

DRILLING SET TO KICK-OFF ON NEW AZURE PROJECTS

- All approvals granted for diamond drilling at Oposura and Sara Alicia
- Drilling expected to start on both projects within a week
- Two drill rigs at Oposura will enable resource estimation in early 2018
- Sara Alicia drilling to test high-grade gold-cobalt mineralisation

Azure Minerals Limited (**ASX: AZS**) (**Azure** or the **Company**) is pleased to advise that it is about to start drilling campaigns on both its new flagship Oposura zinc-lead-silver and the highly-prospective Sara Alicia gold-cobalt projects in the northern Mexican state of Sonora.

The projects, both recently added to Azure's Mexican portfolio, have received all required approvals from the environmental authorities and drilling is expected to start within a week.

OPOSURA PROJECT

Azure's first drilling program at Oposura is designed to enable the Company to complete a Mineral Resource estimate towards the end of March 2018.

The drilling will cover an area of 1,400m x 400m to confirm the extent of the mineralised zone, as defined by historical exploration. It is anticipated that about 120 holes will be drilled, totalling approximately 7,000m, with an average depth of circa 60m per hole. Due to the horizontal nature of the mineralised zone and the slope of the overlying topography, it is likely that the maximum hole depth will be about 120m. Additional drilling will also be undertaken to explore potential extensions further to the north of the currently known mineralised zone.

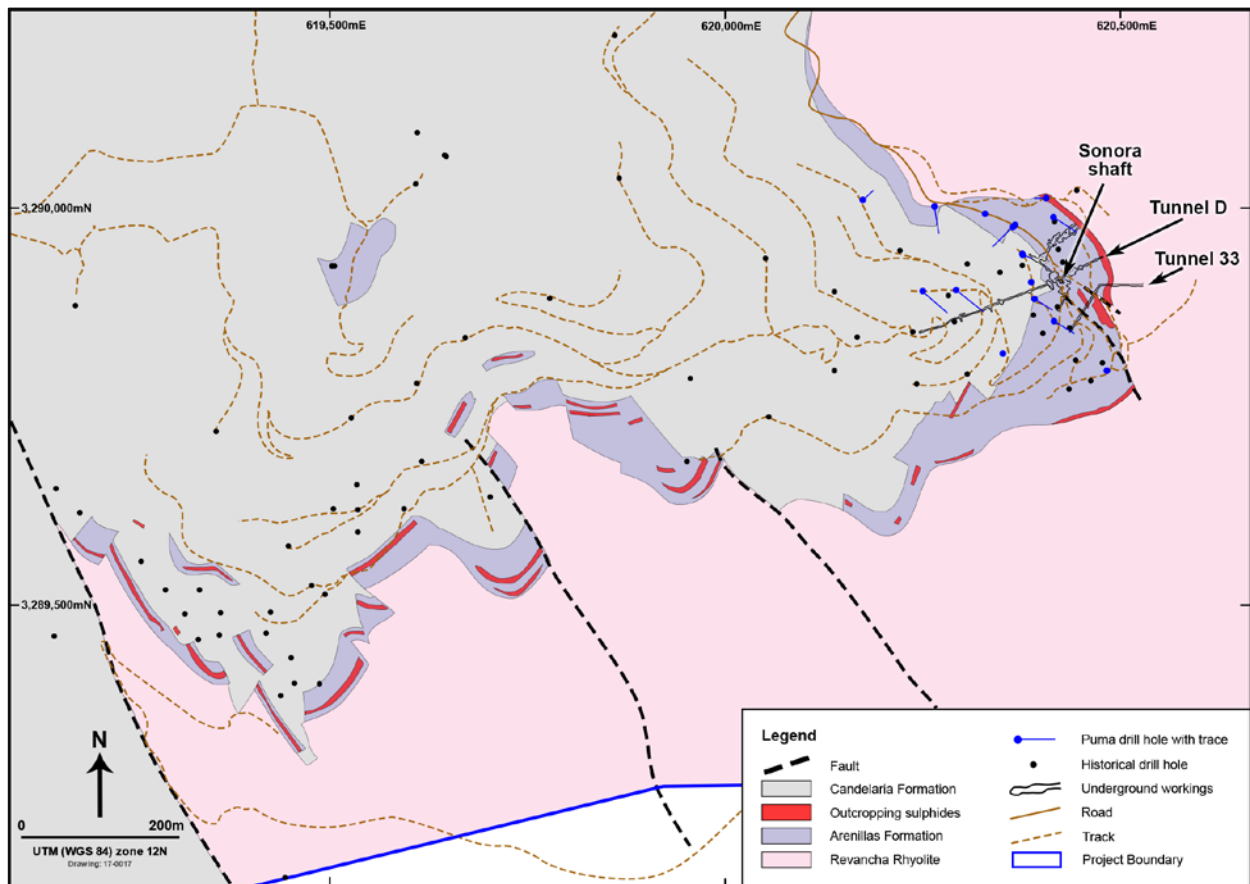
Based upon historical exploration reports, the Company has previously announced an Exploration Target of:

2.5 - 3.0 million tonnes grading 10.0% - 12.0% Zn+Pb*

*This Exploration Target (refer ASX announcement of 18 September 2017) is conceptual in nature, but is based on reasonable grounds and assumptions. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Azure has constrained this Exploration Target to the eastern half of the project area where zones of massive sulphide mineralisation outcrop extensively over an east-west strike length of approximately 1,400m and where historical drilling (approximately 100 diamond core holes) and exploratory underground mine development has demonstrated the presence and continuity of the mineralised zone over 400m in a north-south direction (see Figures 1 and 2).

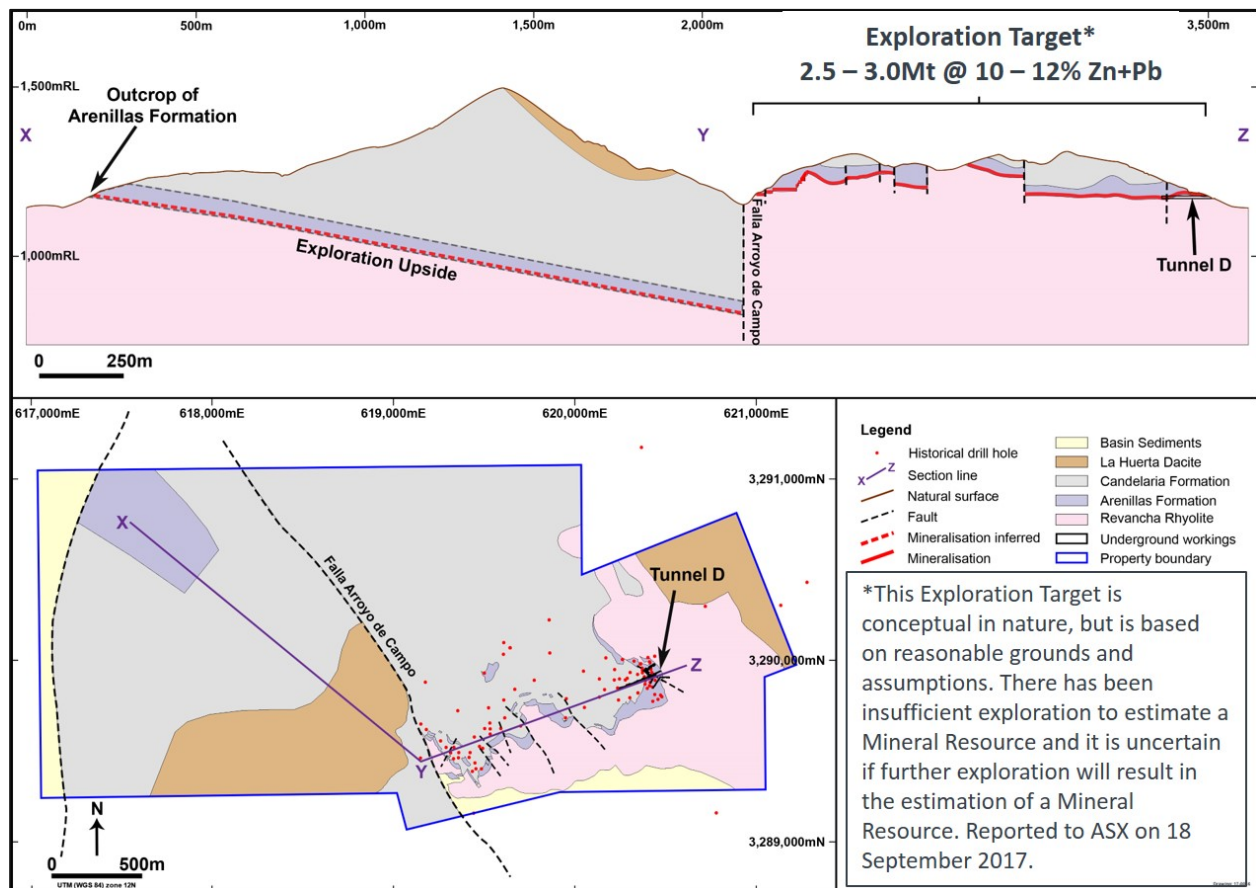
Figure 1: Historical drill hole location and geology plan of eastern Oposura



Additional drilling will also be undertaken for exploration purposes to test the potential to expand the resource drill-out area and elsewhere on the property, particularly to test for repetitions of the mineralised zone in the down-faulted block to the west of the main outcropping Oposura mineralised zone (see Figure 2).

The drilling approval has been received from the Mexican federal government environmental agency (SEMARNAT) and the drilling contract for the Oposura program has been executed. Two drill rigs are currently being mobilised to site and drilling is expected to commence within the next week.

Figure 2: Segmented long section X-Y-Z through Oposura



SARA ALICIA PROJECT

Azure’s accelerated exploration program on the recently acquired Sara Alicia project has seen geological mapping, rock chip channel sampling, gridded soil sampling, and initial target identification completed. Very high grades of gold and cobalt were returned from the channel sampling, up to maximum values of 39g/t gold and 7% cobalt (refer ASX announcement of 23 August).

In mid-September, the Company’s environmental consultants visited the property with helicopter support to fast-track the drilling permit application. Approval by the environmental agency SEMARNAT was received within two weeks.

The Company’s geologists identified a zone of high grade gold and cobalt mineralisation that is present at surface and in underground mine workings. A first-pass reconnaissance drill program has been designed to test this zone with 5-6 holes totalling approximately 450-500m of diamond core planned. Further drilling may be undertaken, depending upon initial results.

The drill rig is currently being mobilised to site and drilling is expected to commence this week.

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Information in this report that relates to previously reported Exploration Results and Exploration Target 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, and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.