

Azure Minerals Limited

ABN 46 106 946 918

Interim Financial Statements

For the Half-Year Ended 31 December 2014

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 2014 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, 30 Richardson 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

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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 2014.

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. Review of Operations

Promontorio Project (Azure 100%; Kennecott may earn up to an 80% interest)

During the period the Group executed the Promontorio Earn-In and Joint Venture Agreement between Azure and Kennecott Exploration Mexico SA de CV (“Kennecott”), a subsidiary of the Rio Tinto Group. As a result of that agreement Kennecott remitted US\$250,000 to Azure and Kennecott has committed to spend US\$2 million during 2015.

Promontorio contains several different styles of precious and base metal mineralisation, including high sulphidation epithermal and porphyry copper, with potential for large, bulk-tonnage resources and smaller, high grade deposits. Azure’s strong belief in Promontorio’s potential has been validated with the substantial Earn-In and Joint Venture Agreement with Kennecott.

With formal execution of the agreement completed, planning of the first phase of exploration was undertaken which will comprise an airborne geophysical survey consisting of magnetics, radiometrics and electromagnetics covering the entire 10,520ha Promontorio project area. Follow-up work is expected to include Induced Polarisation (IP) surveys over areas of interest, with identified targets to be tested by diamond drilling.

Key Terms of the Earn-In & Joint Venture Agreement

Stage 1

Kennecott will sole-fund a minimum expenditure of US\$2 million during 2015 (“Minimum Commitment”). In addition, upon the signing of the Agreement in December 2014, Kennecott paid a non-refundable fee of US\$250,000 to Azure.

Azure will be Project Operator during the early stages of the Agreement, with Kennecott providing their technical expertise in exploration planning and evaluation of results.

Kennecott will earn no interest in the project during Stage 1 and may withdraw from the Agreement at any time, after satisfying the Minimum Commitment.

Stage 2

At the end of the first 12 months of the Agreement (December 2015), Kennecott may elect to continue its exploration and, through spending a further US\$18 million over a further five years, earn an initial 51% interest in the project. At this point a 51:49 Joint Venture (“JV”) will be formed.

To account for the considerable value already created by Azure with the definition of the Promontorio and Cascada copper deposits, upon formation of the JV Kennecott will credit Azures’ JV account with US\$50 million. This credit will cover Azures’ joint venture contributions as the Project progresses.

Stage 3

Upon earning its 51% interest Kennecott may elect to earn an additional 29% interest (for a total interest in the JV of 80%) by spending a further US\$25 million within a further 6 year period, taking total earn-in expenditures to US\$45 million.

AZURE MINERALS LIMITED

Alacrán Copper Project (Azure to earn 100% ownership from Teck)

Post the end of the period the Azure announced it had signed an agreement with Minera Teck S.A. de C.V ("Teck"), a subsidiary of Teck Resources Limited, whereby Azure can acquire 100% ownership of the Alacrán Copper Project, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico.

Alacrán is located in the northern Mexican state of Sonora, approximately 50km south of the USA border. The property covers 54km² of highly prospective exploration ground in the middle of one of North America's most prolific copper-producing district that extends from northern Mexico into Arizona. The property lies close to several large copper mines, including being adjacent to the giant Cananea Copper Mine where annual copper production capacity is expected to reach 510,000 tonnes in 2015.

However, despite being located in a major copper-producing district, having large operating copper mines in its immediate surrounds, and containing historical mining operations, due to its ownership history very little exploration has been undertaken on Alacrán.

The property has excellent potential for hosting significant economic copper mineralisation, including large porphyry-style copper deposits and smaller, higher grade, epithermal, skarn and breccia deposits.

During 2015 Azure is planning surface and underground mine sampling and IP surveys, to be followed up by drilling of identified targets. Exploration commenced with a first pass sampling program of outcrop and mine dumps undertaken at the historical mine workings of El Alacrán and Palo Seco.

3. Review of Operations and Results

The operating loss after income tax of the Group for the period was \$1,169,600 (2013: \$1,207,479). Included in this loss figure is \$845,650 (2013: \$1,148,090) of exploration expenditure written off.

Cash outflows from operating activities for the period were \$1,404,623 (2013: \$1,936,183).

4. Other items

Significant Changes in State of Affairs

During the financial period the Group raised \$982,982 (before costs) through the issue of 21,435,545 shares at \$0.03 each and the exercise of 16,995,833 options at \$0.02 each.

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 15.

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



Anthony Rovira
Managing Director
West Perth
Date: 11 March 2015

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

		Consolidated	
		31 December 2014	30 June 2014
		\$	\$
ASSETS	Note		
Current Assets			
Cash and cash equivalents	5	584,663	978,865
Trade and other receivables		359,907	238,666
Total Current Assets		944,570	1,217,531
Non-Current Assets			
Available-for-sale investments		948	948
Capitalised exploration expenditure	6	4,678,697	4,343,687
Other financial assets		45,378	45,378
Plant and equipment	7	73,780	85,295
Total Non-Current Assets		4,798,803	4,475,308
TOTAL ASSETS		5,743,373	5,692,839
LIABILITIES			
Current Liabilities			
Trade and other payables		493,146	249,061
Provisions		90,750	93,104
Total Current Liabilities		583,896	342,165
Non-Current Liabilities			
Provisions		49,962	52,687
Total Non-Current Liabilities		49,962	52,687
TOTAL LIABILITIES		633,858	394,852
NET ASSETS		5,109,515	5,297,987
Equity			
Contributed equity	8	48,893,452	47,965,163
Reserves		2,890,892	2,838,053
Accumulated losses		(46,674,829)	(45,505,229)
TOTAL EQUITY		5,109,515	5,297,987

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 2014

	Notes	Consolidated	
		31 Dec 2014 \$	31 Dec 2013 \$
Continuing Operations			
Other income		7,960	19,495
Depreciation and amortisation		(13,468)	(19,097)
Exploration expenditure written off		(845,650)	(1,148,090)
Exploration expenditure recovered		367,545	63,169
Salaries and wages		(261,915)	(272,102)
Consultants		(6,941)	(5,021)
Director fees		(49,756)	(47,500)
Travel and accommodation		(73,081)	(30,306)
Promotion		(54,630)	(27,868)
Insurance		(20,853)	(20,680)
Other administration expenses		(47,953)	(44,168)
Reverse prior year provision		-	426,978
Other expenses		(170,858)	(102,289)
		(1,169,600)	(1,207,479)
Loss from continuing operations before income tax			
Income tax expense		-	-
		-	-
Loss from continuing operations after income tax			
		(1,169,600)	(1,207,479)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit and loss</i>			
-			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Changes to available-for-sale financial assets, net of tax	4	-	(1,016)
Exchange differences on translation of foreign operations		52,839	49,892
Other comprehensive (income)/loss for the period net of tax		52,839	48,876
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			
		(1,116,761)	(1,158,603)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss (cents per share)	10	(0.15)	(0.19)

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 2014

31 December 2014

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2014	47,965,163	3,031,401	(39,996)	(153,352)	(45,505,229)	5,297,987
Loss for period	-	-	-	-	(1,169,600)	(1,169,600)
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	52,839	-	52,839
Total other comprehensive income/(loss)	-	-	-	52,839	-	52,839
Total comprehensive income/(loss) for the period				52,839	(1,169,600)	(1,116,761)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	928,289	-	-	-	-	928,289
Total transaction with owners	928,289	-	-	-	-	928,289
Balance at 31 December 2014	48,893,452	3,031,401	(39,996)	(100,513)	(46,674,829)	5,109,515

31 December 2013

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale-Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2013	44,677,855	2,222,665	(37,821)	(35,823)	(42,187,408)	4,639,468
Loss for period	-	-	-	-	(1,207,479)	(1,207,479)
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	(1,016)	-	-	(1,016)
Exchange differences on translation of foreign operations	-	-	-	49,892	-	49,892
Total other comprehensive income/(loss)	-	-	(1,016)	49,892	-	48,876
Total comprehensive income/(loss)for the period	-	-	(1,016)	49,892	(1,207,479)	(1,158,603)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	1,998,263	-	-	-	-	1,998,263
Total transaction with owners	1,998,263	-	-	-	-	1,998,263
Balance at 31 December 2013	46,676,118	2,222,665	(38,837)	14,069	(43,394,887)	5,479,128

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 2014

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(610,262)	(615,862)
Payments for exploration expenditure	(799,927)	(1,339,816)
Proceeds from mineral properties rights reimbursement	306,287	-
Interest received	5,566	19,495
	<u>(1,098,336)</u>	<u>(1,936,183)</u>
Net cash outflow from operating activities		
Cash flows from investing activities		
Payment for plant and equipment	(943)	(974)
Acquisition of mineral properties	(210,031)	(206,321)
	<u>(210,974)</u>	<u>(207,295)</u>
Net cash in/(outflow) from investing activities		
Cash flows from financing activities		
Proceeds from capital raising (net of costs)	928,289	1,998,263
Joint Venture Advances	-	60,923
	<u>928,289</u>	<u>2,059,186</u>
Net cash inflow from financing activities		
Net increase/(decrease) in cash and cash equivalents	(381,021)	(84,292)
Cash and cash equivalents at the beginning of the half-year	978,865	2,386,471
Effects of exchange rate changes in cash and cash equivalents	(13,181)	(9,331)
Cash and cash equivalents at the end of the half-year	<u>584,663</u>	<u>2,292,848</u>

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

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year ended 31 December 2014 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 2014 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 2014 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 2015 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 2014 that have been applied by the Group. The 30 June 2014 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 2014.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 3 OPERATING SEGMENTS (Cont'd)

	CONSOLIDATED	
	31 Dec 2014	30 Jun 2014
	\$	\$
Revenue from external sources	-	-
Reportable segment loss	(505,481)	(1,733,237)
Reportable segment assets	5,080,804	4,629,661
Reportable segment liabilities	(325,682)	(433,486)
	31 Dec 2014	31 Dec 2013
Reconciliation of reportable segment loss		
Reportable segment loss	(505,481)	(684,848)
Other profit	-	19,495
Unallocated:		
- Salaries and wages	(261,915)	(272,102)
- Travel and accommodation	(73,081)	(30,306)
- Other corporate expenses	(326,113)	(236,377)
- Depreciation	(3,010)	(3,341)
Loss before tax	<u>(1,169,600)</u>	<u>(1,207,479)</u>

NOTE 4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

Available-for-sale financial assets

Gain (loss) arising during the period	-	(1,016)
Exchange differences on translation of foreign operations	52,839	49,892

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 2014	30 Jun 2014
	\$	\$
Cash at bank and in hand	425,950	96,760
Short term deposits	158,713	882,105
	<u>584,663</u>	<u>978,865</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 6 CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED	
	31 Dec 2014	30 Jun 2014
	\$	\$
At Cost	4,678,697	4,343,687

Reconciliations

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

Opening net book amount	4,343,687	2,254,337
Foreign exchange adjustment	63,722	(74,612)
Additions	271,288	2,163,962
Closing net book amount	4,678,697	4,343,687

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

NOTE 7 PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired assets with a cost of \$943 (six months to 30 June 2014: \$10,085). No assets were sold during the six months ended 31 December 2014 (six months to 30 June 2014: Nil).

NOTE 8 ISSUED CAPITAL

	Shares	\$
Balance as at 1 July 2013	630,476,486	44,677,855
Share Placement issued at \$0.026	82,750,006	2,151,500
Share Issue Expenses	-	(153,237)
Balance as at 31 December 2013	713,226,492	46,676,118
Balance as at 1 July 2014	779,026,491	47,965,163
Share Placement issued at \$0.03	21,435,545	643,066
Options exercised at \$0.02	16,995,833	339,916
Share Issue Expenses	-	(54,693)
Balance as at 31 December 2014	817,457,869	48,893,452

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 8 ISSUED CAPITAL (Cont'd)

Options on issue as at 31 December 2014	Number
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 4.5 cents on or before 30 November 2016	<u>25,924,075</u>
	<u>50,924,075</u>
Options on issue as at 31 December 2013	Number
Exercisable at 2 cents on or before 30 September 2014	18,273,611
Exercisable at 4.9 cents on or before 30 November 2014	3,000,000
Exercisable at 5.8 cents on or before 30 June 2017	<u>25,000,000</u>
Total	<u>46,273,611</u>

NOTE 9 SHARE BASED PAYMENTS

There were no share based payments during this period.

NOTE 10 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 800,182,536. Diluted loss per share is not considered dilutive and has therefore not been presented.

NOTE 11 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 other than as disclosed in Note 13 -Events after the Reporting Date.

NOTE 12 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2014 financial statements. There were no significant changes to the related party arrangements of the Group during the half-year ended 31 December 2014.

NOTE 13 EVENTS AFTER THE REPORTING DATE

Since the end of the reporting period the Group has entered into an agreement with Minera Teck S.A. de C.V ("Teck"), a subsidiary of Teck Resources Limited, whereby Azure can acquire 100% ownership of the Alacrán Copper Project, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico. Full details of the acquisition terms are:

- Azure can acquire 100% ownership of Alacrán by:
 - Spending US\$5 million on the project within 4 years ("Required Expenditure");
 - Issuing 100,000 Azure shares to Teck on signing the formal documentation; and
 - Issuing 400,000 Azure shares to Teck on completing the Required Expenditure.
- Azure must spend US\$2 million within the first 2 years before it can withdraw from the project ("Minimum Expenditure").
- Teck retains a back-in right to re-acquire a 51% interest by sole funding US\$10 million of expenditure, including a US\$0.5 million cash reimbursement to Azure.
- Additionally, Teck may increase its interest to 65% by sole funding a further US\$5 million of expenditure, including a US\$1.5 million cash reimbursement to Azure.
- Grupo Mexico, owner of the adjoining Cananea Copper Mine, retains a 2% Net Smelter Royalty over future mineral production from Alacrán.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 13 EVENTS AFTER THE REPORTING DATE (Cont'd)

In addition, since the end of the reporting period the Group has commenced a Share Purchase Plan ("Plan") whereby shareholders may apply for up to \$15,000 worth of shares in Azure Minerals Limited. As at the date of this report the Plan has not been completed but applications totaling \$2,242,500 have been received.

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.

NOTE 14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 - the fair value is calculated using quoted market prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 31 December 2014

	\$
	Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948

As at 30 June 2014

	\$
	Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948

Due to their short term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

NOTE 15 IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will have no effect as the group does not hold any financial instruments.

There will be no impact on the group's accounting for financial liabilities, as the group does not hold any financial liabilities. The group has not yet decided when to adopt AASB 9.

AZURE MINERALS LIMITED

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2014

In the Directors' opinion:

- (a) The financial statements and notes, as set out on pages 3 to 11 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 2014 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
11 March 2015

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, which comprises the consolidated statement of financial position as at 31 December 2014, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2014 and its 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 Azure Minerals Limited, 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 Azure Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Ian Skelton', is written over a faint, light blue BDO logo.

Ian Skelton

Director

Perth, 11 March 2015

DECLARATION OF INDEPENDENCE BY IAN SKELTON TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 2014, 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.



Ian Skelton

Director

BDO Audit (WA) Pty Ltd

Perth, 11 March 2015