



Azure Minerals (ASX: AZS)

Azure Minerals Making Mexican Mine Movements

The movement companies make from the exploration phase into the mine developmental process makes hard work of creating market interest.

CASE IN POINT: AZURE MINERALS (ASX: AZS) and its 100 per cent-owned Oposura zinc-lead-silver project, located in Sonora Mexico.

After acquiring the project in 2017, Azure soon reported high-grades of zinc, lead and silver of greater than 10 per cent zinc, 10 per cent lead and 40 grams per tonne silver, recording maximum values of 49.6 per cent zinc, 34.1 per cent lead and 448g/t silver, attracting plenty of market attention.

Samples from the massive sulphide zones of the project returned copper grades in the range of 0.5 per cent to one per cent copper, adding further interest.

Azure defined a body of high-grade, massive sulphide-hosted, zinc, lead and silver mineralisation, to deliver an initial Mineral Resource Estimate (MRE) of 2.9 million tonnes at 5 per cent zinc, 2.8 per cent lead and 17g/t silver.

These figures were too good to ignore, and a subsequent Scoping Study has determined Oposura to be an economically and technically robust, high-margin project.

Based upon metals prices of the date of the MRE, the Oposura project is expected to generate total positive EBITDA of \$237 million and an NPV of \$112 million, with an Internal Rate of Return of 76 per cent and a 16 month payback period.

The study determined low operating and capital costs, high-value concentrates, strong operating cashflows and, most importantly, a C1 cash cost (per pound of payable zinc production, net of by-product credits) in the lowest quartile of world zinc producers, all support the positive project economics.

It also demonstrated an optimal mining rate of approximately 500,000 tonnes per annum from both open pit and underground mining operations, at Life of Mine (LOM) average grades of 4.6 per cent zinc, 2.6 per cent lead and 15.9g/t silver, delivering an initial mine life of 5.3 years.

Approximately 95 per cent of the zinc and lead mineralisation to be mined in the first year sits in the current JORC Indicated Mineral Resource category, ensuring most of the payback period of 16 months will be achieved by mining Indicated Resources.

The processing flowsheet comprises two-stage crushing followed by ore sorting utilising Dense Media Separation (DMS) to reject waste material and to feed an upgraded product to the milling and flotation circuit at approximately 295,000 tonnes per annum at LOM average grades of 7.5 per cent zinc, 4.1 per cent lead and 24.5g/t silver.

This will result in high recoveries and clean, commercial-grade concentrates averaging grades of 53 per cent zinc with an average zinc recovery of 87.5 per cent.

It will also produce average lead concentrate grades of 60 per cent lead and 320g/t silver with an average lead recovery of 85 per cent and average silver recovery of 67 per cent.

Oposura will produce approximately 35,000 tonnes of zinc concentrate and 16,000 tonnes of lead concentrate annually, containing approximately 19,000 tonnes of zinc and 10,000 tonnes of lead respectively.

Annual production of lead concentrate will contain approximately 145,000 ounces of silver.

The project is anticipated to be in production by late 2020 to early 2021.

The study was supported by continued Resource infill and extension drilling that returned further high-grade mineralisation over substantial widths.

Mineral Resource infill drilling in the East Zone returned:

- » **OPDH-184**
5.25 metres at 24.4 per cent zinc and lead (Zn+Pb) and 34g/t silver, including 3.05m at 39.3 per cent Zn+Pb and 54g/t silver;
 - » **OPDH-185**
8.65m at 11.4 per cent Zn+Pb and 17g/t silver, including 4.55m at 19.6 per cent Zn+Pb and 29g/t silver; and
 - » **OPDH-194**
6m at 11.7 per cent Zn+Pb and 13g/t silver, including 2.95m at 21.9 per cent Zn+Pb and 23g/t silver.
- Central Zone Resource extension drilling returned wide zones of near-surface, high grade mineralisation, including:
- » **OPDH-159**
6.15m at 15.7 per cent Zn+Pb and 97g/t silver, including 4.8m at 19.3 per cent Zn+Pb and 122g/t silver;
 - » **OPDH-171**
4.4m at 20.4 per cent Zn+Pb and 294g/t silver, including 3.6m at 24.2 per cent Zn+Pb and 353g/t silver;
 - » **OPDH-177**
4.55m at 36.9 per cent Zn+Pb and 138g/t silver, including 3.4m at 48.2% per cent Zn+Pb and 177g/t silver; and
 - » **OPDH-187**
3.6m at 15.5 per cent Zn+Pb



and 26g/t silver, including 2.45m at 20.5 per cent Zn+Pb and 34g/t silver.

“These high-grade, massive sulphide drill hits from the sparsely drilled Central Zone confirm the area’s potential to significantly increase Oposura’s resource base,” Azure Minerals managing director Tony Rovira told *The Resources Roadhouse*.

“They continue to build on the very positive results from the Oposura Scoping Study and confirm potential to extend the mine life and further improve the already impressive project economics.

“Additionally, the continued success of the resource infill drilling program confirms our strong confidence in the width, grade and internal continuity of the East Zone mineralisation.

“The results represent the opportunity for us to upgrade most of the East Zone Mineral Resource to Indicated status and, thereby, further de-risk the proposed Oposura mining operations.

“Of note is the confirmation of very high-grade, zinc-rich mineralisation in the western part of the East Zone which extends into the Central Zone.

“We are continuing to evaluate the potential of this area.”

Elsewhere on the Mexico peninsula, approximately 50km south

of the USA border, Azure has the Alacrán project, covering 54 square kilometres of prospective exploration ground in the middle of the Laramide Copper Province, North America’s most prolific copper-producing district extending from northern Mexico into the southern United States.

Azure Minerals earned 100 per cent interest in the Alacrán project in 2016 from Minera Teck S.A. de C.V., a 100 per cent-owned subsidiary of Canada’s largest diversified resource company, Teck Resources Limited.

Testament to the potential of the project sees Teck currently earning back into Alacrán and taking on the role of project operator.

Teck completing the first two years of a total four-year program at Alacrán during 2017 and 2018.

This comprised the first Option, which entitles Teck to earn back a 51 per cent share of the project by sole-funding US\$10 million of exploration expenditure and making cash payments to Azure totalling US\$500,000.

Once it achieves 51 per cent, Teck may exercise the second Option to further increase its interest to 65 per cent by sole funding an additional US\$5 million over a further two years and making additional cash payments to Azure of US\$1.5 million.

In this case, Azure will retain a contributing 35 per cent interest in

the Alacrán project while the project’s previous owners—pre-Teck - Grupo Mexico will retain a 2 per cent NSR royalty.

Teck’s most recent program comprised geological, geochemical and geophysical surveys, followed by a Phase 2 diamond drilling campaign.

Sixteen holes targeted the Cerro Alacrán prospect chasing porphyry-style copper mineralisation beneath a blanket of copper oxides and chalcocite (an acid-soluble copper sulphide mineral) which was previously drilled by the Mexican Geological Survey in the 1970s and by Grupo Mexico in the 1990s.

The remainder of the holes targeted epithermal-style precious metals mineralisation at Cerro San Simon and Cerro Colorado.

Logging and sampling of the drill core is nearing completion and Azure anticipates final assay results from Teck when its QA/QC process of the geochemical data has been completed. 📍

The Short Story

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