



Azure Resources (ASX: AZS)

Azure Minerals Eyes Mine Potential at Oposura

Azure Minerals (ASX: AZS) is drilling up an initial Mineral Resource at the company's high-grade zinc and lead Oposura project, located in the northern Mexican state of Sonora.

AZURE MINERALS IS NO STRANGER TO Mexico where it has the Mesa de Plata and Loma Bonita silver-gold deposits on its Alacrán project, where Teck Resources is earning a 51 per cent interest.

The 771 hectare Oposura property is located on the same Laramide Copper Trend, that extends from Arizona to central Mexico, as the Mesa de Plata and Loma Bonita deposits.

Oposura is 150 kilometres by road northeast from Hermosillo, the capital city of Sonora where Azure has its Mexican-based exploration and administration office.

The project contains a mineralised zone hosting massive, banded, and disseminated sulphides containing high-grade zinc, lead and silver mineralisation.

The mineralised zone forms an extensive, relatively flat-lying horizon influenced by minor small-scale folding and faulting.

"Put more simply, this material is massive sulphides, and it outcrops at surface under a gently sloping hill," Azure Minerals managing director Tony Rovira told *The Resources Roadhouse*.

"A large proportion of the mineralisation will be able to be extracted by open pit, but not like a standard open pit.

"Because the deposit outcrops on the side of a hill, we will basically be taking a scallop off the side of the hill.

"When we reach the point where the pit wall is tall enough we will go underground using a room and pillar mining method, as mineralisation is mostly horizontal."

For a project of its potential, Oposura has been inexplicably neglected for many years.

Major mining companies Anaconda Copper Company and Mexican company Industrias Peñoles both conducted exploration and exploratory mining activities on the project between the 1940s to 1970s.

This work developed over 500m of mine tunnels within the ore zone, small-scale trial stoping to provide bulk samples for metallurgical testwork, and about 100 surface and underground diamond drill holes.

Of course, these results—although plentiful—are not up to speed in terms of JOC Code 2012 compliance, which means Azure needs to bring the project into the 21st century.

Azure began its drilling at Oposura last year with the aim of completing a Mineral Resource estimate by April 2018.

The resource drill-out covers known mineralisation identified by historical exploration, upon which Azure released an Exploration Target for Oposura of 2.5 to 3 million tonnes grading 10 to 12 per cent zinc plus lead (Zn+Pb).

"We have results for over one hundred diamond holes previously drilled along with the drill logs and assay sheets, so we are confident we know what's there already," Rovira said.

"We are replicating some of the drilling and that will give us confidence to utilise some of the historical drill results as well.

"The current drilling entails twinning of some of the historic holes, with others being drilled just nearby, or in between earlier holes.

"So far, every hole we have drilled has replicated the historical results.

"We are confident the historical resource will be updated to JORC 2012 standard and will be similar to what was produced historically.

"We see ourselves as having a deposit there that just needs to be defined and then published—and that is exactly what we intend doing."

By the end of January 2018, Azure had completed 110 diamond drill holes for approximately 7,200m of the planned resource drill-out program.



Interestingly, most of the holes drilled along the eastern part of the deposit intersected fresh, unoxidized, massive sulphides within 10 metres of surface.

This was consistent with previous sampling of near surface mineralisation in the historical underground workings and is a good indication for an initial open pit mining operation in this area.

Most recent assay results have shown further near-surface, high-grade zinc and lead mineralisation intersected in the East Zone, including:

- » **OPDH-036**
2 metres at 42.6 per cent Zn+Pb from 37.5m;
- » **OPDH-023**
2.9m at 16.1 per cent Zn+Pb from 18.9m;
- » **OPDH-025**
2.1m at 15.4 per cent Zn+Pb from 27.9m; and
- » **OPDH-026**
2.2m at 14.2 per cent Zn+Pb from 15.2m.

The result from OPDH-036 extended the high-grade mineralisation south of a previously reported hole:

- » **OPDH-008**
16.6m at 22 per cent Zn+Pb, including 9.3m at 36.9 per cent Zn+Pb.

Mineralisation was extended 170m to the west of surface outcrop by drill hole.

- » **OPDH027**
2.65m at 10.4 per cent Zn+Pb

The mineralised horizon remains open in that direction.

“We currently have three rigs drilling at Oposura and should have the resource drill-out completed towards the end of February,” Rovira said.

“We will be working on the resource estimation during February and March, which means by April, we should be able to publish our initial Minerals Resource.



“We expect it will be in line with the exploration target we previously released.”

Once the current resource drill-out program is complete, Azure will continue drilling to expand the area of currently defined mineralisation and, ultimately, the resource, and to explore for repetitions and extensions of the mineralised zones.

Preliminary metallurgical testwork at Oposura produced positive results highlighting excellent recoveries of commercial-grade concentrates of lead-silver and zinc concentrates.

Flotation tests demonstrated consistent zinc recoveries exceeding 70 per cent producing zinc concentrates grading 55 per cent zinc, and lead recoveries exceeding 80 per cent with lead-silver concentrates grading more than 55 per cent lead and greater than 300 grams per tonne silver.

“As this is a flat-lying sulphide deposit we envisage it being a very simple mining operation.

“From a processing point of view—being sulphides—it floats like a dream, producing a very high-grade lead-silver concentrate and another, high-grade zinc concentrate, with very good recoveries.

“It is a crushing, grinding, flotation produced concentrate with no contaminants and we are already getting interest from various metal smelters who would like to put their foot on the product.”

Azure believes Oposura is a feasible development option for a company of its size.

Because of the size of the project, Azure is eyeing development options most likely be processing in the order of 300 to 400 thousand tonnes per

annum to produce perhaps 25,000 to 30,000 tonnes of metal in separate high-grade zinc and lead concentrates per annum.

“At about 1,000 tonnes per day, it is modest in size, but it is achievable for a company of our size to build a mine and processing plant that will facilitate that,” Rovira said.

The company’s confidence reflects what is happening elsewhere in the district with other companies with similar deposits and grades completing studies have determined capital costs of around \$30 to \$40 million.

“We see something around \$30 to \$40 million capex for the project being what a company our size can do without selling the farm to get it, Rovira continued.

“The other benefit of having such a relatively compact deposit is that it doesn’t require a long lead-time feasibility study to bring it to fruition.

“We see a scoping study being completed around the middle of 2018, and then going directly to a feasibility study to be ready by the middle of 2019 and a decision to mine shortly thereafter.

“We consider the Oposura project as being the ideal opportunity for us to be able to transition from junior explorer to becoming a mining company.”

The Short Story

AZURE MINERALS LIMITED (ASX: AZS)

HEAD OFFICE

Level 1, 34 Colin Street
West Perth, WA 6005

Phone: +61 8 9481 2555

Email: admin@azureminerals.com.au

Web: www.azureminerals.com.au

DIRECTORS

Peter Ingram, Anthony Rovira, Wolf Martinick