

## TECK GETS MOVING AT ALACRAN

### Azure Minerals

Teck Resources has moved quickly to buy-back a 51% interest in the Alacran silver project in Mexico. Teck Resources has advised Azure Minerals of planned exploration activities and its exploration budget for the first year of the buy-back period. Teck Resources' drill programme will target a number of the prospects, both existing and new, across the Alacran project tenements.

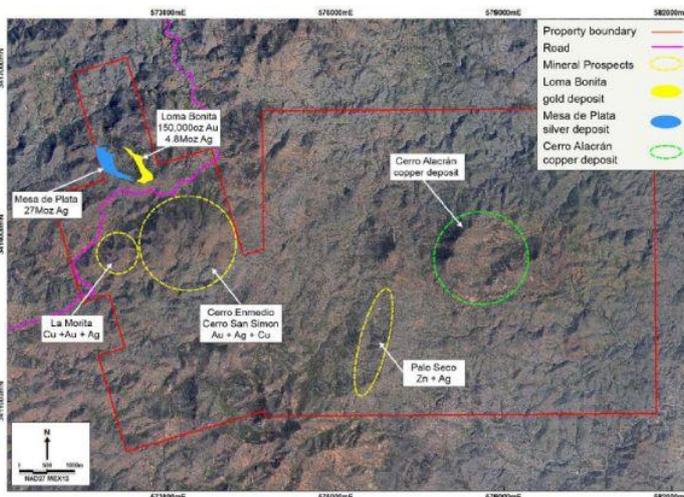


Figure 1 - Source: Azure Minerals

Figure 1, shows the follow-up prospects of interest that Teck Resources will be drilling in 2017 and the identified mineralisation (Au – gold, Ag – silver, Cu – copper and Zn – zinc).

In the pending drill programme, that Teck Resources expects will get underway in July 2017, a total of 5,500 metres of drilling is currently being planned. Teck Resources will complete follow-up drilling at Loma Bonita, Cerro San Simon, Cerro Enmedio, La Morita and Palo Seco prospects.

The Loma Bonita prospect is of considerable interest to Teck Resources, as the Azure Minerals recently released a maiden mineral resource estimate for the prospect. **The maiden mineral resources for the Loma Bonita prospect stands at 5.4 million tonnes of ore graded at 0.9 grams per tonne (g/t) gold and 28g/t silver for contained gold of 150,000 ounces and 4.8 million ounces of silver.** The goal set for this programme of follow-up drilling, will be to expand the known mineralisation to allow an upgrade of the current mineral resource.

The drill programme will also target new prospects across the Alacran site. Figure 2, shows the Alacran project tenement and the new prospects of interest.

The new targets will see potential drilling at Loma Bonita Norte, Cerro Colorado, Santa Barbara and Caracol prospects. Teck Resources has exercised, in December 2016, the right to move to a 51% interest in the Alacran project. **Teck Resources is now executing the terms of the option and will spend US\$10 million on exploration over the next four years.** The

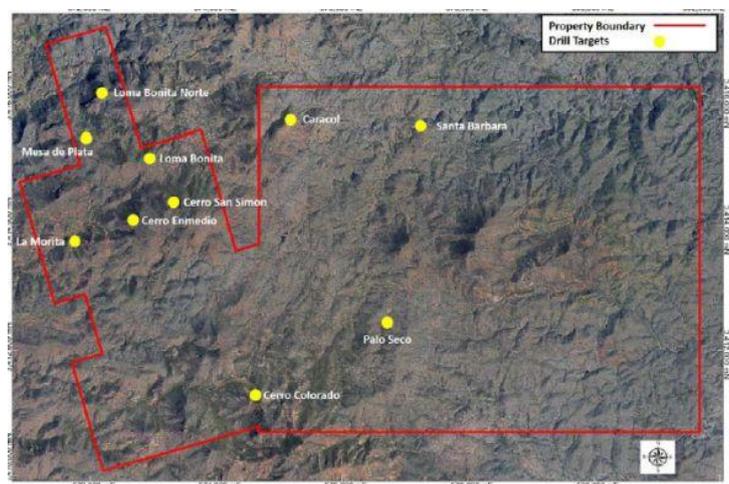


Figure 2 - Source: Azure Minerals

company will also receive under the terms of the agreement cash payments totalling US\$500,000.

Teck Resources also carries an option to increase its interest in the Alacran project to 65%, on funding an additional US\$5 million in exploration and also make additional cash payments to the company of US\$1.5 million.

The commencement of the July 2017 drill programme across the Alacran project is subject to Teck Resources receiving the requisite drill permits from the relevant Mexican authorities.

Turning to the daily chart (Figure 3), the bearish moving average crossover present since September 2016 is suggestive of medium-term momentum to favour the downside (where the 50-day moving average red line crosses below the 200-day moving average green line). Therefore, this increases the risk of further weakness over the near-term.



Figure 3 – Source: Thomson Reuters

In order for a short-term bull rotation to unfold, a sustained break above the 50-day moving average (red line) of \$0.014 is required. Should this occur, then further gains are likely towards dynamic resistance situated at the 200-day moving average (green line) of \$0.024.

The Alacran drill programme will be supported by extensive field activities including geopolitical mapping, geochemistry and geophysical surveys. **Likely “no stone” will be left unturned.** The combined field and drill programme is certainly, we believe, going to be a game changer for the company; given the exploration results from the project to date.

The Alacran project is now nicely in the hands of the field and drill (shortly) teams, which has enabled the company to now focus on other projects. Figure 4, shows the location of the San Agustin gold project also in Mexico.

The company has been conducting extensive surface activities across its San Agustin project. To date a



Figure 4 – Source: Azure Minerals

total of 341 samples have been collected on a grid spacing of 150 metres by 50 metres.

The samples have been taken across a number of discrete anomalies identified on the tenements, with the presences of gold and silver detected. *Figure 5*, shows the distribution of gold across the sampled site (ppm – parts per million, Au – gold).

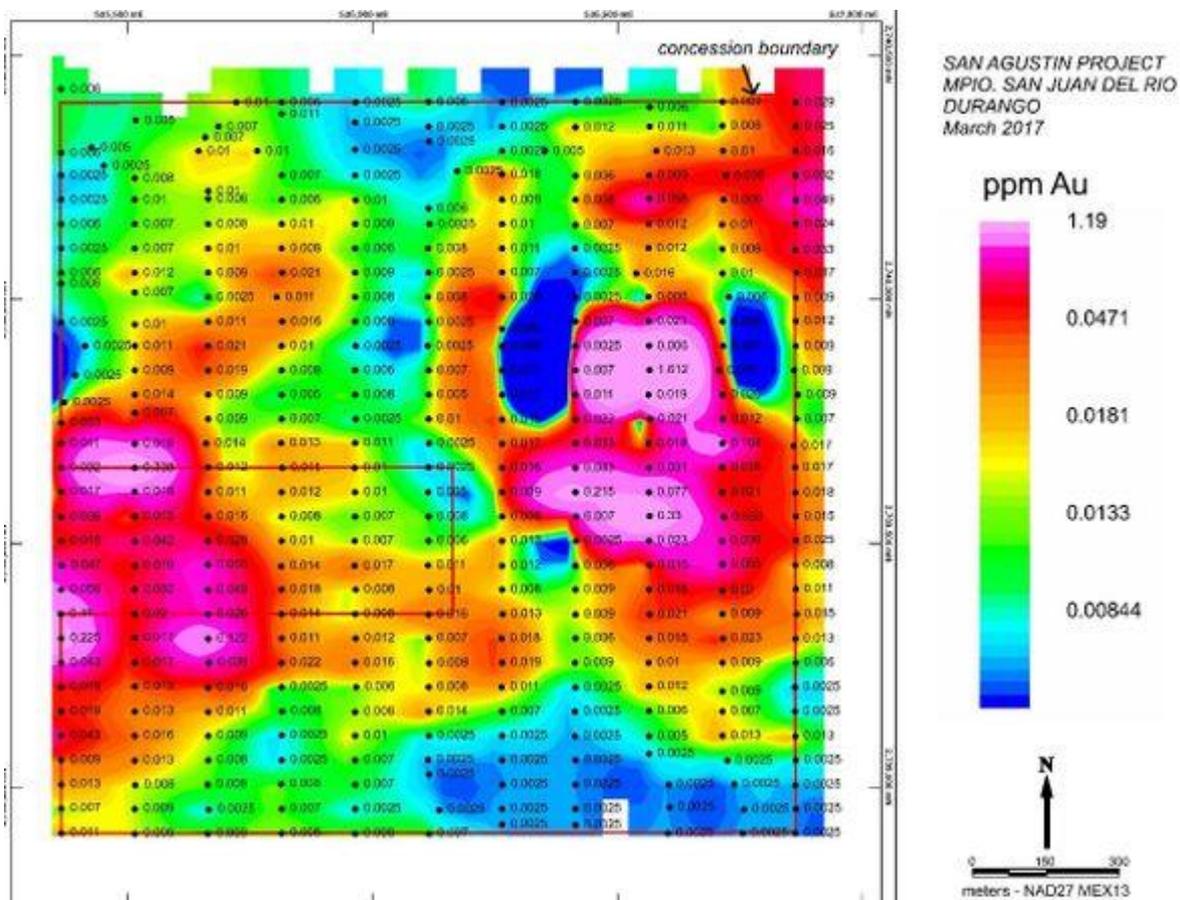


Figure 5 – Source Azure Minerals

The sampling has defined two coherent gold anomalies that the company will follow-up with further surface activities including mapping and rock chip sampling. Drill targets will be identified and planning will get underway for a drill programme to test these anomalies. **Given the spread and intensity of the gold and also silver present, this project could be as exciting as Alacran is becoming.** We warn Members however that exploration is in its infancy, so expectation and outcome may vary.

To advance the Promontorio copper project, the company has opened a data room to parties interested in reviewing the data sets. The company indicated that 'several' companies have shown an interest in Promontorio. Promontorio hosts a mineral resource of contained copper of 40,000 tonnes, 151,000 ounces of gold and 3.3 million ounces of silver.

The company had a cash resource of A\$10.6 million at 31 March 2017. Budgeted cash out flows for the June quarter 2017 were estimated at A\$950,000. Of this amount, A\$400,000 had been earmarked for exploration activities. **We consider the company has sufficient cash resources to complete all its current undertakings.**

Teck Resources has the confidence in Alacran to commit serious dollars to its exploration and potential development. **We believe the dollars being spent by Teck Resources and the prospective nature of the region will more than offset the initial 51% dilution in ownership of the Alacran project to the company.**

With reference to the monthly chart (*Figure 6*), the broader downtrend remains very much in play, with major support situated at the May 2015 low of \$0.009 as marked by the horizontal blue line. In order for the long-term technical outlook to improve, a sustained break above the May 2016 high of \$0.05 as shown by the horizontal thin-red line is required. Should this occur, then the next focal point of resistance is seen at \$0.07, followed by a broader term advance towards the \$0.10 region.

Although disappointed that the Promontorio joint venture will not advance further for the time-being, the discovery will not go away. We believe the Promontorio project can take a backseat in the near-term, due to the success being had by the company at its Alacran project.

**As a consequence, we continue to recommend Azure Minerals as a buy for Members who have no exposure to the stock.**



Figure 6 - Source: Thomson Reuters

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