

23 September 2016

# ALACRÁN METALLURGICAL DRILLING UPDATE

## Highlights:

- Eight large diameter (PQ-size) holes were drilled for metallurgical, geotechnical, geological and internal grade confirmation purposes
- A five tonne bulk sample of drill core has been dispatched for advanced metallurgical test work, including comminution and column leach testing
- Drill holes demonstrate good internal continuity of high grade silver mineralisation
- Substantial mineralised intercepts include:
  - MDPQ-001: 20.35m @ 1,034g/t Ag from 14.15m
  - MDPQ-003: 33.95m @ 406g/t Ag from surface
  - MDPQ-004: 25.60m @ 198g/t Ag from 19.35m
- Infill RC drilling to enable resource upgrade from Indicated to Measured status is continuing

**Azure Minerals Limited** (ASX: AZS) (“Azure” or “the Company”) is pleased to provide an update on progress of development studies on the Mesa de Plata Silver Project, part of its flagship Alacrán Project, located in northern Mexico.

The development drilling program at Mesa de Plata comprises large diameter (PQ-size – 85mm) diamond core and Reverse Circulation (RC) drilling with the purpose of:

- providing drill core for advanced metallurgical test work as well as detailed geotechnical and geological analysis; and
- infilling the sampling density of the existing drill pattern to increase the confidence level of the resource and enable an upgrade of the resource classification from JORC Indicated status to Measured status.

Drilling is focused on the central portion of the deposit which contains approximately 95% of the high grade resource and 90% of the total resources.

The RC infill drilling has recommenced at Mesa de Plata following the exploration program at Loma Bonita and is expected to be completed in October.

The PQ core drilling, comprising eight holes for 506.35m, has been completed with assay results returning strong, coherent intersections of high grade silver mineralisation, thereby demonstrating excellent internal continuity of the High Grade Zone of the Mineral Resource (ASX: 9 May 2016).

Mineralised intercepts of the High Grade Zone using a 90g/t Ag lower grade cut-off, as was used in the resource estimate, are shown in Table 1.

**Table 1: Significant silver intercepts from Mesa de Plata<sup>1</sup>**

HOLE No	DEPTH (m)		INTERCEPT LENGTH (m)	GRADE
	FROM	TO		Ag (g/t)
MDPQ-001	14.15	34.50	20.35	1,034
	42.45	43.95	1.50	187
MDPQ-002A (MDPQ-002 abandoned)	Drilled solely for geotechnical and mine planning purposes. No significant mineralised intersections >90g/t Ag, however MDPQ-002A did intersect 70.15m @ 38g/t Ag from surface to EOH.			
MDPQ-003	0.00	33.95	33.95	406
including	0.00	7.75	7.75	470
and	15.35	33.95	18.60	534
MDPQ-004	12.15	15.65	3.50	92
	19.35	44.95	25.60	198
including	19.35	31.75	12.40	303
and	34.95	40.45	5.50	121
MDPQ-005	10.30	12.10	1.80	133
MDPQ-006	5.10	7.55	2.45	118
and	8.85	12.25	3.40	284
MDPQ-007	17.00	33.40	16.40	218
including	17.00	22.95	5.95	141
and	25.35	33.40	8.05	321
	52.85	54.05	1.20	123
	56.75	58.35	1.60	371

All core holes were sited to test between the initial resource drill holes and provide more detailed information on the continuity of silver mineralisation within the deposit. Holes were drilled at varying azimuths at an angle of minus 60 degrees and the core was oriented to allow structures to be more easily identified and measured.

All holes have been geologically and geotechnically logged. The first seven holes have been sampled, assayed and dispatched for metallurgical testing, with the final hole (MDPQ-008) being retained unsampled for further study.

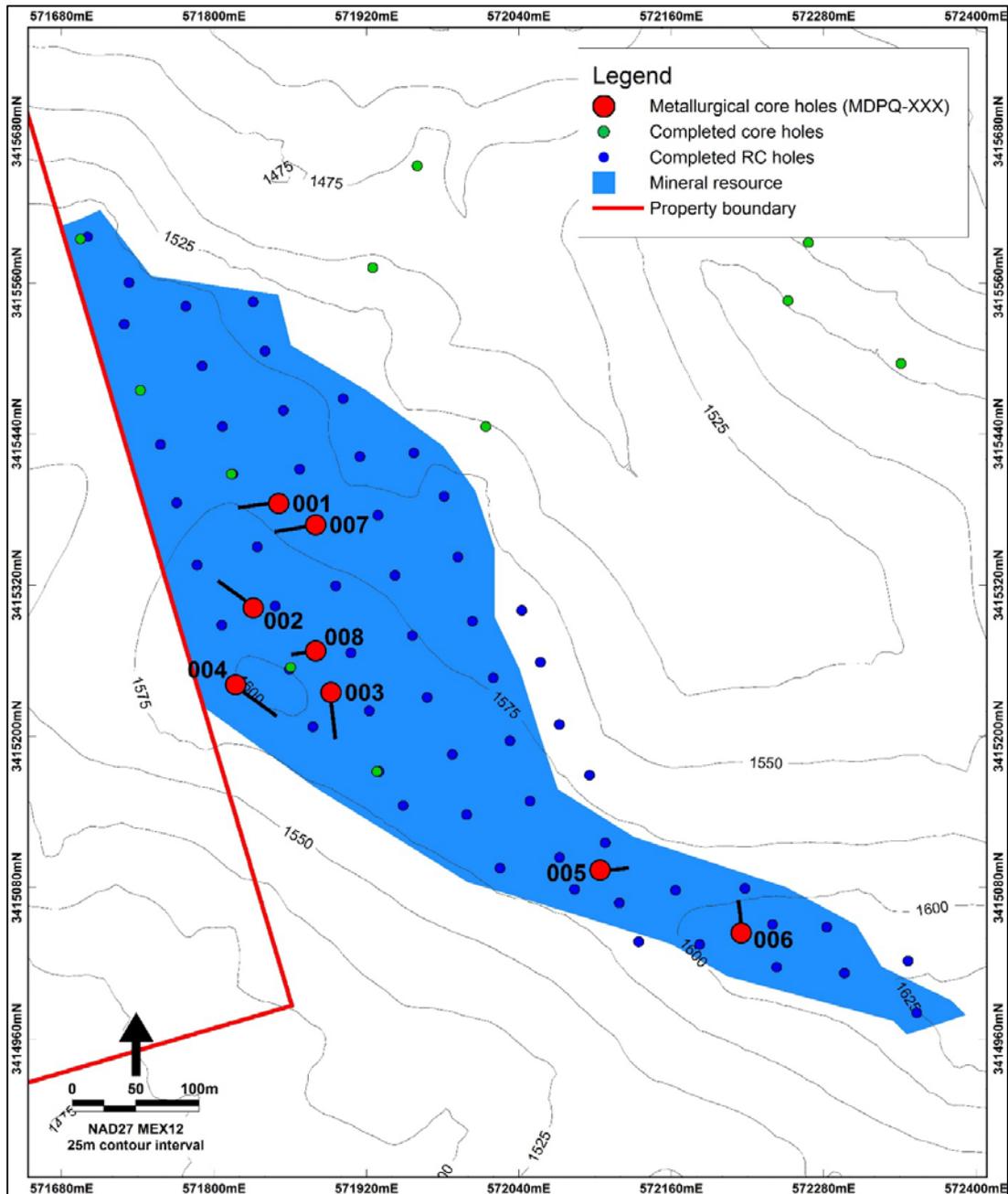
Geotechnical logging was undertaken on the PQ-size drill core prior to being dispatched for metallurgical test work. Additionally, core samples were selected at varying depths and rock types for unconfined compressive strength tests. A feasibility-level study geotechnical report will be produced by an independent geotechnical and mining consultant.

<sup>1</sup> Using a 90g/t Ag lower grade cut-off. See attached JORC Table 1 for further information on calculation and reporting of mineralised intervals.

Bulk samples totaling more than five tonnes of mineralised material were collected from the PQ-size core drilling and dispatched to the Kappes Cassiday & Associates (KCA) laboratories in Reno, Nevada, USA. These samples are undergoing crushing and grinding tests, followed by multiple column leaching tests to investigate the heap leach processing option.

A total of 110 individual samples collected from the original RC drilling program have been dispatched to Blue Coast Research laboratory in Vancouver, British Columbia, Canada. These samples have been combined into six separate composite samples for metallurgical variability test work.

**Figure 1: PQ drill hole location plan at Mesa de Plata**



Azure continues to be encouraged by its exploration success at Loma Bonita. Diamond and RC drill samples will be collected from new drilling at Loma Bonita for additional metallurgical testwork. These tests will follow up the excellent results achieved from the initial Loma Bonita metallurgical testwork program (ASX: 14 July 2016). The additional metallurgical tests will include testwork on combined Loma Bonita and Mesa de Plata samples to simulate a co-treatment production scenario.

## BACKGROUND

The Mesa de Plata Silver Deposit and the Mesa de Plata Norte prospect are located on the Company's Alacrán Project, 10 kilometres to the southeast of the Cananea Copper Mine in Sonora, Mexico. The Loma Bonita Gold Prospect is located 200 metres to the east of the Mesa de Plata Silver Deposit.

Azure acquired the rights to the Alacrán Project in December 2014 through its fully owned Mexican subsidiary Minera Piedra Azul S.A. de C.V. Azure signed an Agreement with Minera Teck S.A. de C.V. ("Teck"), the Mexican subsidiary of Teck Resources Limited to acquire 100% of the property, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico. Teck Resources Limited is Canada's largest diversified resource company. Grupo Mexico is Mexico's largest and one of the world's largest copper producers.

**Table 2: Location data for metallurgical drill holes at Mesa de Plata**

HOLE No.	EAST (mE)	NORTH (mN)	ELEVATION (mASL)	AZIMUTH	DIP	TOTAL DEPTH (m)	LOCATION
MDPQ-001	571851	3415385	1567.4	270	-60	65.75	Mesa de Plata
MDPQ-002	571830	3415300	1592.7	315	-60	12.0	Mesa de Plata
MDPQ-002-A	571831	3415302	1592.3	315	-60	70.15	Mesa de Plata
MDPQ-003	571892	3415235	1596.9	180	-60	75.1	Mesa de Plata
MDPQ-004	571817	3415241	1599.0	135	-60	80.6	Mesa de Plata
MDPQ-005	572104	3415094	1589.1	90	-60	45.1	Mesa de Plata
MDPQ-006	572215	3415044	1606.5	0	-60	53.1	Mesa de Plata
MDPQ-007	571880	3415368	1565.1	260	-60	64.95	Mesa de Plata
MDPQ-008	571880	3415268	1594.8	260	-60	39.6	Mesa de Plata

**-ENDS-**

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*Information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee and Managing Director of Azure Minerals Limited. Mr Rovira has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rovira consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Information in this report that relates to previously reported Exploration Results has been cross-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.*

## Appendix

# JORC Code, 2012 Edition – Table 1

## Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<p><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></p> <p><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></p> <p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></p>	<p>Diamond core and Reverse Circulation (RC) drilling is being undertaken on the Alacrán Project.</p> <p>Initial drill hole collar locations were determined by hand-held GPS.</p> <p>All diamond drill holes were surveyed for down-hole deviation, with surveys undertaken at 30m intervals and at bottom of hole.</p> <p>No downhole surveys were undertaken in the RC drill holes.</p> <p>Drill core was sampled at 0.15m to 1.5m intervals guided by changes in geology.</p> <p>RC drilling uses 10 foot long rods (=3.048m). Two samples were collected per rod (ie each sample length = 1.524m).</p> <p>All RC samples were dry. Samples for each RC drill hole were collected by passing through a Jones riffle splitter over 1.5m intervals and sent for assay.</p> <p>Samples preparation was undertaken at Acme Laboratories (a Bureau Veritas Group company) in Hermosillo, Sonora, Mexico. Samples were weighed, assigned a unique bar code and logged into the Acme tracking system. Samples were dried and each sample was fine crushed to &gt;70% passing a 2 mm screen. A 250g split was pulverised using a ring and puck system to &gt;85% passing 75 micron screen.</p> <p>Envelopes containing the 250g sample pulps were sent via courier to the Acme laboratory in Vancouver, Canada for analysis.</p> <p>The analytical techniques for all elements (other than gold) initially involved a four-acid digest followed by multi-element ICP-MS analysis. This technique is considered a total digest for all relevant minerals.</p> <p>Following the four-acid digest, the analytical method used was MA300 (for silver and base metals by ICP-MS). Fire Assay method FA430 was used for gold.</p> <p>Over-limit assays were re-analysed by MA370 (by ICP-ES for base metals grading &gt;1%) and FA530 (by fire assay with gravimetric finish for silver grading &gt;200ppm and gold grading &gt;10ppm).</p>
Drilling techniques	<p><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is orientated and if so, by what method, etc).</i></p>	<p>Diamond drilling was HQ-size (63.5mm diameter) core from surface. Drill core was not orientated.</p> <p>Drilling technique for all holes was reverse circulation percussion using a face-sampling hammer. Drill hole diameter was 5¼" (133mm).</p>
Drill sample recovery	<p><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></p> <p><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></p> <p><i>Whether a relationship exists between sample recovery</i></p>	<p>Drill core was reconstructed into continuous runs. Depths were measured from the core barrel and checked against marked depths on the core blocks. Core recoveries were logged and recorded in the database. Sample recoveries from the cored holes were high with &gt;85% of the drill core having recoveries of</p>

	<p><i>and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p>	<p>&gt;90%. There is no observable relationship between core recovery and grade, and therefore no sample bias.</p> <p>RC samples were visually checked for recovery, moisture and contamination and notes made in the logs. RC recoveries were visually estimated from volume of sample recovered. All sample recoveries were estimated to be above 90% of expected. There is no observable relationship between recovery and grade, and therefore no sample bias.</p>
Logging	<p><i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <p><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></p> <p><i>The total length and percentage of the relevant intersections logged.</i></p>	<p><i>Detailed core logging was carried out with recording of weathering, lithology, alteration, veining, mineralisation, structure, mineralogy, RQD and core recovery. Drill core was photographed, wet and without flash, in core trays prior to sampling. Each photograph includes an annotated board detailing hole number and depth interval. All holes were logged in full.</i></p> <p>Geological logging was carried out on all RC drill holes, but no geotechnical data has been recorded (or is possible to be recorded due to the nature of the sample). Logging of RC chips recorded lithology, mineralogy, mineralisation, weathering, colour, and other sample features. All holes were logged in full. RC chips are stored in plastic RC chip trays. When completed, each plastic chip tray was photographed.</p> <p>The geological data would be suitable for inclusion in a Mineral Resource estimate.</p>
Sub-sampling techniques and sample preparation	<p><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></p> <p><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></p> <p><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></p> <p><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></p> <p><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></p> <p><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></p>	<p>Azure sub-samples drill core by cutting the core in half (with a wet diamond saw blade) along the core axis to prepare a ½-core sample. The ½-core sub-sample is then wet cut along the core axis to prepare a ¼-core sub-sample for laboratory dispatch. The second half of core and residual ¼ core is retained in core trays and may be used for further testwork.</p> <p>All RC samples were dry. Samples for each RC drill hole were collected by passing through a Jones riffle splitter over 1.5m intervals and sent for assay.</p> <p>The sample collection and preparation for RC and core samples followed industry best practice.</p> <p>Samples were prepared at the Acme laboratories in Hermosillo or Chihuahua, Mexico. Samples were weighed, assigned a unique bar code and logged into the Acme tracking system. The sample was dried and the entire sample was fine crushed to &gt;70% passing a 2 mm screen. A 250g split was pulverised using a ring and puck system to &gt;85% passing 75 micron screen.</p> <p>Envelopes containing the 250g pulps were sent via courier to the Acme laboratory in Vancouver.</p> <p>Certified Reference Standards, replicate samples, pulp duplicate samples, and blank samples were routinely inserted alternately at intervals of every 10 samples, and also immediately following visually identified mineralised intercepts to provide assay quality checks.</p> <p>For sub sampling and assay quality control monitoring Azure:</p> <ul style="list-style-type: none"> <li>• Submits replicate DCD ¼-cores anonymously to the laboratory in order to monitor the precision of this sub sample type.</li> <li>• Instructs the laboratory to collect and assay replicates of pulp samples in order to monitor the</li> </ul>

		<p>precision of the pulp material dispatched for assay.</p> <ul style="list-style-type: none"> <li>Submits known grade value pulp references anonymously to the laboratory in order to monitor the accuracy of grades reported.</li> <li>Submits a nominal barren 'blank' samples anonymously to the laboratory in order to monitor potential cross contamination between samples during sample preparation.</li> </ul> <p>The sample sizes are considered appropriate to the grain size of the material being sampled.</p>
Quality of assay data and laboratory tests	<p><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></p> <p><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></p> <p><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></p>	<p>The analytical techniques for all elements (other than gold) initially involved a four-acid digest followed by multi-element ICP-MS analysis. This technique is considered a total digest for all relevant minerals.</p> <p>Following the four-acid digest, the analytical method used was MA300 (for silver and base metals by ICP-MS). Fire Assay method FA430 was used for gold.</p> <p><i>Over-limit assays were re-analysed by MA370 (by ICP-ES for base metals grading &gt;1%) and FA530 (by fire assay with gravimetric finish for silver grading &gt;200ppm and gold grading &gt;10ppm).</i></p> <p>Azure implemented industry standard QAQC protocols to monitor levels of accuracy and precision.</p> <p>Internal laboratory control procedures comprised duplicate sampling of randomly selected assay pulps, as well as internal laboratory standards and blanks.</p> <p>Azure routinely inserted Certified Reference Standards, replicate samples, duplicate samples, and blank samples at alternate sample intervals to provide assay quality checks. Review of the standards, duplicates and blanks are within acceptable limits.</p> <p>No geophysical or portable analysis tools were used to determine assay values.</p>
Verification of sampling and assaying	<p>The verification of significant intersections by either independent or alternative company personnel.</p> <p>The use of twinned holes.</p> <p>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</p> <p>Discuss any adjustment to assay data.</p>	<p>Senior technical personnel from the Company (Project Geologist &amp; Exploration Manager) and an independent technical consultant have inspected the drilling, sampling procedures and significant intersections.</p> <p>Primary data was collected by employees of the Company at the project site. All measurements and observations were recorded onto hard copy templates and later transcribed into the Company's digital database. Digital data storage, verification and validation is managed by an independent data management company.</p> <p>No adjustments or calibrations have been made to any assay data.</p>
Location of data points	<p><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></p> <p><i>Specification of the grid system used.</i></p> <p><i>Quality and adequacy of topographic control.</i></p>	<p>Drill hole collar locations were determined by hand-held GPS.</p> <p>Final drill hole collar locations will be surveyed by a licensed surveyor using a two frequency differential GPS with accuracy of +/-3cm.</p> <p>All drill holes were surveyed for down-hole deviation, with surveys undertaken at 30m intervals and at bottom of hole.</p> <p>The grid system used is NAD27 Mexico UTM Zone 12 for easting, northing and RL.</p>

Data spacing and distribution	<p><i>Data spacing for reporting of Exploration Results.</i></p> <p><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <p><i>Whether sample compositing has been applied.</i></p>	<p>Drill hole spacing is variable however a pattern of 50m x 50m has commenced.</p> <p>Data spacing and distribution are not sufficient to establish the degree of geological and grade continuity appropriate for a Mineral Resource estimation procedure.</p> <p>No composite samples were collected.</p>
Orientation of data in relation to geological structure	<p><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></p> <p><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></p>	<p>Geological controls and orientations of the mineralised zone are unknown at this time and therefore all mineralised intersections are reported as “intercept length” and may not reflect true width.</p> <p>No sampling bias is believed to have been introduced.</p>
Sample security	<p><i>The measures taken to ensure sample security.</i></p>	<p>Assay samples were placed in poly sample bags, each with a uniquely numbered ticket stub from a sample ticket book. Sample bags were marked with the same sample number and sealed with a plastic cable tie. Samples were placed in woven polypropylene “rice bags” and a numbered tamper-proof plastic cable tie was used to close each bag. The rice bags were delivered by company personnel directly to the Acme laboratory for sample preparation. The numbers on the seals were recorded for each shipment. ACME audited the arriving samples and reported any discrepancies back to the Company. No such discrepancies occurred.</p>
Audits or reviews	<p><i>The results of any audits or reviews of sampling techniques and data.</i></p>	<p>All digital data is subject to audit by the independent database manager.</p>

## Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary																																																																																												
Mineral tenement and land tenure status	<p><i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <p><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></p>	<p>The Alacrán Project comprises 22 mineral concessions 100% owned by Minera Teck SA de CV, a subsidiary of Teck Resources Limited.</p> <table border="1"> <thead> <tr> <th>CLAIM</th> <th>FILE</th> <th>TITLE</th> <th>HECTARES</th> </tr> </thead> <tbody> <tr><td>Hidalgo</td><td>1794</td><td>166374</td><td>99.00</td></tr> <tr><td>Hidalgo 2</td><td>1796</td><td>166369</td><td>99.00</td></tr> <tr><td>Hidalgo 3</td><td>1797</td><td>166368</td><td>99.00</td></tr> <tr><td>Hidalgo 4</td><td>1798</td><td>166366</td><td>99.00</td></tr> <tr><td>Hidalgo 5</td><td>1799</td><td>166370</td><td>99.00</td></tr> <tr><td>Hidalgo 6</td><td>1800</td><td>166371</td><td>99.00</td></tr> <tr><td>Hidalgo 7</td><td>1801</td><td>166373</td><td>99.00</td></tr> <tr><td>Hidalgo 8</td><td>1802</td><td>166372</td><td>99.00</td></tr> <tr><td>Hidalgo 9</td><td>1803</td><td>166375</td><td>99.00</td></tr> <tr><td>Kino 2</td><td>1886</td><td>166313</td><td>100.00</td></tr> <tr><td>Kino 3</td><td>1887</td><td>166312</td><td>100.00</td></tr> <tr><td>Kino 4</td><td>1888</td><td>166314</td><td>100.00</td></tr> <tr><td>Kino 8</td><td>1892</td><td>166315</td><td>100.00</td></tr> <tr><td>Kino 9</td><td>1893</td><td>166316</td><td>100.00</td></tr> <tr><td>Kino 10</td><td>1894</td><td>166317</td><td>100.00</td></tr> <tr><td>Kino 11</td><td>1895</td><td>166318</td><td>100.00</td></tr> <tr><td>Kino 15</td><td>1899</td><td>166365</td><td>100.00</td></tr> <tr><td>Kino 16</td><td>1800</td><td>166367</td><td>100.00</td></tr> <tr><td>San Simón</td><td>1894</td><td>166376</td><td>100.00</td></tr> <tr><td>San Simón 2</td><td>1895</td><td>166377</td><td>100.00</td></tr> <tr><td>El Alacrán</td><td>E.4.1.3/1182</td><td>201817</td><td>3,442.36</td></tr> <tr> <td><b>TOTAL SURFACE</b></td> <td></td> <td></td> <td><b>5,433.36</b></td> </tr> </tbody> </table> <p>Azure Minerals has an Option to acquire 100% ownership of these concessions by spending US\$5</p>	CLAIM	FILE	TITLE	HECTARES	Hidalgo	1794	166374	99.00	Hidalgo 2	1796	166369	99.00	Hidalgo 3	1797	166368	99.00	Hidalgo 4	1798	166366	99.00	Hidalgo 5	1799	166370	99.00	Hidalgo 6	1800	166371	99.00	Hidalgo 7	1801	166373	99.00	Hidalgo 8	1802	166372	99.00	Hidalgo 9	1803	166375	99.00	Kino 2	1886	166313	100.00	Kino 3	1887	166312	100.00	Kino 4	1888	166314	100.00	Kino 8	1892	166315	100.00	Kino 9	1893	166316	100.00	Kino 10	1894	166317	100.00	Kino 11	1895	166318	100.00	Kino 15	1899	166365	100.00	Kino 16	1800	166367	100.00	San Simón	1894	166376	100.00	San Simón 2	1895	166377	100.00	El Alacrán	E.4.1.3/1182	201817	3,442.36	<b>TOTAL SURFACE</b>			<b>5,433.36</b>
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<b>TOTAL SURFACE</b>			<b>5,433.36</b>																																																																																											

		<p>million over four years, subject to Teck having a one-off right to buy back up to 65% ownership.</p> <p>A 2% Net Smelter Royalty is held by Grupo Mexico.</p> <p>The tenements are secure and are in good standing. There are no known impediments to obtaining a licence to operate in the area.</p>
Exploration done by other parties	<i>Acknowledgment and appraisal of exploration by other parties.</i>	<p>The project area has a short history of industrial-scale commercial mining and small-scale artisanal mining dating back to the early 20<sup>th</sup> century, which ended shortly after the start of the Mexican Revolution in 1910. After the Revolution ended in the 1920's, the property was explored intermittently.</p> <p>The Anaconda Copper Mining Company is known to have done some exploration, including drilling, on the property prior to the late 1960's. Data relating to this work has been located but has yet to be reviewed.</p> <p>Between 1969 and the early 1980's, the Consejo de Recursos Minerales (Mexican Geological Survey) carried out occasional exploration programs, including drilling 6 holes in 1970 and undertaking geophysical surveys over the Palo Seco and La Morita prospects in 1981.</p> <p>Grupo Mexico acquired the project after the CRM completed their drilling. Grupo Mexico drilled an additional 26 holes on the project in two phases. The first phase was done in 1991 (24 holes) and the second phase was done in 1997 and 1998 (two holes).</p> <p>Minera Teck S.A. de C.V., a Mexican subsidiary of Teck Resources Limited acquired the property in 2013 and undertook limited surface exploration.</p> <p>Azure Minerals acquired the rights to the project in December 2014 through its fully owned Mexican subsidiary company Minera Piedra Azul SA de CV.</p>
Geology	<i>Deposit type, geological setting and style of mineralisation.</i>	<p>Various styles of mineralisation occur on the property.</p> <p>Epithermal zones, veins, breccias and stockworks host silver, lead, zinc, copper and gold in volcanoclastic rocks (Mesa de Plata, Loma Bonita, Cerro San Simon, Cerro Enmedio and Palo Seco).</p> <p>Secondary copper oxide and chalcocite mineralisation occur in volcanic rocks (La Morita and Cerro Alacrán).</p> <p>Primary copper mineralization is hosted in porphyry rocks (Cerro Alacrán).</p>
Drill hole information	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <li>• <i>easting and northing of the drill hole collar</i></li> <li>• <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li>• <i>dip and azimuth of the hole</i></li> <li>• <i>down hole length and interception depth</i></li> <li>• <i>hole length.</i></li> </ul> <p><i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></p>	<p>Refer to figures and tables in the report which provide all relevant details.</p>

Data aggregation methods	<p><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></p> <p><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></p> <p><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></p>	<p><i>All reported mineralised intervals have been length-weighted. No top cuts have been applied.</i></p> <p>Mineralised intervals were calculated using a 20g/t Ag lower grade cut-off.</p> <p><i>No metal equivalencies are reported.</i></p>
Relationship between mineralisation widths and intercept lengths	<p><i>These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></p>	<p>Geological controls and orientations of the mineralised zones are unknown at this time and therefore all mineralised intersections are reported as "intercept length" and may not reflect true width.</p>
Diagrams	<p><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></p>	<p>Refer to Figures in the accompanying report.</p>
Balanced reporting	<p><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></p>	<p>The Company believes that the ASX announcement is a balanced report with all material results reported.</p>
Other substantive exploration data	<p><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></p>	<p>This announcement refers to previous exploration results including geophysics, geochemistry and geology.</p>
Further work	<p><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive</i></p>	<p>Further work to better understand the mineralisation systems in the project area will be determined upon a full analysis and interpretation of results.</p>