

ASX: AZS

31 July 2015

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 30 JUNE 2015

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

HIGHLIGHTS

ALACRÁN PROJECT

Strong exploration results identify numerous high quality drill targets

- **Surface and underground mine sampling, geophysical (IP), and geochemical soil sampling surveys completed over western Alacrán**
- **Anomalies identified indicate potential for porphyry copper and epithermal precious metal mineralisation**
- **Sampling of La Morita underground mine workings returned strong results including:**
 - 17m @ 4.3% Cu 45m @ 0.8% Cu 117m @ 0.33% Cu**
- **High grade silver and gold identified at San Simon, Mesa de Plata and Puerto del Oro**
- **Drilling of high priority targets has commenced**

PROMONTORIO PROJECT

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

- **Airborne magnetic, radiometric and electromagnetic survey completed**
- **Data processing, interpretation and evaluation still ongoing**
- **Promontorio Project Resource updated (refer ASX release dated 7/5/15):**
 - **Maiden Cascada Mineral Resource of 2,060,000 tonnes @ 1.9% CuEq¹**
 - **Total CuEq resource inventory increases by over 100%**
 - **High grade zones (2.0% CuEq cut-off) at Promontorio and Cascada total 1.0Mt @ 4.9% CuEq (3.0% Cu, 2.5g/t Au & 63g/t Ag)**

¹ See Appendix for details of Copper Equivalency

CORPORATE

- Azure enters into a two year, up to A\$3.25 million funding agreement with a leading New York-based investment fund (refer ASX announcement date 16/07/15 for details)

ALACRÁN PROJECT

(Azure can earn 100% ownership from subsidiary of Teck Resources Limited)

During the Quarter, the Company continued intensive exploration activities at the Alacrán Project, including:

- Mapping and sampling of outcrop and underground mine workings
- Geochemical soil sampling
- Induced Polarisation (IP) survey
- Preparation for drilling

This work identified several highly prospective targets for precious and base metal mineralisation. La Morita has potential for porphyry-related copper mineralisation, and Mesa de Plata, San Simon, Puerto del Oro and Palo Seco have potential for structurally-controlled, stratabound or epithermal polymetallic mineralisation - specifically for silver-gold deposits.

Azure has now commenced a Reverse Circulation (RC) drilling program of 12 holes for approximately 2,000 metres to test the grade and thickness of mineralisation identified at these prospects (see Figure 1).

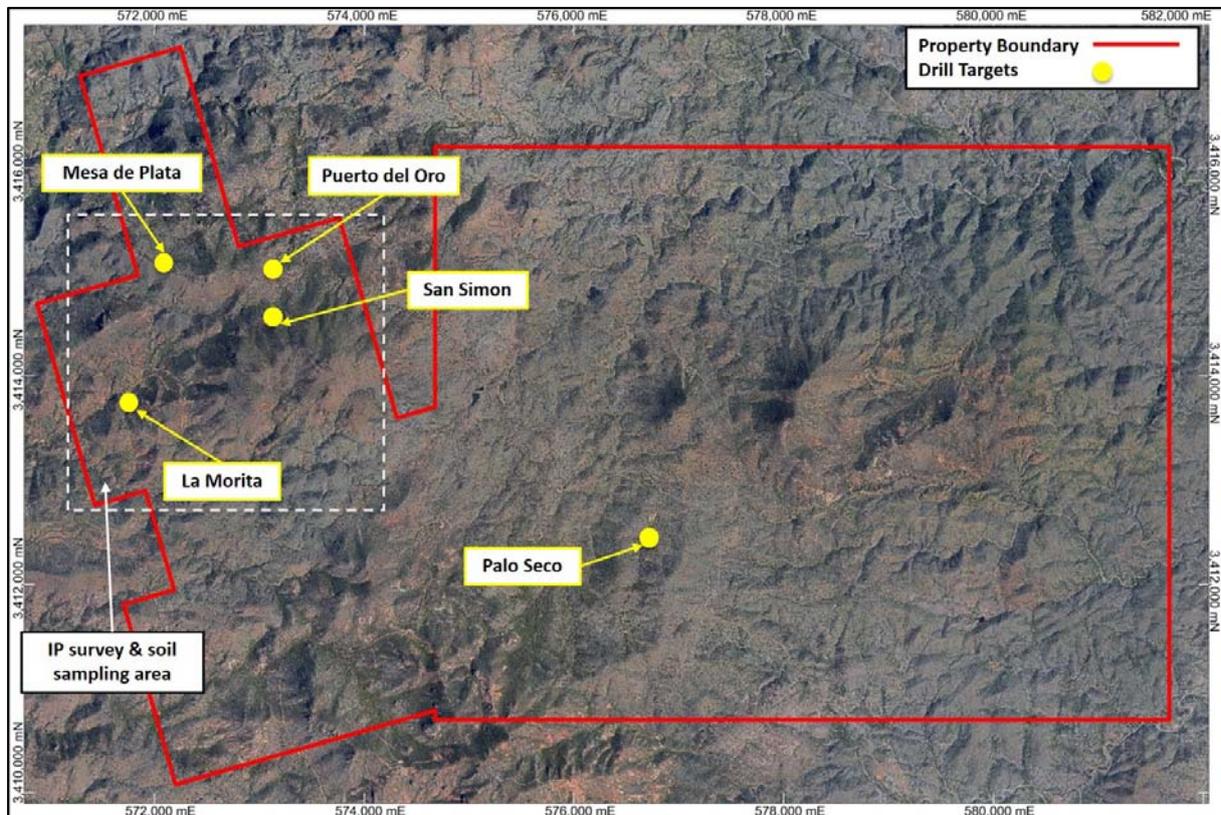


Figure 1: Aerial photograph of Alacrán showing planned drill targets

Surface and Underground Mapping and Sampling

Detailed mapping and sampling confirmed extensive mineralisation at both the La Morita (copper) and San Simon (silver-gold) historical underground mine workings (refer ASX releases dated 13/05/15 & 03/06/15).

The La Morita adit is a 271m horizontal tunnel which enters into the side of a hill, and terminates at a depth of about 100m beneath the crest of the hill. Exotic copper mineralisation and mixed sulphide mineralisation is present throughout most of the tunnel. Systematic channel sampling in the adit returned one zone of **117m @ 0.33% Cu** and a second zone of **45m @ 0.79% Cu**. Near the end of the adit, several cross-cutting tunnels provided exposures of the mineralisation in different directions. Sampling of the northeast-trending tunnel returned **17m @ 4.26% Cu**.

San Simon hosts two horizontal adits, one about 105m long and the other 20m long. Systematic channel sampling confirmed the presence of gold and silver mineralisation hosted in iron-rich, vuggy silica. The longer adit returned a continuous mineralised length of **42.5m @ 1.07g/t AuEq (0.58g/t Au & 34.1g/t Ag)**, and the shorter adit returned **18.85m @ 1.25g/t AuEq (0.47g/t Au & 54.8g/t Ag)**. Similar material containing silver and gold mineralisation outcrops extensively between the San Simon workings and the Puerto del Oro prospect, located about one kilometre further to the north.

Puerto del Oro contains outcropping volcanic rocks hosting zones of vuggy silica, silicified breccia and quartz veining with widespread iron-rich (hematite-goethite) alteration. These zones extend for up to several hundred metres in length, and range up to 10 metres in width. Visually prospective zones were systematically sampled by rock chip and channel sampling across the mineralised trends. Significant grades of gold and silver mineralisation were returned, including **4.0m @ 7.9g/t Au & 11g/t Ag**, **2.6m @ 5.1g/t Au & 33g/t Ag** and **10m x 5m @ 5.0g/t Au & 27g/t Ag** (refer ASX release dated 15/07/15).

Reconnaissance exploration was extended into the northern and eastern parts of the property. This identified several occurrences of old artisanal mine workings containing visible alteration and base metal mineralisation in and around the workings and on the old mine dumps. Grab and channel sampling around these workings returned some very high silver assays (up to **2,191g/t Ag**), with strong grades of copper (up to **5.8% Cu**), lead (up to **46.34% Pb**) and zinc (up to **3.38% Zn**) (refer ASX release dated 03/06/15). Further detailed mapping and sampling work is required to determine the prospectivity for significant mineralisation in these areas.

Geochemical Soil Sampling

Gridded soil sampling over the northwestern part of the Alacrán project area was completed, with samples collected at 50m spacing along thirteen 200m spaced lines covering an area of approximately 2.4km x 2.4km. Each sample was tested by a portable XRF analyser reading 35 different elements², and select check samples were sent to the laboratory for comparative geochemical analysis (refer ASX release dated 24/06/15).

² Azure considers portable XRF results to be semi-quantitative, and while indicative of general metal concentrations are not regarded as a substitute for properly conducted laboratory sample preparation and analyses. Thirty randomly selected soil samples from this soil sampling program were dispatched to the laboratory for check analyses and provided an excellent correlation with the results obtained by the portable XRF analyser.

Geochemical signatures indicate several distinct domains, interpreted to represent alteration and mineralisation patterns typical of a porphyry copper environment.

A strong and coherent copper anomaly, with values consistently exceeding 100ppm Cu up to a maximum of 1,203ppm Cu, and extending over an area of approximately 1,000m x 800m, correlates with the group of historical mine workings at La Morita. Copper grades and elemental ratios from the soil sampling, together with high copper assays and visible mineralisation at surface and in the underground mine workings confirm La Morita's prospectivity for porphyry-related copper mineralisation.

Soil samples from Mesa de Plata returned strongly elevated values of silver (up to **64ppm Ag**), lead (up to **5,929ppm Pb**) antimony (up to **5,251ppm Sb**) and bismuth (up to **877ppm Bi**). These are pathfinder elements typically associated with polymetallic epithermal mineralisation. Laboratory assaying of follow-up rock chip sampling returned high grades of silver, ranging from **16g/t Ag to 213g/t Ag, and averaging 63g/t Ag**, together with elevated levels of lead (up to **1.13% Pb**), antimony (up to **5,266ppm Sb**) and bismuth (up to **1,107ppm Bi**) (refer ASX release dated 03/06/15). Mineralisation is hosted in silicified volcanic rocks that outcrop as flat-lying plateaus of vuggy silica and ridges of silicified breccia.

IP Survey

The first modern IP survey undertaken at Alacrán provides detailed, deep-looking coverage of the northwestern area (see Figure 1). The survey comprised ten, 200m spaced east-west lines totalling 26 line kilometres, covering approximately 5km² (refer ASX release dated 02/07/15).

Azure's survey covers an area previously surveyed with IP by the Mexican Geological Survey in 1981 (refer ASX release dated 03/03/15). Although rudimentary in comparison to modern IP technology, the earlier survey did identify coherent chargeability and resistivity anomalies. Due to technical limitations of the equipment used, these anomalies were measured to only relatively shallow depths (possibly <100m below surface).

Azure's survey was designed to test to several hundred metres depth to better define the anomalies detected by the historical survey and to identify new near-surface and deeply buried anomalies. Exploration models being targeted include:

- Extensions of the high grade copper sulphide mineralisation identified in the underground mine workings at La Morita;
- Silicified zones containing significant silver and gold mineralisation at San Simon, Mesa de Plata and Puerto del Oro: and
- Feeder zones and porphyry-hosted copper sulphide mineralisation at depth.

Electrically resistive zones are present in the north and east of the survey area, from surface to depths of greater than 200m. These strongly resistive bodies correlate spatially with the outcropping silver and gold-mineralised, vuggy silica and silica-rich breccia horizons at the Mesa de Plata, Puerto del Oro and San Simon prospects.

Several chargeability anomalies have been identified, commencing about 200m below surface and continuing to at least the maximum penetration depth of the IP survey (>400m below surface).

One chargeability anomaly lies at depth beneath the La Morita mine workings which contain extensive exposures of exotic copper and mixed copper sulphide mineralisation. This IP anomaly indicates potential for significant copper sulphide mineralisation beneath La Morita.

Two strong chargeability anomalies extend through the centre and north of the survey area, and are interpreted to represent significant accumulations of disseminated sulphide mineralisation. Both anomalies come to within 200m of surface and near San Simon and Puerto del Oro are capped by a resistive layer, possibly due to silicification of the overlying host rocks.

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.

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.

PROMONTORIO PROJECT

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

Exploration continued during the June Quarter, with major activities including:

1. Airborne magnetic, radiometric and electromagnetic survey
2. Processing and interpretation of geophysical data
3. Regional mapping and sampling
4. Gridded soil sampling program
5. Planning of upcoming Induced Polarisation (IP) survey

Surface Exploration

Regional mapping and sampling, detailed logging of drill core, and a gridded soil sampling program over the central tenements have been carried out during the Quarter. The purpose of this work is to identify and characterise alteration and mineralisation patterns that formed during the intrusions of a porphyry copper system. Samples have also been collected for age dating of the various intrusions. These geochemical programs remain ongoing.

Airborne Survey

Helicopter-borne geophysical survey at Promontorio was completed during the Quarter (refer ASX release dated 13/07/15). The survey collected magnetic, radiometric and electromagnetic data on 200m-spaced East-West lines with 2,000m-spaced North-South tie lines, for a total of 1,572 line kilometres covering an area of approximately 280km² (see Figure 2).

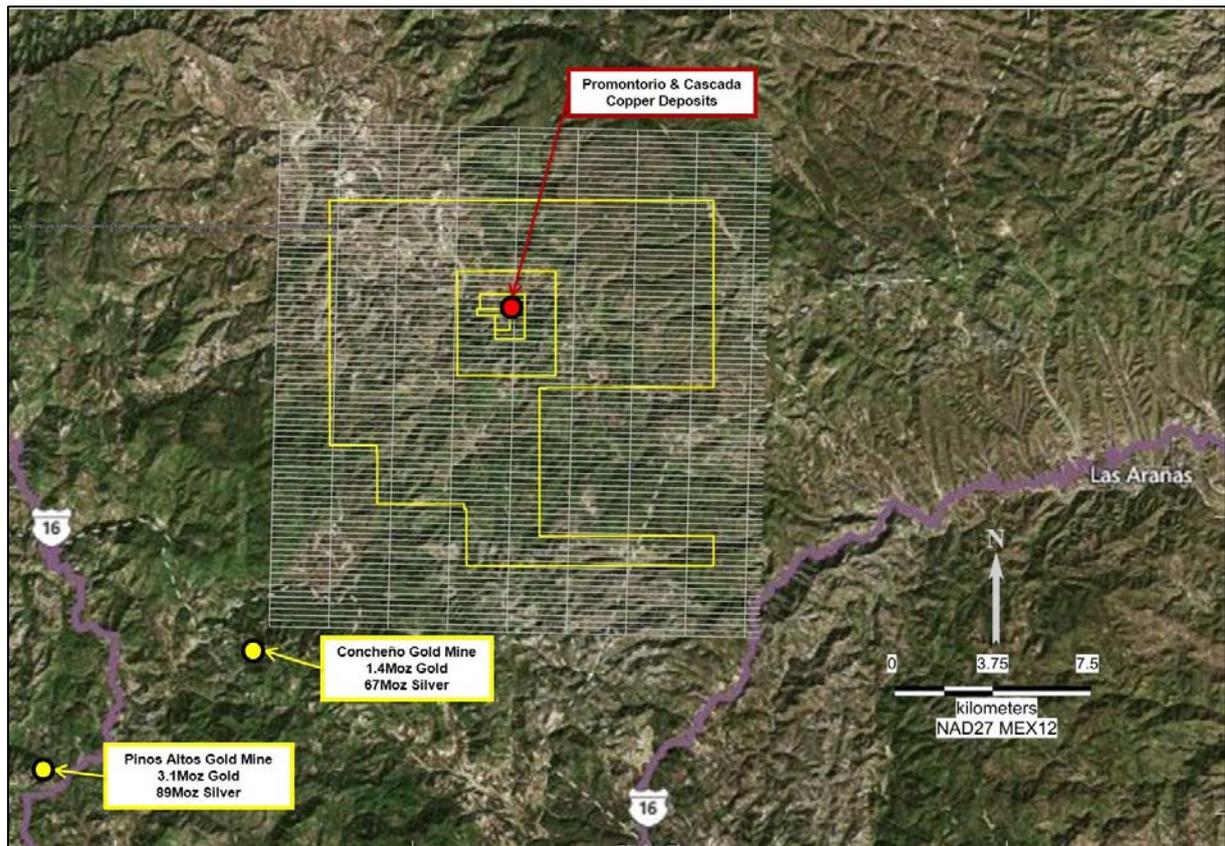


Figure 2: Area of airborne geophysical survey over Promontorio

This survey was designed to look beneath post-mineral volcanic rocks that cover most of the property to detect geophysical signatures indicative of large copper mineralisation systems, and epithermal and massive sulphide mineralisation hosted in underlying basement rocks.

Magnetic and radiometric data processing by the geophysical contractor was completed and delivered in mid-July. Processing by the contractor of the electromagnetic data is continuing. Interpretation and evaluation of the magnetic and radiometric data is currently being undertaken by Kennecott and Azure. A preliminary magnetic image showing a first-pass interpretation by Azure and possible targets for follow-up work is shown in Figure 3.

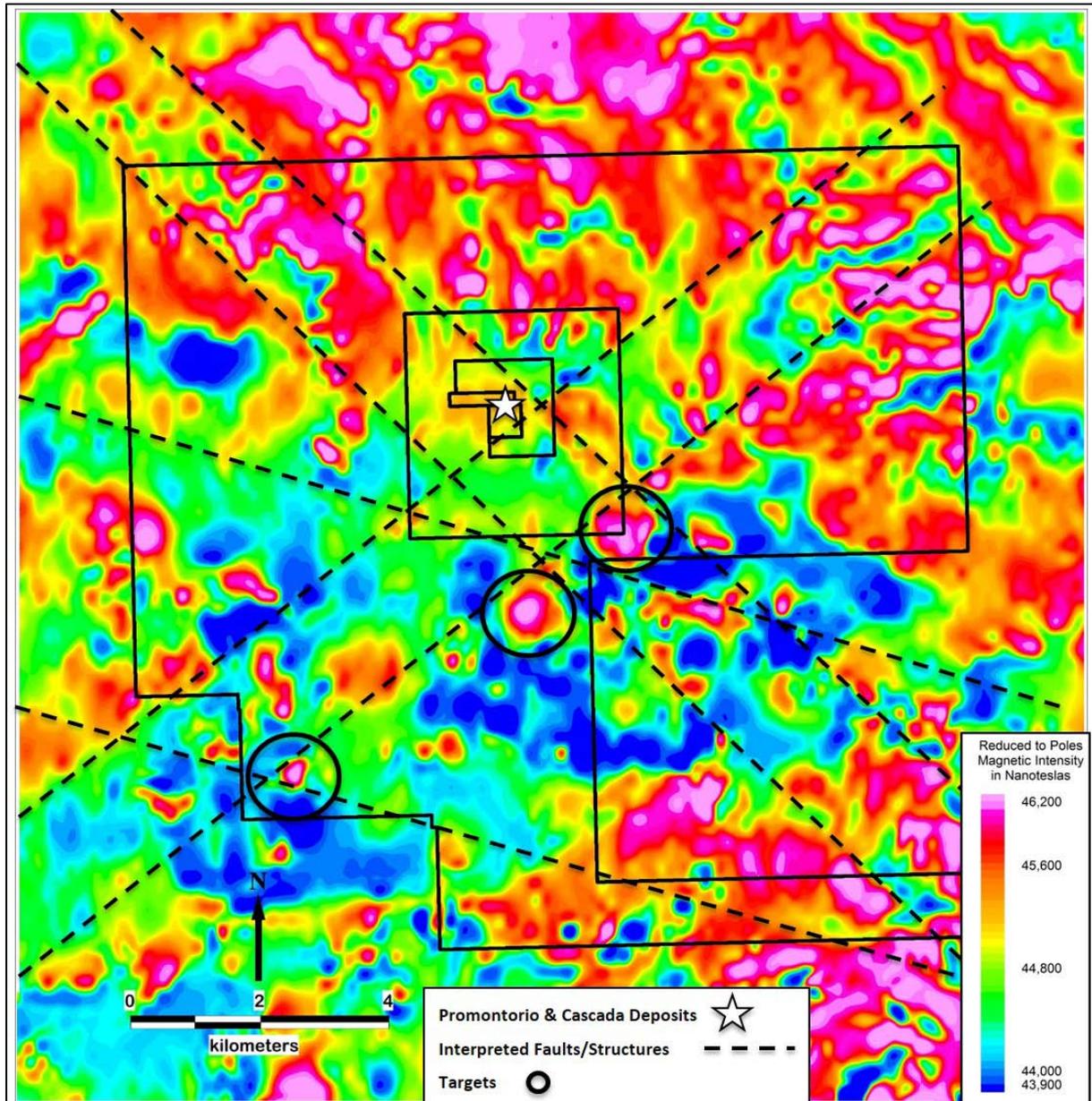


Figure 3: Reduced to the Pole (RTP) magnetic image of Promontorio Project showing interpreted structures and possible targets

IP Survey

Kennecott and Azure are currently designing an IP survey which will follow up over areas of interest identified by the surface and airborne exploration programs.

Mineral Resources

During the Quarter, Azure released the maiden Mineral Resource estimate for the Cascada deposit and the total updated resources for the Promontorio Project (refer ASX release dated 07/05/15). These are shown in Tables 1 to 5.

The Cascada resource adds substantially to the resources already identified at Promontorio. Azure is confident that the exploration being undertaken under the Earn-In and Joint Venture Agreement with Kennecott will identify more targets that could further increase the overall resource base of the Promontorio Project.

Table 1: Cascada Mineral Resource above a 0.5% Cu Equivalent Cut-off within the Resource Constraining Shell

Within Constraining Shell Cut off > 0.5% CuEq		Grade				Contained Metal			
Classification	Tonnage (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
Indicated	810,000	1.1	1.4	28	2.0	9,000	36,000	720,000	15,900
Inferred	1,140,000	0.7	1.7	26	1.8	8,400	63,200	960,000	20,000
Total	1,950,000	0.9	1.6	27	1.8	17,400	99,200	1,690,000	35,900

Table 2: Cascada Mineral Resource above a 1.0% Cu Equivalent Cut-off below the Resource Constraining Shell

Below Constraining Shell Cut off > 1.0% CuEq		Grade				Contained Metal			
Classification	Tonnage (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
Indicated	30,000	1.0	0.8	17	1.5	300	700	20,000	400
Inferred	80,000	1.3	2.7	22	2.7	1,100	7,300	60,000	2,300
Total	110,000	1.2	2.3	21	2.4	1,300	8,100	70,000	2,700

Table 3: Cascada Mineral Resource Total within and below the Resource Constraining Shell

Total Resource		Grade				Contained Metal			
Classification	Tonnage (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
Indicated	840,000	1.1	1.4	27	1.9	9,200	36,700	740,000	16,300
Inferred	1,230,000	0.8	1.8	26	1.8	9,500	70,500	1,020,000	22,300
Total	2,060,000	0.9	1.6	27	1.9	18,800	107,200	1,760,000	38,600

Table 4: Promontorio Project Mineral Resources

Total Resource		Grade				Contained Metal			
Deposit	Tonnage (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
Promontorio	840,000	2.5	1.6	56	4.1	20,800	43,800	1,500,000	34,200
Cascada	2,060,000	0.9	1.6	27	1.9	18,800	107,200	1,760,000	38,600
Total	2,900,000	1.4	1.6	35	2.5	39,600	151,000	3,260,000	72,800

Table 5: Promontorio Project Mineral Resources – High Grade Zones (2.0% CuEq cut-off)

Total Resource		Grade				Contained Metal			
Deposit	Tonnage (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
Promontorio	550,000	3.5	2.0	75	5.5	19,300	35,400	1,330,000	30,500
Cascada	460,000	2.3	3.1	48	4.2	10,700	46,000	710,000	18,900
Total	1,010,000	3.0	2.5	63	4.9	30,000	81,400	2,040,000	49,400

-ENDS-

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Competent Person Statements

Information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee and Managing Director of Azure Minerals Limited. Mr Rovira has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking 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”. Mr Rovira consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

The information in this report that relates to the Mineral Resource for the Promontorio deposit was prepared and first disclosed to the ASX on 10 May 2013 under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources for the Cascada deposit is extracted from the report “Cascada Mineral Resource Estimate” created and released to ASX on 7 May 2015 and is available to view on www.asx.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

APPENDIX

Copper Equivalency Statement – Promontorio:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date of 2 April 2013: US\$3.25/lb for Cu, US\$1,450/oz for Au and US\$27.50/oz for Ag.

Metallurgical testwork was conducted on a representative bulk sample of mineralisation from the Promontorio deposit by AMDEL and Ammtec (Perth, Western Australia).

CuEq grade accounts for the following metal recoveries resulting from that metallurgical testwork: 97.9% for Cu, 93.4% for Au and 97.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade:

$$\text{CuEq (\%)} = (\text{Cu\%} \times 0.979) + (\text{Au (g/t)} \times 0.6077) + (\text{Ag (g/t)} \times 0.0120).$$

Copper Equivalency Statement – Cascada:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date of 30 October 2014: US\$3.40/lb for Cu, US\$1,470/oz for Au and US\$25.00/oz for Ag.

Metallurgical testwork was conducted on a representative bulk sample of mineralisation from the Cascada deposit by SGS Minerals Services (Lakefield, Ontario, Canada).

CuEq grade accounts for the following metal recoveries resulting from that metallurgical testwork: 95.0% for Cu, 75.0% for Au and 85.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade:

$$\text{CuEq (\%)} = (\text{Cu\%} \times 0.95) + (\text{Au (g/t)} \times 0.4729) + (\text{Ag (g/t)} \times 0.0091).$$

JORC Code, 2012 Edition – Table 1

Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<p><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></p> <p><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></p> <p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>The helicopter-borne geophysical survey was operated by independent contractor MPX Geophysics Ltd, of Markham, Ontario, Canada.</p> <p>The survey collected magnetic, radiometric and electromagnetic data.</p> <p>The survey was carried out on 200m-spaced East-West lines with 2,000m-spaced North-South tie lines. A total of 1,572 line kilometres were flown.</p> <p>The survey area measured 16.5km (East-West) x 17.0km (North-South).</p> <p>Survey equipment was fully calibrated and daily tests were carried out to ensure data quality.</p>
Drilling techniques	<p><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Drill sample recovery	<p><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></p> <p><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></p> <p><i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Logging	<p><i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <p><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></p> <p><i>The total length and percentage of the relevant intersections logged.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Sub-sampling techniques and sample preparation	<p><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></p> <p><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></p> <p><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></p> <p><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></p> <p><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></p> <p><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Quality of assay data and laboratory tests	<p><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>

For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.

Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.

The survey was flown using a chartered Eurocopter AS350B model helicopter equipped by MPX with the geophysical instrumentation described below.

Airborne High Sensitivity Magnetometer

The magnetic sensor utilized for the survey was a Scintrex CS-3 high resolution cesium split-beam total-field magnetometer. The sampling rate was ten (10) times per second with an in-flight sensitivity of 0.002 nanoTesla (nT). Aerodynamic magnetometer noise was +/- 0.01 nT. The sensitivity of the magnetometer was recorded at 0.002 nT when operated at a sampling rate of 0.1 seconds.

GRS-10 Spectrometer

Pico-Envirotec GRS-410 multi-channel gamma-ray spectrometer with 16.8 litres "downward looking" NaI sensor, and 4.2 litres "upward looking" NaI sensor was installed on the helicopter for the survey. The GRS-410 is a self-stabilizing spectrometer, and tracks and corrects for the spectral drift by following a spectral peak, typically thorium. 256 channel digital data was recorded.

HUMMINGBIRD Digital Electromagnetic System

The electromagnetic system is a HUMMINGBIRD 5 frequency system. Two vertical coaxial coil pairs are operated at 980 Hz and 7,001 Hz, and three horizontal coplanar coil pairs are operated at 880 Hz, 6,630 Hz and 34,133 Hz. Inphase and quadrature signals are measured simultaneously for the 5 frequencies with a time constant of 0.1 seconds. The

HUMMINGBIRD sensor is towed 30 m below the helicopter. The basic HUMMINGBIRD electromagnetic system consists of a towed-bird airfoil for the EM sensors, and a Pentium-PC based data acquisition system with numerous plug-in boards. The data acquisition system records data on a removable PCMCIA hard **disk**, and displays data on a LCD display as traces (simulating an analog chart recorder). The signals from the EM sensors are processed in the airfoil, and sent to the data acquisition console in the helicopter for recording and display via an RS-232 cable. HUMMINGBIRD is fully digital and may be operated in a fully automated mode when necessary.

DGPS Navigation System

Survey data positioning and flight line navigation was derived using SBAS real time DGPS giving sub-metric precision. Navigation was provided through an electronic pilot navigation system, a digital screen mounted in the cockpit. The GPS positions were used to provide both aircraft navigation and survey data location information.

Radar Altimeter

A Terra TRA-3000/TRI-40 radar altimeter system recorded the ground clearance to an accuracy of ± 1.5 m from 12 m – 30.5 m; $\pm 5\%$ over a range of 30.5 m – 152.4 m; and 7% over a range of 152.4 m – 762 m. The altimeter was interfaced to the data acquisition system with the output sampled at 10Hz, and was digitally recorded.

Barometric Altimeter

A Setra Model 276 Pressure Transducer recorded the barometric pressure to an accuracy of about 1 ft (30 cm). The altimeter was interfaced to the data acquisition system with the output sampled at 10Hz and digitally recorded.

PC-based Data Acquisition System

		<p>Geophysical, navigation and altimeter data was recorded by the AGIS data acquisition system in the helicopter, at various recording rates ranging from 10 Hz to 1 Hz (ten times per second to once per second). Data was displayed on the computer LCD display as traces, in simulation of a chart recorder's traces, for verification of functionality and quality. On completion of flying, the data recorded was copied to back-up CD-ROM and transferred to the Field Workstation where the data was retrieved, verified and processed. All geophysical, positional, and ancillary sensor data measured during the survey was recorded digitally using a high-speed, precision data acquisition system. Survey data was monitored on a number of operator-selectable strip-chart traces available on the operators display. The system did not produce paper charts.</p> <p>All geophysical survey equipment was fully calibrated and daily tests were carried out to ensure data quality.</p>
Verification of sampling and assaying	<p>The verification of significant intersections by either independent or alternative company personnel.</p> <p>The use of twinned holes.</p> <p>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</p> <p>Discuss any adjustment to assay data.</p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>All data was recorded digitally and sent in electronic format to the geophysical supervisor.</p>
Location of data points	<p><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></p> <p><i>Specification of the grid system used.</i></p> <p><i>Quality and adequacy of topographic control.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>The grid system used is NAD27 Mexico UTM Zone 12 for easting, northing and RL.</p> <p>Topographic data was obtained during the survey by the Radar and Barometric altimeters and DGPS.</p>
Data spacing and distribution	<p><i>Data spacing for reporting of Exploration Results.</i></p> <p><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <p><i>Whether sample compositing has been applied.</i></p>	<p>Line spacing was 200m and reading spacings were <1m.</p> <p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Orientation of data in relation to geological structure	<p><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></p> <p><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Sample security	<p><i>The measures taken to ensure sample security.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Audits or reviews	<p><i>The results of any audits or reviews of sampling techniques and data.</i></p>	<p>All digital data was quality assured by the geophysical supervisor.</p>

Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<p><i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <p><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></p>	<p>The property comprises four Mineral Concessions: T-235269 (Promontorio) T-235270 (Hidalgo) T-218881 (Magistral) T-234447 (Ampliacion Promontorio)</p> <p>Azure Minerals has 100% ownership of the Promontorio, Magistral and Ampliacion Promontorio tenements with no royalties payable.</p> <p>Azure Minerals has an Option to Purchase the Hidalgo tenement, which is held by a local Mexican syndicate. Upon exercise of the Option, Azure will have 100% ownership of the tenement with no residual royalties payable to the vendors.</p> <p>Azure has entered into an Earn-In and Joint Venture Agreement with Kennecott Exploration Mexico S.A. de C.V. (“Kennecott”), whereby Kennecott can earn an 80% interest in the project by spending US\$45,000,000.</p> <p>The tenements are in good standing. There are no known impediments to obtaining a license to operate in the area.</p>
Exploration done by other parties	<p><i>Acknowledgment and appraisal of exploration by other parties.</i></p>	<p>The project area has a history of small-scale artisanal mining dating back to the 19th century. Between 1993 and 2008 the property was explored by several companies.</p> <ul style="list-style-type: none"> From 1993 to 1994, Empresa Minera CanMex conducted exploration and RC drilling. From 1995 to 1997 Sierra Nevada Gold established a local grid, drilled 63 diamond core holes, rehabilitated, mapped and sampled old underground mine workings, carried out metallurgical test work and produced a Mineral Resource estimate. From 2004 to 2005 Dia Bras Exploration undertook geological mapping, prospecting, diamond drilling, geophysics, and prepared a NI43-101 compliant technical report. Azure Minerals acquired the rights to the project in April 2008 through its fully owned Mexican subsidiary company Minera Piedra Azul SA de CV.
Geology	<p><i>Deposit type, geological setting and style of mineralisation.</i></p>	<p>Deposit types include high-sulphidation epithermal, hydrothermal breccias and porphyry-related.</p> <p>Mineralisation styles comprise massive, semi-massive and disseminated copper sulphides hosted in vuggy silica and silicified host rocks.</p>
Drill hole information	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length.</i> <p><i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Data aggregation methods	<p><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>

	<p><i>(eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></p> <p><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></p> <p><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></p>	
Relationship between mineralisation widths and intercept lengths	<p><i>These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Diagrams	<p><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Balanced reporting	<p><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Other substantive exploration data	<p><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></p>	No additional exploration data is relevant or available..
Further work	<p><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive</i></p>	Further work will include additional geophysical surveying and diamond drilling.



Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,225)	(2,445)
(b) development	-	-
(c) production	-	-
(d) administration	(365)	(1,508)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Income Tax Refund	-	201
Net Operating Cash Flows	(1,589)	(3,741)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(176)	(459)
(b) equity investments	-	-
(c) other fixed assets	(48)	(49)
1.9 Proceeds from sale of: (a) prospects	-	308
(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	1,601	1,601
Net investing cash flows	1,377	1,401
1.13 Total operating and investing cash flows (carried forward)	(212)	(2,340)

Appendix 5B
Mining Exploration Entity Quarterly Report



1.13	Total operating and investing cash flows (brought forward)	(212)	(2,340)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,154
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	-	3,154
	Net increase (decrease) in cash held	(212)	814
1.20	Cash at beginning of quarter/year to date	1,996	979
1.21	Exchange rate adjustments to item 1.20	(9)	(18)
1.22	Cash at end of quarter	1,775	1,775

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	149
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\$516,000 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	898
4.2 Development	-
4.3 Production	-
4.4 Administration	272
Total	1,170

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	1,717	1,938
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)	1,775	1,996

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	995,020,107	995,020,107		
7.3 +Ordinary securities				
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
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: 31 July 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.