Azure Minerals Limited

ABN 46 106 946 918

Interim Financial Statements

For the Half-Year Ended 31 December 2017

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Azure Minerals Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AZURE MINERALS LIMITED

CORPORATE INFORMATION

ABN 46 106 346 918

Directors
Peter Anthony John Ingram (Chairman)
Anthony Paul Rovira (Managing Director)
Wolf Gerhard Martinick (Non-Executive Director)

Company Secretary
Brett Dickson

Registered Office
Level 1, 34 Colin Street
West Perth WA 6005
(08) 9481 2555

Solicitors
K&L Gates
Level 32, 44 St Georges Terrace
Perth WA 6000

Bankers
Commonwealth Bank of Australia Limited

Share Register
Computershare Investor Services Pty Ltd
Level 2, 45 St, Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Website
www.azureminerals.com.au

ASX Code
Shares AZS

AZURE MINERALS LIMITED

CONTENTS

Information in this report that relates to previously reported Exploration Results has been crossed-referenced in this report to the date that it was originally 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.

AZURE MINERALS LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Azure Minerals Limited and the entities it controlled (**"Azure" or "the Group"**) at the end of, or during, the half-year ended 31 December 2017.

1. General information

Directors
The following persons were directors of Azure Minerals Limited during all or part of the half-year as indicated below, and up to the date of this report:

Peter Ingram
Anthony Rovira
Wolf Martinick

2. Project Review

Early in 2017, Azure has had the clear focus to acquire the right project for the right deal and more than 70 projects were reviewed as part of this process. During the last six months the Company has acquired the Oposura zinc-lead-silver and the Sala Alicia gold-cobalt projects which delivers on this strategic approach and provides the Company with the high-quality projects to complement Alacran and Promontorio.

Oposura Project *(AZS 100% ownership)*

During the period Azure acquired immediate 100% ownership of the Oposura Project by paying US$1,500,000 to the vendor Grupo Minero Puma ("Puma"). A Net Smelter Return royalty of 2.5% on future production is also payable to the vendors but, importantly, there is no back-in, earn-back or other right relating to this Project.

Oposura is an advanced-stage project where historical drilling and exploratory underground mine development has identified a substantial body of high grade, massive sulphide-hosted, zinc, lead and silver mineralisation. Sampling within the underground mine workings confirmed very high grades of mineralisation, typically being greater than 10% Zn, 10% Pb and 40g/t Ag, with maximum values of 49.6% Zn, 34.1% Pb and 448g/t Ag (refer ASX announcement dated 15 August 2017).

In October Azure commenced a resource drill-out campaign with three drill rigs currently operating, and results will be used to complete a JORC mineral resource estimate by April 2018.

The first phase of the drilling campaign will cover the area of known mineralisation as identified by historical exploration. It is anticipated that this resource drill-out will comprise about 120 holes on a 50m x 50m drill spacing, totalling approximately 7,000m.

Additional drilling will be undertaken to explore potential extensions and repetitions of the mineralised zone to the north and in the down-faulted block to the west.

Based upon historical reports, the Company has 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.

Historically, more than 100 diamond core holes were drilled by previous explorers at Oposura, with the majority intersecting significant zinc and lead mineralisation. Azure's resource drill-out coincides with the previously drilled mineralised zone, and many of the Company's holes are either "twinning" or are being drilled close to historical holes. To date, Azure has observed that its drill holes closely replicate the sulphide intersections achieved in the historical holes, which provides confidence that a substantial resource will be confirmed.

Azure is aiming to conclude the resource drill-out in March 2018 and to complete the Company's maiden mineral resource estimate by April 2018. Once the current resource drill-out program is complete, drilling will continue to expand the area of currently defined mineralisation and, ultimately, the resource, and to explore for repetitions and extensions of the mineralised zones elsewhere within the property.

Metallurgical testwork

Positive results from preliminary metallurgical testwork highlighted excellent recoveries of commercial-grade concentrates (refer ASX announcement dated 20 November 2017).

Flotation tests demonstrated consistent zinc recoveries exceeding 70% producing zinc concentrates grading 55% Zn, and lead recoveries exceeding 80% with lead-silver concentrates grading in excess of 55% Pb and >300g/t Ag. Furthermore, and of great importance, Dense Media Separation (DMS) testwork demonstrated excellent potential by increasing run-of-mine grade by 174% prior to milling and flotation.

Sara Alicia Project *(AZS 100% ownership)*

Azure broadened and strengthened its Mexican exploration portfolio during the period, with the purchase of the high-grade Sara Alicia gold-cobalt project, located in the northern state of Sonora.

Azure made a payment of US$125,000 to the previous owners, a local Mexican family who held title to the Sara Alicia mineral concession since the 1930's. A further and final payment of $US125,000 will be made to the family upon the project achieving commercial production. No royalties are payable over the future mineral production and there are no back-in, earn-back or other rights.

The Sara Alicia prospect hosts a sequence of carbonate rocks which have been intruded by a granodiorite porphyry. This intrusive event caused alteration and mineralising reactions in the limestones forming skarns, with precious and base metal mineralisation introduced into several separate horizons (or mantos) within the limestone sequence. One manto hosts the gold-cobalt mineralisation, while two and possibly more mantos contain copper-zinc-silver mineralisation.

Azure's completed a drilling program during the period, with 6 holes drilled for 480m. Results from this program delivered wide zones of near-surface, high-grade gold and cobalt mineralisation, with the mineralised zone remaining open in all directions.

The longest intersection and highest gold and cobalt grades were returned from hole DSA-03 (refer ASX announcements of 27 November & 7 December 2017):

- **26.2m @ 9.5g/t Au and 1.26% Co from 0.60m depth, including 12.6m @ 16.8g/t Au and 6.35m @ 3.57% Co**

The Sara Alicia gold-cobalt mineralised zone contains abundant magnetite, causing a strong and identifiable magnetic signature to the body, and the Company has now completed a ground magnetic survey covering the project area.

Bulk samples of mineralised drill core have been despatched to laboratories in Canada for preliminary mineralogical studies and metallurgical testwork. Results are expected to be delivered in the March quarter.

Alacrán Project *(AZS 100% ownership, Teck Resources earning 51%)*

Azure earned 100% ownership of the Alacrán project in October 2016. In December 2016 Minera Teck S.A. de C.V. ("Teck"), a 100% owned subsidiary of Canada's largest diversified resource company, elected to exercise its right to earn back an ownership interest in the project.

Work conducted during 2017 represents the first year of activity in a total four year, US$10 million program which will entitle Teck to earn back a 51% share in the project.

Upon reaching an initial 51% interest in the project, Teck may further increase its interest to 65% by sole funding a further US$5 million in expenditures on the project and making cash payments to Azure of an additional US$1.5 million. In this case, Azure will retain a contributing 35% interest in the Alacrán project. Grupo Mexico retains a 2% NSR.

During the period Teck tested a number of targets by drilling 11 diamond core holes totalling 4,905m.

The southern extension of the Loma Bonita epithermal silver-gold deposit towards Cerro San Simon was one area considered high priority. This 1km long corridor was initially identified by Azure's 2015-2016 exploration programs, and then refined by Teck's exploration to define specific targets considered prospective for additional epithermal mineralisation.

The second area targeted was Cerro Colorado where an IP survey completed by Teck identified strong geophysical anomalies coincident with anomalous geochemistry in soil and rock chip samples, indicating potential for porphyry copper mineralisation.

Teck is expected to report results to Azure in February 2018.

Promontorio Project *(AZS 100% ownership)*

No significant work undertaken. Azure is seeking a partner to continue exploration of this project.

3. Review of Operations and Results

The operating loss after income tax of the Group for the period was $5,015,401 (2016: $4,822,041). Included in this loss figure is $2,949,899 (2016: $4,642,469) of exploration expenditure written off.

Net cash outflows from operating activities for the period were $3,875,812 (2016: 4,988,786).

4. Other items

Significant Changes in State of Affairs

During the financial period the Group acquired the Sara Alicia and Oposura projects for $2,069,391.

On 20 November 2017 the Company issued 2.05 million options exercisable at $0.58 and which expire on 30 November 2020 (on a post consolidation basis). Of those 2.05 million options, 1.0 million were issued to directors.

On 30 November 2017 the Company completed a consolidation of its securities on the basis that every 20 pre-consolidation securities will be consolidated into 1 post-consolidated security.

No other significant changes in the Group's state of affairs occurred during the reporting period.

Changes in Controlled Entity

There have been no changes in controlled entities during the half-year.

5. Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 16.

This report is made in accordance with a resolution of the Board of Directors:

Anthony Rovira
Managing Director
West Perth
14 March 2018

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Consolidated	
	Note	31 December 2017 $	30 June 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,510,352	9,699,949
Trade and other receivables	6	660,900	960,236
Total Current Assets		**4,171,252**	**10,660,185**
Non-Current Assets			
Available-for-sale investments		948	948
Capitalised exploration expenditure	7	7,552,298	6,131,024
Plant and equipment	8	194,153	211,321
Total Non-Current Assets		**7,747,399**	**6,343,293**
TOTAL ASSETS		**11,918,651**	**17,003,478**
LIABILITIES			
Current Liabilities			
Trade and other payables		511,083	334,284
Provisions		117,688	97,445
Total Current Liabilities		**628,771**	**431,729**
Non-Current Liabilities			
Provisions		70,138	67,647
Total Non-Current Liabilities		**70,138**	**67,647**
TOTAL LIABILITIES		**698,909**	**499,376**
NET ASSETS		**11,219,742**	**16,504,102**
Equity			
Contributed equity	9	73,027,947	73,027,947
Reserves		3,102,711	3,371,670
Accumulated losses		(64,910,916)	(59,895,515)
TOTAL EQUITY		**11,219,742**	**16,504,102**

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	Consolidated	
		31 Dec 2017 $	31 Dec 2016 $
Continuing Operations			
Other income		42,914	229,199
Depreciation and amortisation		(27,620)	(28,324)
Exploration expenditure		(2,949,899)	(4,642,469)
Exploration expenditure recovered		-	1,500,019
Salaries and wages		(363,038)	(330,942)
Consultants		(238,346)	(184,603)
Director fees		(47,500)	(47,500)
Travel and accommodation		(191,992)	(194,747)
Promotion		(36,594)	(66,687)
Insurance		(11,316)	(11,204)
Other administration expenses		(91,297)	(76,569)
Share based payments	10	(646,365)	(565,185)
Other expenses		(454,348)	(403,029)
Loss from continuing operations before income tax		**(5,015,401)**	**(4,822,041)**
Income tax expense		-	-
Loss from continuing operations after income tax		**(5,015,401)**	**(4,822,041)**
Other comprehensive income			
Items that will not be subsequently reclassified to profit and loss			
-			
Items that may subsequently be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(915,324)	(695,666)
Other comprehensive (income)/loss for the period net of tax		(915,324)	(695,666)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(5,930,725)**	**(5,517,707)**
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss (cents per share)	11	(6.00)	(0.29)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

31 December 2017 **Consolidated**

	Issued Share Capital $	Share Option Reserve $	Asset-for-Sale Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At 1 July 2017	**73,027,947**	**4,515,403**	**(39,996)**	**(1,103,737)**	**(59,895,515)**	**16,504,102**
Loss for period	-	-	-	-	(5,015,401)	**(5,015,401)**
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	(915,324)	-	(915,324)
Total other comprehensive income/(loss)	-	-	-	**(915,324)**	-	**(915,324)**
Total comprehensive income/(loss) for the period	-	-	-	**(915,324)**	**(5,015,401)**	**(5,930,725)-**
Transactions with owners in their capacity as owners:						
Share based payments	-	646,365	-	-	-	646,365
Total transaction with owners	-	646,365	-	-	-	646,365
Balance at 31 December 2017	**73,027,947**	**5,161,768**	**(39,996)**	**(2,019,061)**	**(64,910,916)**	**11,219,742**

31 December 2016 **Consolidated**

	Issued Share Capital $	Share Option Reserve $	Asset-for Sale-Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
At 1 July 2016	**65,581,982**	**3,950,218**	**(39,996)**	**(1,000,727)**	**(52,909,974)**	**15,581,503**
Loss for period	-	-	-	-	-	-
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	(695,666)	-	(695,666)
Total other comprehensive income/(loss)	-	-	-	(695,666)	-	(695,666)
Total comprehensive income/(loss) for the period	-	-	-	(695,666)	(4,822,041)	(5,517,707)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	7,445,965	-	-	-	-	7,445,964
Share based payments	-	565,185	-	-	-	565,185
Total transaction with owners	7,445,965	565,185	-	-	-	8,011,150
Balance at 31 December 2016	**73,027,947**	**4,515,403**	**(39,996)**	**(1,696,393)**	**(57,732,015)**	**18,074,946**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 Dec 2017 **$**	**31 Dec 2016** **$**
Cash flows from operating activities		
Payments to suppliers and employees	(1,492,480)	(1,423,312)
Payments for exploration expenditure	(2,410,245)	(4,817,921)
Proceeds from mineral properties rights reimbursement	-	1,023,248
Other income	-	132,509
Interest received	26,913	96,690
Net cash outflow from operating activities	**(3,875,812)**	**(4,988,786)**
Cash flows from investing activities		
Payment for plant and equipment	(23,500)	(15,477)
Sale/(Acquisition) of mineral properties	(2,069,391)	140,578
Net cash in/(outflow) from investing activities	**(2,092,891)**	**125,101**
Cash flows from financing activities		
Proceeds from capital raising (net of costs)	-	7,339,880
Net cash inflow from financing activities	-	7,339,880
Net increase/(decrease) in cash and cash equivalents	**(5,968,703)**	**2,476,195**
Cash and cash equivalents at the beginning of the half-year	9,699,949	9,387,160
Effects of exchange rate changes in cash and cash equivalents	(220,894)	(101,211)
Cash and cash equivalents at the end of the half-year	**3,510,352**	**11,762,144**

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and *the Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2017 and public announcements made by Azure Minerals Limited during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 30 June 2017 and the corresponding half year interim reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 that have been applied by the Group. The 30 June 2017 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half-year.

NOTE 3 OPERATING SEGMENTS

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on this criterion, management has determined that the Group has one operating segment being mineral exploration in Mexico. As the Group is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

NOTE 3 OPERATING SEGMENTS (Cont'd)

	CONSOLIDATED	
	31 Dec 2017 $	31 Dec 2016 $
Other income from external sources	-	132,509
Reportable segment loss	(3,820,246)	(3,202,271)
Reportable segment assets	8,276,451	6,825,425
Reportable segment liabilities	(440,042)	(185,709)
Reconciliation of reportable segment loss		
Reportable segment loss	(3,820,246)	(3,202,271)
Other profit		
Unallocated:		
- Salaries and wages	(363,038)	(330,942)
- Travel and accommodation	(191,992)	(194,747)
- Other corporate expenses	(631,502)	(1,083,486)
- Depreciation	(8,623)	(10,595)
Loss before tax	**(5,015,401)**	**(4,822,043)**

NOTE 4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

Exchange differences on translation of foreign operations	(915,324)	(695,666)

NOTE 5 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents are comprised the following:

	31 Dec 2017 $	30 Jun 2017 $
Cash at bank and in hand	84,591	235,448
Short term deposits	3,425,761	9,464,501
	3,510,352	**9,699,949**

NOTE 6 RECEIVABLES

The Group has recorded trade and other receivables of $660,900. Included in this total is an amount of $565,515 attributable to Minera Azure C.A. de C.V. ("MA") a 100% owned, Mexican incorporated subsidiary of the Company which is in dispute with Mexican tax authorities. This amount relates to a claim made by MA for the refund of IVA paid (the Mexican equivalent of GST). Mexican tax authorities initially declined the claim after which MA initiated court proceedings to recover the full amount. The court provided a decision in favour of MA, however, the Mexican tax authority has appealed the decision and won the appeal.

The Group has further appealed that decision and a result is expected during 2018. A provision for the full amount of $565,515 has been made pending the result of the Groups appeal and the cost base of the Promontorio project increased by a corresponding amount.

NOTE 7 CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED	
	31 Dec 2017	**30 Jun 2017**
	$	**$**
At Cost	7,552,298	6,131,024

Reconciliations

Movements in the carrying amounts of capitalised expenditure between the beginning and end of the current financial period

Opening net book amount	6,131,024	6,104,133
Foreign exchange adjustment	(648,117)	-
Additions	2,069,391	26,891
Closing net book amount	7,552,298	6,131,024

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale.

NOTE 8 PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired assets with a cost of $23,500 (30 June 2017: $2,599). No assets were sold during the six months ended 31 December 2017 (six months to 30 June 2017: Nil).

NOTE 9 ISSUED CAPITAL

	Shares	$
Balance as at 1 July 2016	**1,464,260,045**	**65,581,983**
Share placement at $0.038	207,993,950	7,903,770
Issue for projects at $0.031	400,000	12,400
Share issue expenses	-	(470,206)
Balance as at 31 December 2016	**1,672,653,995**	**73,027,947**
Balance as at 1 July 2017	**1,672,653,995**	**73,027,947**
Share consolidation (1:20)	(1,589,020,669)	-
Balance as at 31 December 2017	**83,633,326**	**73,027,947**

NOTE 9 ISSUED CAPITAL (Cont'd)

Options on issue as at 31 December 2017 (after the 1:20 consolidation)	**Number**
Exercisable at $1.20 cents on or before 30 November 2018	1,850,000
Exercisable at $1.10 cents on or before 11 July 2019	9,725,511
Exercisable at $0.94 cents on or before 30 November 2019	2,050,000
Exercisable at $0.58 cents on or before 30 November 2020	2,050,000
	15,675,511

Options on issue as at 31 December 2016	**Number**
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 6.0 cents on or before 30 November 2018	31,200,000
Exercisable at 4.7 cents on or before 30 November 2019	41,000,000
	97,200,000

NOTE 10 SHARE BASED PAYMENTS

During the financial period 41,000,000 options exercisable at 2.9 cents (prior to the 1:20 consolidation) on or before 30 November 2020 were issued to directors and employees as part of their long-term incentive remuneration. The fair value of these options granted was calculated as 1.58 cents each by using the Binomial option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	2.90
Weighted average life of options (years)	3.03
Weighted average underlying share price (cents)	2.60
Expected share price volatility	100%
Risk free interest rate	1.92%

Total expenses arising from share-based payment transactions recognized during the period were $646,365 (2016: 565,185)

NOTE 11 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 83,633,326. Diluted loss per share is not considered dilutive and has therefore not been presented.

NOTE 12 COMMITMENTS AND CONTINGENCIES

There has been no significant change in the Group's commitments and contingent liabilities since the end of the last reporting period.

NOTE 13 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2017 financial statements. During the period options exercisable at $0.029 (the of options shown in the table below are shown on a pre-consolidation basis. These numbers should be divided by 20 to arrive at post-consolidation figures)) each which expire at 30 November 2020 were issued and short term incentive bonuses were paid as follows:

Options Issued			**Bonus Paid**
Issued to	*Number Issued*	*Fair Value of Options*	*$*
Anthony Rovira – Managing Director	10,000,000	$157,650	-
Peter Ingram – Chairman	5,000,000	$78,825	-
Wolf Martinick – Non Executive Director	5,000,000	$78,825	-
Brett Dickson – Company Secretary	7,000,000	$110,355	-

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2017.

NOTE 14 EVENTS AFTER THE REPORTING DATE

Since the end of the financial period a bonus of $100,000 was paid to Mr. A Rovira (Managing Director) and a bonus of $45,960 paid to Mr. B Dickson (Company Secretary).

On 27 February 2018 the Company advised that it has secured funding of approximately A$8.2 million (before costs) through a placement to institutional and sophisticated investors to enable the Company to accelerate development studies at its flagship Oposura project and to initiate an aggressive exploration campaign to further define the high-grade, near-surface Sara Alicia project.

A total of 27.3 million fully paid ordinary shares will be issued at a price of $0.30, which represents a 9% discount to the VWAP of the last fifteen trading days of Azure's shares. In addition, one option exercisable at $0.45 and expiring after two years will be offered for every two shares subscribed.

The placement will be conducted in two tranches, the first tranche of 20.5 million shares will be issued under the Company's existing placement capacity to raise approximately $6.15 million. This was completed on 5 March 2018.

The second tranche of 6.8 million shares, representing approximately $2.05 million, and all the options will be issued subject to receiving shareholder approval at a meeting to be held on 10 April 2018.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

AZURE MINERALS LIMITED

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

In the Directors' opinion:

(a) The financial statements and notes, as set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) There are reasonable grounds to believe that Azure Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Anthony Rovira
Managing Director
West Perth
14 March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azure Minerals Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azure Minerals Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 14 March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Azure Minerals Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2018