

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2017

Alacrán Project

- Azure completes environmental reclamation works
- No field activity undertaken by Teck in March Quarter

Promontorio Project

- Several companies express interest in copper porphyry potential and data reviews are in progress

Business Development

- Assessment of new project opportunities continuing
- Highest priority given to acquiring an advanced stage project
- Azure also seeks early stage, high potential exploration projects
- Due diligence studies and site visits are on-going

San Agustin Project

- Soil sampling completed over 100%-owned San Agustin property
- Two strong and coherent gold anomalies identified
- Follow-up mapping and sampling in progress to define drilling sites

Cash balance at end of quarter of A\$10.6 million

Alacrán Project

Following receipt of the notice to exercise its right to earn back an ownership interest in the Alacrán Project (date of Notice: 13 December 2016), Minera Teck S.A. de C.V. (Teck) and Azure have had a number of meetings and discussions regarding hand-over of the project and the most effective way to structure and continue activities at Alacrán. To date, Teck has not advised Azure as to its planned work programs and no field exploration has been undertaken. As part of the hand-over process, Azure has completed all reclamation works required as a result of its drilling programs over the past two years and submitted completion documentation to SEMARNAT, the Mexican environmental authority, for approval.

Under the terms of the back in agreement, Teck can earn back an initial 51% interest in Alacrán by sole funding US\$10 million of expenditure within 4 years from the Notice date, and making

cash payments of US\$0.5 million to Azure. During the earn-in phase, Teck will be project operator and will direct all exploration activity.

Pursuant to the terms of the Agreement, the US\$10 million of expenditure is to be made in accordance with the following schedule:

<u>On or Before:</u>	<u>Cumulative Aggregate Work Expenditures</u>
First anniversary of Notice	US\$2,000,000
Second anniversary of Notice	US\$4,000,000
Fourth anniversary of Notice	US\$10,000,000

If any of these expenditures are not met by the due date, then Teck may either pay to Azure the shortfall as a cash payment or withdraw from the Agreement.

Additionally, upon reaching its 51% interest, Teck may further increase its interest to 65% by sole funding an additional US\$5 million of expenditure within two years and making cash payments of US\$1.5 million to Azure.

Once Teck has advised Azure of its intended work program for 2017, Azure will inform shareholders of these details, the commencement of field activities, and exploration results when this information becomes available.

Promontorio Project

Early in the Quarter, Azure announced that it had resumed 100% control of Promontorio following a decision by Kennecott Exploration Mexico S.A. de C.V. (part of the Rio Tinto Group) to withdraw from the Earn-in and Joint Venture Agreement initially struck in 2014.

Following this decision by Kennecott, Azure has received several expressions of interest from companies looking to become involved in the Project given its strong copper porphyry potential. Azure will inform shareholders of significant developments as they occur.

Business Development

The 2017 growth strategy for the Company is focused on progressing the Alacrán and Promontorio Projects through partnerships, while leveraging Azure's strong cash balance and ability to identify and acquire additional high potential projects. The Company's primary focus is on precious and base metals projects located in Mexico and other nearby jurisdictions and, during the last quarter, Azure actively sought and assessed numerous opportunities.

In excess of 60 projects have been reviewed or are currently under review. Several highly attractive projects have been identified, and due diligence including data reviews, site visits and confirmatory sampling are being conducted on these to assess whether they meet the Company's investment and technical criteria. Acquisition by outright purchase, earn-in or joint venture arrangements are all potential outcomes.

As a high priority, Azure is seeking to acquire an advanced stage project, defined as containing existing mineral resources or demonstrating continuity of mineralisation in three dimensions. Such advanced projects are not common and are competitively sought.

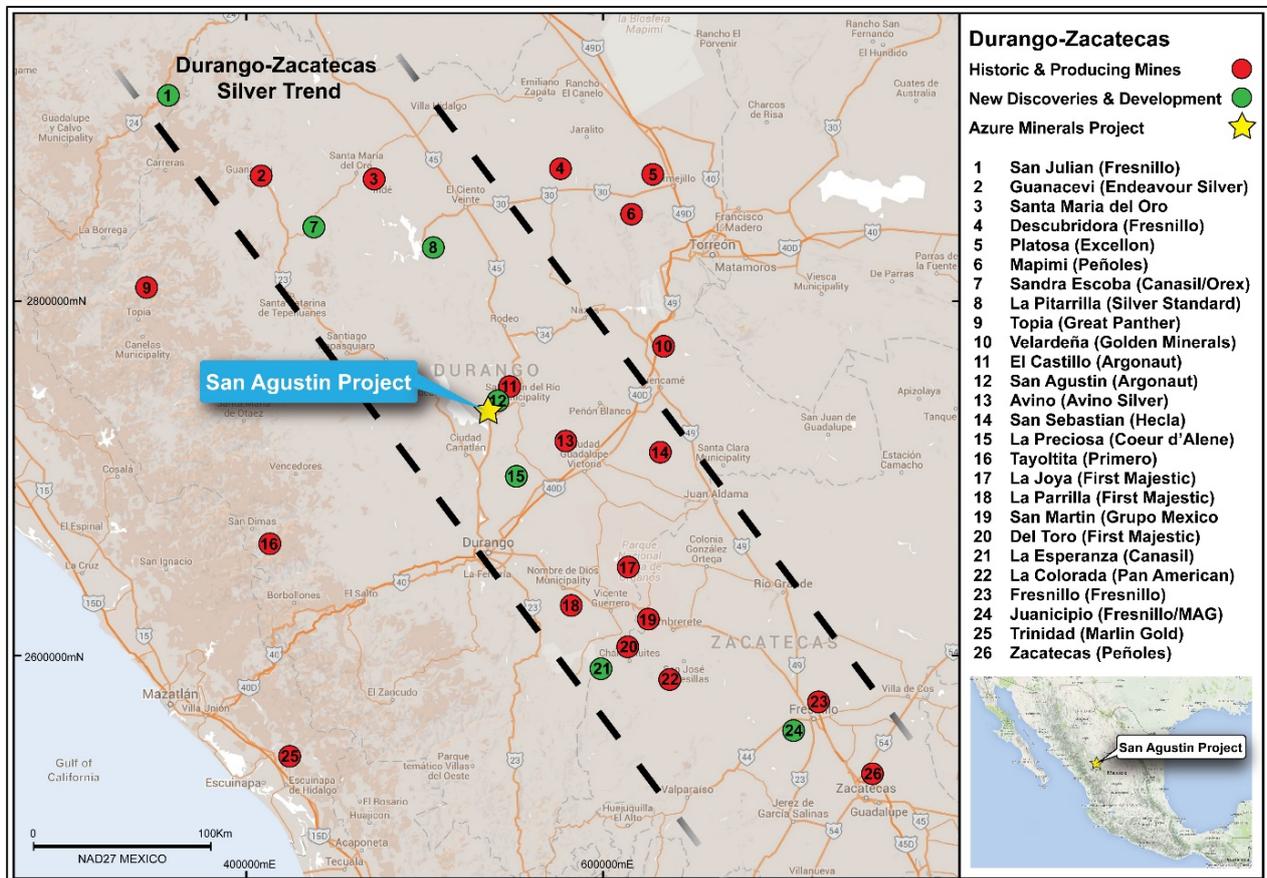
Additionally, Azure will consider earlier stage exploration projects that are identified as having good potential for drilling significant mineralisation in the near-term. Several such projects have been identified in Mexico and technical reviews are in progress.

San Agustin Project

During the Quarter, Azure completed and received positive results¹ from a soil sampling program on its 100%-owned San Agustin project, located in the central Mexican state of Durango (see Figure 1).

A total of 341 samples were collected on a grid spacing of 150m x 50m that provided complete coverage of the 201 hectare property. Results confirm widespread anomalism in gold and silver (see Figures 2 & 3), including several discrete anomalies, which warrant further follow-up work. Surface geological mapping and rock chip sampling is currently in progress with the objective of identifying targets for future drilling.

Figure 1: Plan showing location of San Agustin Project



¹ Refer ASX announcement dated 3 April 2017

Figure 2: Image of gold results from soil sampling

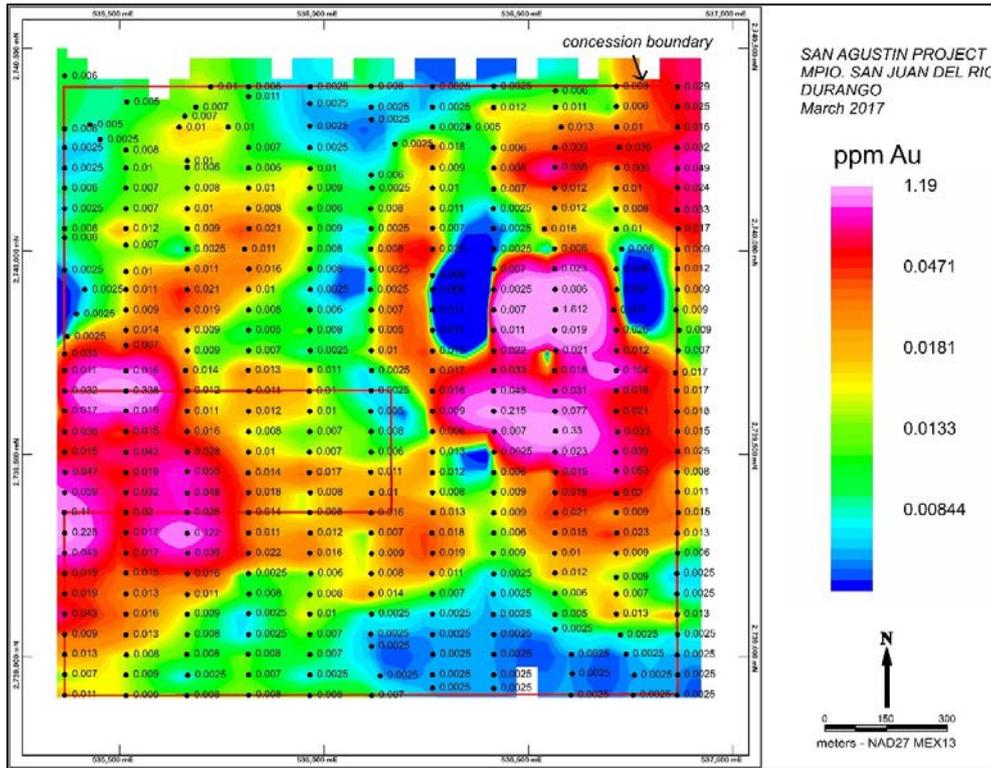
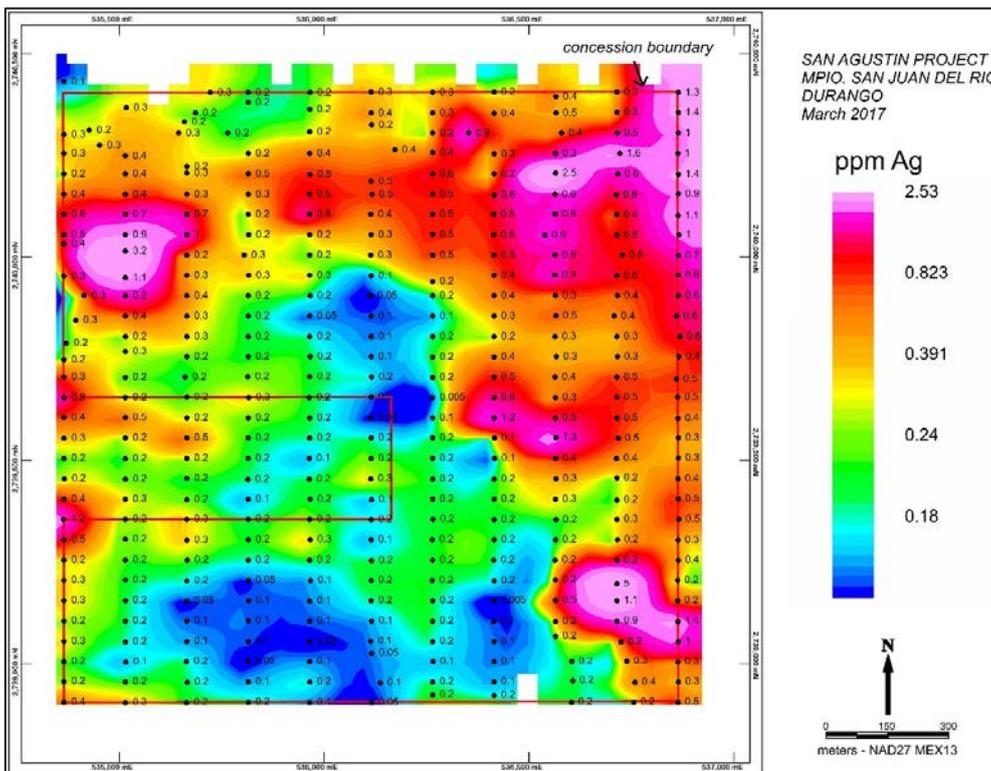


Figure 3: Image of silver results from soil sampling



Corporate

At the end of the March Quarter, Azure had approximately \$10.6 million in cash.

-ENDS-

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Information in this report that relates to previously reported Exploration Results has been crossed-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 announcements.



Appendix 5B

Name of entity
AZURE MINERALS LIMITED
ABN
46 106 346 918
Quarter ended ("current quarter")
31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	
1.2 Payments for		
(a) exploration & evaluation	(520)	(5,321)
(b) development	-	-
(c) production	-	-
(d) staff costs	(242)	(620)
(e) administration and corporate costs	(303)	(1,233)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	97
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - JV Advances	-	1,046
1.9 Net cash from / (used in) operating activities	(1,065)	(6,031)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(15)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	141
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	126



Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(9 months)
			\$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	7,810
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(470)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	7,340
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,762	9,387
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,065)	(4,966)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	126
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,340
4.5	Effect of movement in exchange rates on cash held	(60)	(125)
4.6	Cash and cash equivalents at end of period	10,637	10,637
5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	10,579	11,704
5.2	Call deposits	58	58
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,637	11,762

**6. Payments to directors of the entity and their associates****Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

189

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Includes salaries and superannuation for executive directors and fees and superannuation for non-executive directors

7. Payments to related entities of the entity and their associates**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available*Add notes as necessary for an understanding of the position***Total facility amount
at quarter end
\$A'000****Amount drawn at
quarter end
\$A'000**

8.1 Loan facilities

-

-

8.2 Credit standby arrangements

-

-

8.3 Other (please specify)

-

-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.



9. Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	400
9.2	Development	-
9.3	Production	-
9.4	Staff costs	250
9.5	Administration and corporate costs	300
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	950

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-			

Refer to Annexure 1 for full list of mining tenements

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

(Company secretary)

Date: 19 April 2017

Print name: Brett Dickson



Annexure 1

Schedule of Interests in Mining Tenements

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

1. Teck Resources Limited ("Teck"), has advised it intends to exercise its back in right to earn a 51% interest in these concessions.