments.

There will be no impact on the group's accounting for financial liabilities, as the group does not hold any financial liabilities. The group has not yet decided when to adopt AASB 9.

AZURE MINERALS LIMITED

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2015

In the Directors' opinion:

- (a) The financial statements and notes, as set out on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Azure Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Anthony Rovira
Managing Director
West Perth
2 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azure Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Azure Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Azure Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azure Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Ian Skelton', is written over a blue ink stamp of the BDO logo.

Ian Skelton

Director

Perth, 2 March 2016

DECLARATION OF INDEPENDENCE BY IAN SKELTON TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Azure Minerals Limited and the entities it controlled during the period.



Ian Skelton

Director

BDO Audit (WA) Pty Ltd

Perth, 2 March 2016