

COMPANY Azure Minerals | AZS | \$0.02/share | Mkt Cap \$33m

Date: 9 November 2017

RECOMMENDATION Speculative Buy | Very High Risk | Unchanged

EVENT COBALT WITH A ZINC CHASER

KEY POINTS

- AZS is an explorer that has been operating in Mexico for a number of years, over which time the AZS team has built up considerable in country experience and made a number of discoveries. AZS has a healthy cash balance of \$5.9m (30 Sep 2017).
- With 5 drill rigs operating and one more to come online soon there is scope for some good news flow in the coming weeks. Add to this that AZS recently completed a 6 hole program on a high grade gold/cobalt prospect and the assays are expected in couple of weeks.
- AZS is predominantly a zinc, lead and silver company and with exposure to gold and cobalt. Market interest in cobalt and zinc is high and the potential for positive news from the drilling being undertaken by AZS is likely to be a catalyst. The first assays are expected in a couple of weeks, with more news to follow. The main game for AZS will be the zinc asset, with the cobalt a sweetener to whole story. We maintain a Speculative Buy recommendation with a Very High Risk rating.

COBALT RESULTS TO COME

We recently caught up with Azure Minerals (AZS) for an update on progress with their projects in Mexico. AZS has been quiet for a while now as they regrouped post the decision by Teck Resources in late 2016 to earn back into their flagship silver and gold project. Since then AZS has acquired two interesting project, namely a high grade zinc project and also a high grade gold and cobalt prospect. Drilling at the zinc project has commenced with two rigs working and another coming soon.

At the cobalt/gold prospect ASZ's has reported cobalt grades of up to 6% from rock chip samples. This has been followed up with a 6 hole drilling program, assays due in a couple of weeks. Given the current markets rampant appetite for cobalt stories, if the drilling results are anywhere near the rock chip grades the stock is likely to be lapped up.

We currently have a speculative Buy recommendation on AZS and have covered it for a while now, see links to research notes following. With drilling underway and news flow to increase we see the a lot of potential in the AZS story for not only short term news on the cobalt but also the developing zinc project.

PROJECTS OVERVIEW

Oposura Zinc Project is an advanced stage exploration zinc/lead/silver project located in northern Mexico. AZS has reported reports high grade zinc+lead mineralisation from previous drilling and also underground sampling, in addition to favourable metallurgical results and exploration upside. Recent drilling results included:

- 3.00m @ 29.2% Zn+Pb & 53.8g/t Ag
- 7.40m @ 13.7%Zn+Pb & 21.9g/t Ag
- 6.65m @ 18.8% Zn+Pb & 107g/t Ag

The aims of the current drilling program are to define a maiden resource, and show the potential for possible extensions to mineralisation. The geometry of the mineralisation, high grades, and the possibility for parallel lodes to be discovered are all positive for a possible low capex open cut operation.

Sara Alicia gold-cobalt project (100% AZS) is a high grade skarn style mineralisation which was last mined in the 1930's. AZS has undertaken sampling and reported cobalt grades up to 6% and gold in the range of 2.1g/t-39g/t. In addition copper grades ~ 2%, zinc ~ 3% and silver ~ 100g/t were also reported. The grades are spectacular, especially for cobalt when compared to a number of other cobalt projects. A maiden drilling program consisting of six holes has been completed, with the results expected later in November.

Alacran Silver/Gold Project

Teck is spending US\$10m to earn back 51% of the project and then another US\$5m to get to 65%. They currently have 3 rigs drilling targeting the deeper porphyry copper targets as well as the shallower silver and gold resources defined by AZS. When we have seen major companies in JV with a junior in the past the news flow can be limited, therefore we are not expecting a rush of new data from Alacran in the near term.

For additional background on the projects please see our previous research

[AZS September 2017 PAC Partners](#)

[AZS August 2017 PAC Partners](#)

[AZS May 2017 PAC Partners](#)

[AZS March 2017 PAC Partners](#) (Initiation)

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

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