

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 30 SEPTEMBER 2017

Oposura Project

- Azure acquired 100% ownership of the advanced-stage, high-grade Oposura project
- Drill results confirm Oposura's potential to host a high-grade zinc-lead-silver deposit
- Resource drill-out program in progress with 2 drill rigs currently operating
- A maiden mineral resource estimate aimed for the end of March 2018
- Development studies are underway

Sara Alicia Project

- Azure acquired 100% ownership of the Sara Alicia gold-cobalt project
- Sampling returned high gold and cobalt grades from outcrop and old mine workings
- Separate zones of copper-zinc-silver mineralisation also identified
- Exploration drilling program in progress

Alacrán Project

- 5,000m diamond drilling campaign commenced with 3 drill rigs operating
- Drilling will target epithermal and porphyry copper mineralisation at Loma Bonita, Cerro San Simon and Cerro Colorado

Corporate

- Azure has proposed a 20 for 1 share consolidation, reducing the current shares on issue from 1,672,653,595 to 83,623,680. Shareholder approval for the proposal will be sought at the AGM on 20 November 2017
- Cash balance at end of quarter is \$5.9 million

Throughout 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. The Oposura acquisition delivers on this strategic approach and provides the Company with the high-quality, flagship project that it sought. Azure is now a company with a diversified portfolio of highly prospective projects.

Oposura Project

(AZS 100% ownership)

Azure executed an agreement on 11th August 2017 to acquire 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 payable to the vendors. There are no back-in, earn-back or other rights relating to the Oposura Project.

Oposura is an advanced-stage project where historical drilling and exploratory underground mine development 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).

During the quarter, Azure announced assay results from a diamond drilling campaign conducted by Puma immediately prior to the acquisition. This 16-hole drilling program intersected high grades of zinc, lead and silver from near surface in most holes (see Table 1 and refer ASX announcement dated 4 September 2017).

Table 1: High Grade Mineralised Zones Intersected by Drilling at Oposura¹

DRILL HOLE	HIGH GRADE ZONE ²	OVERALL MINERALISED ZONE ³
BDA-01	1.85m @ 22.3% Zn+Pb & 26.3g/t Ag from 14.55m	4.40m @ 13.0% Zn+Pb & 18.2g/t Ag from 13.80m
BDA-03	2.85m @ 33.1% Zn+Pb & 65.7g/t Ag from 36.05m	9.30m @ 11.4% Zn+Pb & 32.1g/t Ag from 29.60m
BDA-04	1.35m @ 24.6% Zn+Pb & 42.8g/t Ag from 46.90m	2.50m @ 14.5% Zn+Pb & 27.7g/t Ag from 45.75m
BDA-6AR	1.70m @ 42.6% Zn+Pb & 45.2g/t Ag from 29.40m	7.40m @ 13.7% Zn+Pb & 21.9g/t Ag from 24.55m
BDA-07	1.10m @ 38.8% Zn+Pb & 56.0g/t Ag from 55.70m	3.40m @ 13.9% Zn+Pb & 22.6g/t Ag from 53.40m
BDA-07	1.50m @ 52.5% Zn+Pb & 90.6g/t Ag from 67.55m	3.00m @ 29.2% Zn+Pb & 53.8g/t Ag From 66.30m
BDA-08	4.60m @ 24.6% Zn+Pb & 147g/t Ag from 47.00m	6.65m @ 18.8% Zn+Pb & 107g/t Ag from 45.95m

¹ Selected intercepts, see Table 1 for full details of all significant drill intercepts

² High Grade Zones use a 20% Zn+Pb lower grade cut-off and no top cut

³ Overall Mineralised Zones use a 10% Zn+Pb lower grade cut-off and no top cut

Azure has commenced a resource drill-out campaign with two drill rigs currently operating, and results will be used to complete a JORC mineral resource estimate by the end of the March quarter 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.

Development studies, including metallurgical testwork, mine design, hydrological and environmental studies, have commenced and are being conducted in parallel with the resource drill-out.

Sara Alicia Project

(AZS 100% ownership)

Azure further broadened and strengthened its Mexican portfolio during the September quarter, with the purchase of the high-grade Sara Alicia gold-cobalt project.

Cobalt deposits are virtually unknown in Mexico and identifying and acquiring Sara Alicia demonstrates the ability of the Company's exploration team to recognise investment-grade opportunities.

Azure purchased 100% ownership by making 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 future mineral production and there are no back-in, earn-back or other rights attached to the deal.

Historically, Sara Alicia was a small-scale producer of gold and cobalt in the 1930s from an underground mining operation. No production records are available, however historical plans and reports indicate that the mine was operated on six levels to a depth of approximately 60m below surface.

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 carried out sampling of outcrops, mine dumps and old mine workings, with many significant assay results being returned (refer ASX announcement of 23 August 2017), including:

Table 2: High Grade Mineralised Samples from Sara Alicia**Gold-Cobalt Zone**

SAMPLE No.	SAMPLE TYPE	SAMPLE LENGTH	GRADES	
			Gold	Cobalt
REC-1820	Chip channel	2.5m	39.0g/t Au	6.07% Co
REC-1842	Mine dump	NA	27.3g/t Au	3.86% Co
REC-1821	Chip channel	2.5m	12.5g/t Au	6.94% Co
REC-1804	Mine dump	NA	10.0g/t Au	1.87% Co
REC-1807	Chip channel	3.0m	5.74g/t Au	2.36% Co
REC-1811	Chip channel	3.0m	2.11g/t Au	3.23% Co

Copper-Zinc-Silver Zones

SAMPLE No.	SAMPLE TYPE	SAMPLE LENGTH	GRADES		
			Copper	Zinc	Silver
REC-1838	Chip channel	2.4m	2.20% Cu	2.45% Zn	84g/t Ag
REC-1839	Chip channel	1.0m	3.38% Cu	3.07% Zn	124g/t Ag
REC-1840	Chip channel	3.5m	2.15% Cu	4.22% Zn	54g/t Ag
REC-1845	Chip channel	2.5m	5.20% Cu	2.51% Zn	170g/t Ag
REC-1846	Chip channel	1.5m	2.12% Cu	3.25% Zn	133g/t Ag

Azure's maiden drilling program at Sara Alicia has commenced with five diamond core holes planned for 450m. Drilling is targeting the areas around the old mine workings and outcrops which contain the high-grade gold and cobalt mineralisation detailed in Table 2.

Alacrán Project

(AZS 100% ownership, Teck Resources Ltd earning 51%)

Field work undertaken by earning-in partner Teck Resources included surface geochemical sampling and geophysical (Induced Polarisation) surveys. Following the end of the period, a 5,000m diamond drilling program commenced with three drill rigs currently operating. Drill targets include epithermal mineralisation at Loma Bonito and Cerro San Simon and the porphyry copper potential of Cerro Colorado.

Promontorio Project

(AZS 100% ownership)

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

Business Development

Oposura and Sara Alicia were the stand-out opportunities identified during the Company's project review process, as they are both high quality projects offering significant exploration upside and near-term development potential. As a result, during the quarter Azure achieved its strategic development objective (announced earlier this year) of acquiring advanced stage, precious metal and/or base metal projects with potential for near-surface, high grade mineralisation.

Corporate

At the end of the September Quarter, Azure had approximately \$5.9 million in cash.

-ENDS-

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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 announcements.

Appendix 5B

Name of entity

AZURE MINERALS LIMITED

ABN

46 106 346 918

Quarter ended ("current quarter")

30-Sep-17

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for	-	-
(a) exploration & evaluation	(902)	(902)
(b) development	-	-
(c) production	-	-
(d) staff costs	(134)	(134)
(e) administration and corporate costs	(546)	(546)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,563)	(1,563)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17)	(17)
(b) tenements (see item 10)	(2,064)	(2,064)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2,081)	(2,081)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
3 Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,700	9,700
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,563)	(1,563)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,081)	(2,081)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(81)	(81)
4.6 Cash and cash equivalents at end of period	5,975	5,975

5 Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,917	9,642
5.2 Call deposits	58	58
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,975	9,700

6 Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	83
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Includes salaries and superannuation for executive directors and fees and superannuation for non-executive directors		

7 Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9 Estimated cash outflows for next quarter		\$A'000
9.1	Exploration and evaluation	1,085
9.2	Development	-
9.3	Production	-
9.4	Staff costs	215
9.5	Administration and corporate costs	512
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	1,812

10	Changes in tenements (items 2.1(b) & 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Refer Annexure 1			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer Annexure 1			

Refer to Annexure 1 for full list of mining tenements

Compliance statement

- 1** This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2** This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 25 October 2017

Print name: Brett Dickson

Annexure 1

Schedule of Interests in Mining Tenements

Project	Common Name		Tenement	Percentage held
Oposura	El Monstruo De Plomo	All Minerals	180473	100%
	Don Genaro	All Minerals	180474	100%
	El Crestón De Plomo	All Minerals	180475	100%
	Candelaria	All Minerals	180476	100%
	El Hueco	All Minerals	180477	100%
	Campo De Plomo	All Minerals	180602	100%
	Oposura Número 2	All Minerals	180603	100%
	Oposura Número 4	All Minerals	180604	100%
	Oposura Número 6	All Minerals	180605	100%
	El Encinal	All Minerals	223473	100%
Sara Alicia	Sara Alicia	All Minerals	165539	100%
El Tecolote	El Tecolote	All Minerals	243923	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio	Hidalgo	All Minerals	235270	100%
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio 1	All Minerals	245495	100%
	Promontorio 2	All Minerals	245496	100%
	Promontorio 3	All Minerals	245497	100%
	Promontorio 4	All Minerals	245505	100%
	Promontorio 5	All Minerals	245500	100%
	Promontorio 6	All Minerals	245498	100%
	Promontorio 7	All Minerals	245506	100%
	Promontorio 8	All Minerals	245507	100%
	Promontorio 9	All Minerals	245501	100%
	Promontorio 10	All Minerals	245499	100%
Promontorio 11	All Minerals	245502	100%	
Promontorio 12	All Minerals	245503	100%	
Promontorio 13	All Minerals	245504	100%	
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%
Alacran ¹	Kino 3	All Minerals	166312	100%
	Kino 2	All Minerals	166313	100%
	Kino 4	All Minerals	166314	100%
	Kino 8	All Minerals	166315	100%
	Kino 9	All Minerals	166316	100%
	Kino 10	All Minerals	166317	100%
	Kino 11	All Minerals	166318	100%
	Kino 15	All Minerals	166365	100%
	Hidalgo No. 4	All Minerals	166366	100%
	Kino 16	All Minerals	166367	100%
	Hidalgo No. 3	All Minerals	166368	100%
	Hidalgo No. 2	All Minerals	166369	100%
	Hidalgo No. 5	All Minerals	166370	100%
	Hidalgo No. 6	All Minerals	166371	100%
	Hidalgo No. 8	All Minerals	166372	100%
	Hidalgo No. 7	All Minerals	166373	100%
	Hidalgo	All Minerals	166374	100%
	Hidalgo No. 9	All Minerals	166375	100%
	San Simon	All Minerals	166376	100%
	San Simon No. 2	All Minerals	166377	100%
El Alacran	All Minerals	201817	100%	

1 Teck Resources Limited (“Teck”) has advised it intends to exercise its back-in right to earn-back a 51% interest in these concessions.