

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2016

HIGHLIGHTS

ALACRÁN PROJECT

Mesa De Plata

- Multi-million ounce JORC resource estimate completed for Mesa de Plata silver deposit:
 - Total Indicated Mineral Resource:
 - 25.9 million ounces of silver in 9.6 million tonnes @ 84g/t Ag
 - Includes High Grade Resource of:
 - 15.3 million ounces of silver in 2.2 million tonnes @ 219g/t Ag
- Core drilling for geotechnical logging and advanced metallurgical testwork nearing completion
- Infill RC drilling to upgrade deposit to Measured Resource category commenced
- Development studies underway for metallurgy, mineral processing, mining, environmental and permitting

Loma Bonita

- Drilling at Loma Bonita intersects gold mineralisation within the oxide zone over 300m strike, including:
 - 48.0m @ 2.68g/t Au & 32g/t Ag from 23.1m in MDPD-012
- Gold mineralised zone remains open in all directions and drilling continues in order to extend the footprint
- Testwork on oxide mineralisation shows gold is amenable to cyanide leaching with gold recoveries averaging:
 - 94% on ground samples (simulating conventional milling)
 - 71% on crushed samples (simulating heap leach processing)

PROMONTORIO PROJECT

- Deep diamond drilling program continues with six holes completed
- Porphyry-hosted copper sulphide mineralisation intersected
- Acquired 100% ownership of the Hidalgo mineral concession, giving Azure full 100% ownership of all concessions comprising the Promontorio Project

CORPORATE

- Successful completion of a \$16.2 million capital raising to underpin further exploration work and development studies on Mesa de Plata
- Strong support from major Australian and international institutional investors

Azure's Managing Director, Mr Tony Rovira commented: "I am delighted with the progress we have made at the Alacrán and Promontorio Projects over the last quarter. Delivering the maiden resource at Mesa de Plata was a particular highlight, which allows us to progress toward assessing our various development strategies, and the results from our active drilling programs continue to demonstrate the huge potential of both projects.

"The Company is also very pleased with the support shareholders have shown the Company during the recently completed capital raising. This provides us with the balance sheet to rapidly progress our exploration activities and development studies."

ALACRÁN PROJECT (Azure can earn 100% ownership from a subsidiary of Teck Resources Limited ("Teck"), subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico)

Mesa de Plata Mineral Resource

During the Quarter, Azure announced a JORC Mineral Resource (ASX: 9 May 2016) for the Mesa de Plata silver deposit (see Table 1).

The resource, 100% of which is in the Indicated category, is estimated to contain 25.9 million ounces of silver, with 15.3 million ounces hosted within the near-surface High Grade Zone.

Table 1: Mesa de Plata JORC Code Indicated Mineral Resource

Estimation Zone	Tonnes (millions)	Ag (g/t)	Ag Metal (million troy ounces)
High Grade	2.17	219.3	15.3
Mid-Grade	7.42	44.3	10.6
TOTAL	9.59	83.9	25.9

Notes: The total Mineral Resource estimate is reported using a ≥ 20 g/t Ag block cut-off grade based on capped grades estimates. Note the high grade part of the estimate is exclusive of the medium grade so the total resource is the sum of the two estimation domains.

Mesa de Plata Project Development

The completion of this Mineral Resource has enabled Azure to initiate studies into the potential development of a mining and processing operation to exploit the Mesa de Plata silver deposit. These development studies include the following activities:

Drilling:

A program of large diameter (PQ size: 85mm) core drilling comprising seven holes for approximately 450m to collect bulk samples for further metallurgical testwork is nearing completion.

Reverse Circulation (RC) drilling is in progress to infill the drill hole spacing to a nominal 25m x 25m spacing to upgrade the High Grade Zone to Measured Resource status. This program comprises 85 drill holes for 4,000m. To date 22 holes for 750m have been completed and the program is expected to be completed in August.

Metallurgical Testwork:

Bulk samples totalling more than three tonnes of mineralised material will be collected from the large diameter core drilling and dispatched to the Kappes Cassiday & Associates (KCA) laboratories in Reno, Nevada, USA. These samples will be subject to crushing and grinding tests, and then multiple column leaching tests to investigate the heap leach processing option.

A total of 110 individual samples from the original RC drilling program have also been dispatched to Kappes Cassiday. These samples have been combined into six separate composite samples for metallurgical variability testwork, specifically to identify areas within the deposit that may provide greater or lesser recoveries by cyanide leaching.

Mining Studies:

Geotechnical logging of the large diameter drill core is currently being undertaken for the purposes of pit design, wall stability and other mining parameters.

Environmental and hydrological studies:

Environmental consultants have been engaged to carry out baseline studies over the Mesa de Plata and surrounding areas as the first stage in obtaining environmental approvals for mining and processing operations.

Consultants have commenced hydrological studies to determine availability of groundwater supplies.

Mesa de Plata Exploration

The Mesa de Plata mineral resource remains open to north and northeast of the deposit.

Drilling undertaken after the Mineral Resource estimation process was completed (holes MDPD-013 & 014) intersected silver mineralisation approximately 50m-70m to the northeast of the resource limits (ASX: 9 May 2016; refer to Table 2 & Figure 1). This indicates good potential to expand the Mesa de Plata resource in this direction.

Table 2: Significant silver intercepts from MDPD-013 & 014

HOLE No	DEPTH (m)		INTERCEPT WIDTH (m)	GRADE
	FROM	TO		Ag (g/t)
MDPD-013	0.0	3.0	3.0	32

MDPD-014	0.0	17.3	17.3	45
and	26.5	46.0	19.5	68
which includes	31.7	35.4	3.7	168

Diamond drilling is also planned to test high grade silver identified from surface sampling at the Mesa de Plata Norte area, located approximately 500m-750m north of the Mesa de Plata deposit. This drilling will commence once the initial drilling of the Loma Bonita Gold Prospect has been completed.

Loma Bonita Exploration

Located 300m to the east of the Mesa de Plata silver deposit lies the Loma Bonita gold prospect where anomalous gold and silver is present in outcrop throughout the 600m-800m long ridge. Mineralisation is hosted in silicified and iron-rich hydrothermal breccia. Azure's geological model suggests this is part of a feeder zone within an extensive mineralised system that may extend to significant depths.

Drilling continued at Loma Bonita with excellent results being returned, identifying significant near-surface gold and silver mineralisation. A deeper zone of copper sulphide mineralisation (8.4m @ 0.9% Cu including 1.4m @ 2.4% Cu; ASX: 14 June 2016) was also intersected.

Strong gold mineralisation occurs in holes MDPD-011, 012 and 016 (ASX: 11 May & 14 June 2016: see Table 3 & Figure 1). Importantly, MDPD-012 provided the project's first high grade gold intersection, returning **27.0m @ 4.07g/t Au** inside a wider interval of **48m @ 2.68g/t Au**.

All gold intercepts at Loma Bonita occur within the oxide zone, either at or near to surface, and drilling indicates that the mineralised zone extends in a north-south direction for over 300m. Drilling to test the east-west dimensions has recently commenced.

Table 3: Significant gold and silver intercepts from Loma Bonita

HOLE No	DEPTH (m)		INTERCEPT WIDTH (m)	GRADE	
	FROM	TO		Au (g/t)	Ag (g/t)
MDPD-011	0.00	18.4	18.4	1.57	40
which includes	2.00	9.70	7.70	2.00	48
MDPD-012	23.1	71.1	48.0	2.68	32
which includes	23.1	50.1	27.0	4.07	27
including	23.1	38.7	15.6	5.18	22
and	59.8	69.4	9.6	1.40	52
MDPD-016	0.0	25.0	25.0	0.78	28
which includes	0.0	6.0	6.0	1.04	18
and	14.0	25.0	11.0	1.09	39
MDPD-017	25.0	36.0	11.0	0.16	26

Loma Bonita Metallurgy

Azure has completed preliminary metallurgical testwork on gold-mineralised material from Loma Bonita (ASX: 14 July 2016) with excellent results.

Industry standard bottle roll tests were undertaken at the KCA laboratories in Reno, Nevada. Testwork focused on two different size fractions, comprising ground (average size of ground samples is +80% passing 80 micron) and crushed (average size of crushed samples is +80% passing 11.2mm [approximately half inch]) particle sizes. These sizes were tested to simulate gold recoveries that might be expected to be achieved from conventional milling (eg carbon-in-pulp or carbon-in-leach processing) and heap leach gold processing, respectively.

Tests were conducted on 20 core samples (10 fine ground and 10 coarse crushed), collected and composited from diamond drill holes MDPD-007, MDPD-011, MDPD-012 and MDPD-016. Gold grades of these composite samples ranged between 0.25g/t Au and 4.51g/t Au and were sourced from depths varying from surface to 74 metres below surface. These samples are considered to be representative of the currently known grade range of the gold mineralisation, and the strike and depth extents of the Loma Bonita mineralised zone.

Excellent gold recoveries of between 88% and 99% were achieved on the ground material, with an overall average recovery of 94% (refer Table 4). Tests on the crushed material achieved recoveries of between 42% and 89%, with an overall average recovery of 71% (refer Table 5). Leach kinetics were excellent, with rapid recoveries achieved on the ground material within a 24 hour period and over a period of 192 hours (8 days) on the crushed material.

**Table 4: Loma Bonita Gold Recovery
Preliminary bottle roll cyanidation tests of ground samples**

Hole Number	Composited Sample Interval (metres)		Particle Size p80 (mm)	Sample Weight (kg)	Head Assay of Composited Interval		Recovery	
	From	To			(g/t Au)	(g/t Ag)	% Au	% Ag
MDPD-007	0.00	10.70	0.049	1.0	2.18	48.1	88	19
	10.70	23.85	0.061	1.0	0.25	50.0	91	10
MDPD-011	0.00	6.00	0.059	1.0	0.96	35.6	95	10
	6.00	17.35	0.057	1.0	1.84	42.4	92	14
MDPD-012	23.15	32.05	0.066	1.0	4.51	20.5	99	18
	32.05	50.15	0.057	1.0	3.08	29.5	97	24
	50.15	60.70	0.124	1.0	0.49	26.2	93	13
	60.70	63.85	0.056	1.0	1.39	50.1	94	27
	63.85	73.95	0.101	0.5	0.63	34.6	91	14
MDPD-016	0.00	6.00	0.112	0.5	0.56	19.9	95	11
	15.00	24.00	0.141	0.5	1.08	44.2	95	9

**Table 5: Loma Bonita Gold Recovery
Preliminary bottle roll cyanidation tests of crushed samples**

Hole Number	Composited Sample Interval (metres)		Particle Size p80 (mm)	Sample Weight (kg)	Head Assay of Composited Interval		Recovery	
	From	To			(g/t Au)	(g/t Ag)	% Au	% Ag
MDPD-007	0.00	10.70	11.94	5.0	2.18	48.1	42	2
	10.70	23.85	10.05	5.0	0.25	50.0	60	1
MDPD-011	0.00	6.00	12.35	5.0	0.96	35.6	78	2
	6.00	17.35	7.37	5.0	1.84	42.4	89	7

MDPD-012	23.15	32.05	10.88	5.0	4.51	20.5	51	3
	32.05	50.15	12.23	5.0	3.08	29.5	69	5
	50.15	60.70	10.74	4.0	0.49	26.2	76	4
	60.70	63.85	12.36	5.0	1.39	50.1	69	5
	63.85	73.95	11.94	3.0	0.63	34.6	81	5
MDPD-016	0.00	6.00	12.93	1.5	0.56	19.9	87	5
	15.00	24.00	10.84	4.0	1.08	44.2	82	4

ALACRÁN BACKGROUND

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 has signed an Agreement with Teck 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.

PROMONTORIO PROJECT (Azure 100%; Kennecott Exploration Mexico SA de CV may earn up to an 80% interest)

A 9,000m diamond core drilling program commenced in March 2016 within the central concessions of the Promontorio Project in Chihuahua State, Mexico. The project is a joint venture between Azure and Kennecott Exploration, a member of the Rio Tinto Group, in search of a mineralized porphyry copper +/- gold system.

To date, a total of six holes have been completed (APR-DD-124 to APR-DD-129) with a total meterage of 5,515m. Drill hole lengths vary between 600m and 1,507m and inclined drill hole angles vary between -50 degrees and -80 degrees. Current drill hole APR-DD-130 has advanced to 900m and is continuing. Drill hole APR-DD-131 is scheduled to complete the first phase of the exploration drilling program.

Drilling is focused below the Cascada Zone, which is part of an exposed window of a felsic to intermediate subvolcanic dome complex that is surrounded and overlain by younger felsic volcanic flows and pyroclastic units. The window includes the Central Zone (previously known as the Promontorio Zone) in the southeast, the Cascada Zone and the Northwest Zone. The Central and Cascada zones have demonstrated and defined JORC mineral resources within a high-sulphidation (HS) vein mineral system. The current exploration program is targeting copper-gold mineralization hosted in porphyritic intrusive rocks that are commonly associated with and typically lie below or in close vicinity to HS vein systems.

Targeting of the porphyry system is utilizing geology, historic drill information, various geophysical surveys completed on the project (2003, 2013, 2014 & 2015) including Induced Polarization (IP), resistivity, electromagnetic (EM), magnetic and magneto-telluric (MT) surveys. Surface geological as well as historic and current drill core evaluations using "near infra-red spectrometry" (NIR-spectrometry) and sulphide mineral associations are guiding the current drill hole selection process.

Drilling to date has confirmed the presence of a porphyry mineral system with the appearance of several gradational and cross cutting phases of dacitic quartz and quartz-feldspar intrusive units with well-developed quartz and fracture stockwork zones typical of porphyry systems ("B" veins) and

prominent breccia (including hydrothermal +/- tourmaline) phases. A network of veining is present that is interpreted to be related to a classic porphyry setting ("A" and "D" veins).

Prominent alteration zones, locally with vertical and horizontal zonation are being identified using the NIR-spectrometry results. These alteration zones include phyllic (quartz-sericite-pyrite), argillic (illite, kaolinite, dickite) and pyrophyllite alteration that is known to exist in the root zones of HS vein systems, immediately above a potential porphyry system.

Additional support of a potential copper +/- gold system below the known, near-surface HS vein system is provided by the disappearance of enargite and the appearance of other copper sulphide minerals in the form of chalcopyrite and bornite in disseminated, vein and fracture filling forms. Near-porphyry base metal sulphide mineralisation comprising sphalerite and galena provide support for continued exploration to locate the core of the system.

CORPORATE

During and shortly after the quarter, Azure successfully raised \$16.2 million through a two-tranche placement and a Share Purchase Plan.

Under the placement, 389,016,979 million new shares were issued at a price of \$0.038 per share to sophisticated and institutional investors in Australia, Europe, Asia and North America, raising a total of \$14.8 million.

Under the Share Purchase Plan, valid acceptances were received for an additional 37,750,063 shares to be issued at \$0.038 per share, for a total of \$1.4 million.

-ENDS-

For further information:

Tony Rovira

Managing Director
Phone: +61 8 9481 2555

Media & Investor Relations

Michael Weir or Richard Glass
Citadel-MAGNUS
+61 8 6160 4903

Competent Person Statements:

The information in this report that relates to Mineral Resources for the Mesa de Plata silver deposit was reported to the ASX on 9 May 2016 (JORC 2012). Azure confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 9 May 2016, and that all material assumptions and technical parameters underpinning the estimates in the announcement of 9 May 2016 continue to apply and have not materially changed.

Information in this report that relates to previously reported Exploration Results has been crossed-referenced in this report to the date that it was reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement.



Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(2,259)	(5,916)
(b) development	-	-
(c) production	-	-
(d) administration	(192)	(1,614)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(2,434)	(7,485)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(1,666)	(1,848)
(b) equity investments	-	-
(c) other fixed assets	(81)	(192)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	7	7
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – JV Advances	1,408	2,699
Net investing cash flows	(332)	666
1.13 Total operating and investing cash flows (carried forward)	(2,766)	(6,819)

Appendix 5B
Mining Exploration Entity Quarterly Report



1.13	Total operating and investing cash flows (brought forward)	(2,766)	(6,819)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	7,993	14,554
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	45	45
Net financing cash flows		8,038	14,599
Net increase (decrease) in cash held		5,272	7,780
1.20	Cash at beginning of quarter/year to date	4,212	1,775
1.21	Exchange rate adjustments to item 1.20	(97)	(168)
1.22	Cash at end of quarter	9,387*	9,387*

* Note that cash at the end of the quarter includes \$240,408 which has been advanced by Kennecott Exploration and is quarantined for use solely on the Promontorio project.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	108
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

During the quarter Kennecott Exploration Mexico, SA. De C.V. advanced US\$1,000,000 as part of its earn in commitment on The Promontorio project.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,291
4.2 Development	-
4.3 Production	-
4.4 Administration	500
Total	2,791

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,329	4,154
5.2 Deposits at call	58	58
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	9,387	4,212

Changes in interests in mining tenements

Refer to Annexure 1 for full list of mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-



Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	1,464,260,045	1,464,260,045		
7.3 +Ordinary securities				
7.4 Changes during quarter				
(a) Increases through issues	218,773,092	218,773,092	\$0.038	\$0.038
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	25,000,000	Nil	\$0.058	30/06/17
	25,924,075	Nil	\$0.045	30/11/16
	31,200,000	Nil	\$0.060	30/11/18
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to read "Brett Dickson".

Sign here: Date: 29 July 2016
(Director/Company secretary)

Print name: Brett Dickson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Annexure 1
Schedule of interests in mining tenements

Project	Common Name		Tenement	Percentage held
El Tecolote	El Tecolote	All Minerals	230771	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio ³	Hidalgo	All Minerals	235270	100%
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio Regional	All Minerals	234447	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%
Alacran ²	Kino 3	All Minerals	166312	-
	Kino 2	All Minerals	166313	-
	Kino 4	All Minerals	166314	-
	Kino 8	All Minerals	166315	-
	Kino 9	All Minerals	166316	-
	Kino 10	All Minerals	166317	-
	Kino 11	All Minerals	166318	-
	Kino 15	All Minerals	166365	-
	Hidalgo No. 4	All Minerals	166366	-
	Kino 16	All Minerals	166367	-
	Hidalgo No. 3	All Minerals	166368	-
	Hidalgo No. 2	All Minerals	166369	-
	Hidalgo No. 5	All Minerals	166370	-
	Hidalgo No. 6	All Minerals	166371	-
	Hidalgo No. 8	All Minerals	166372	-
	Hidalgo No. 7	All Minerals	166373	-
	Hidalgo	All Minerals	166374	-
	Hidalgo No. 9	All Minerals	166375	-
	San Simon	All Minerals	166376	-
	San Simon No. 2	All Minerals	166377	-
El Alacran	All Minerals	201817	-	

1. Azure can earn 100% ownership from a subsidiary of Teck Resources Limited (“Teck”), subject to an underlying back-in right retained by Teck
2. Kennecott Exploration Mexico S.A. de C.V. has an option to earn up to an 80% interest in the Promontorio project.