

COMPANY Azure Minerals| AZS | \$0.013/share | Mkt Cap A\$22m

Date: 22 May 2017

RECOMMENDATION Speculative Buy | High Risk | (unchanged)

EVENT: TECK DEFINES 2017 EXPLORATION PROGRAM

KEY POINTS

- Teck Resources to fund exploration program at AZS's Alacran Project (Mexico) as part of earn-back agreement. Planned exploration to target expansion of the current gold and silver resources, plus also deeper porphyry copper targets, includes 5,500m drilling scheduled to commence in July.
- Under the earn back agreement Teck has to spend US\$10m over a 4 year period to earn 51% of the project. With US\$2m to be spent by end CY17 as part of the agreement. AZS currently retains 100% of the Alacran Project.
- Today's release is positive for AZS as it provides AZS with exposure to exploration activity with no expenditure required. AZS's has ~\$10.5m cash and minimal expenditure at present.

LINK TO INITIATION REPORT [AZS March 2017 PAC Partners](#)

Overview: Azure is a precious and base metals focussed junior explorer, that has been operating in Mexico for a number of years, over which time the AZS team has built up considerable in country experience. AZS has successfully defined silver (32Moz) and gold (150koz) resources at the Alacran Project. In addition at their second project, Promontorio, a small scale copper, gold and silver resource has been defined; with exploration potential remaining high.

Alacran Project: AZS commenced exploration on the Alacran Project (located in northern Mexico) in 2015 under a JV with a subsidiary of the Canadian major, Teck Resources. Under the terms of the JV Teck retained a earn back right, which they exercised late in 2016. Teck has until December 13th 2017 to spend US\$2m as part of a US\$10m expenditure commitment to earn 51% of the project.

Promontorio Project: Following the announcement in early 2017 that Kennecott Exploration Mexico S.A. de C.V. (part of the Rio Tinto Group) had withdrawn from the JV, AZS has received several expressions of interest in the Project and continues to engage with the interested parties.

INVESTMENT OVERVIEW

AZS remains focussed on advancing their two flagship projects through partnerships and leveraging off their strong cash position (~\$10.5m) to target precious and base metals projects located in Mexico and other nearby jurisdictions. In the last quarter AZS has assessed over 60 projects and currently reviewing a number of these with a view of either purchase or joint venture. Until such time as the exploration results start to flow from Alacran (2HCY17) and/or AZS announce a new project activity in the stock is likely to remain subdued. We see that the experienced team is a valuable asset for AZS and provides them with a number of opportunities, however until the direction and nature of these opportunities is revealed an investment into AZS should be seen as speculative.

Should you have any queries, please do not hesitate to contact me on +61 03 5633 9862

Andrew Shearer
Senior Analyst

PAC Partners

Level 10, 330 Collins Street Melbourne VIC 3000
Phone: +61 3 8633 9862
Mobile: +61 411 720 516
www.pacpartners.com.au

Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure Of Economic Interests

The views expressed in this research report accurately reflect the personal views of about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

The following person(s) do not hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report:

- the author of this report
- a member of the immediate family of the author of this report

Disclaimer

PAC Partners Pty Ltd. ("**PAC Partners**" or "**PAC**") is a Corporate Authorised Representative of PAC Asset Management Pty Ltd holder of an Australian Financial Services Licence (AFSL No. 335 374).

The information contained in this report is provided by PAC Partners to Wholesale Investors only. Retail investor and third party recipients should not rely, directly or indirectly, on this report. Users of this research report should not act on any content or recommendation without first seeking professional advice. Whilst the report has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by PAC Partners, for any errors or omissions or misstatements however caused.

Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access of this report does not create a client relationship between PAC Partners and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations.

This publication contains general securities advice. In preparing the advice, PAC has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. PAC and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. PAC believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by PAC or any of its directors, employees or agents.

Any content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of PAC Partners

Disclosure of Corporate Involvement

Recipients of PAC Partners Research Reports should carefully consider the Disclaimers and Disclosures made below. In particular, regard should be had for any disclosure by PAC Partners, where it has provided corporate finance services to the company, which is the subject of the Research Report.

PAC Partners has not in the previous 24 months been involved in a publicly-announced transaction involving the payment of a fee to PAC Partners by the corporate issuer described in this report. PAC Partners and/or their associates may own securities of the Company described in this report. PAC Partners does and seeks to do business with companies covered in the research. PAC may receive commissions from dealing in securities. As a result, investors should be aware that PAC Partners may have a conflict of interest that could affect the objectivity of this report.

The preparation of this report was funded by ASX in accordance with the ASX Equity Research Scheme. This report was prepared by PAC Partners and not by ASX. ASX does not provide financial product advice. The views expressed in this report do not necessarily reflect the views of ASX. No responsibility or liability is accepted by ASX in relation to this report.

For more information about PAC Partners please visit www.pacpartners.com.au