

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 31 MARCH 2019

Oposura Project

Feasibility Study on track with activities and progress comprising:

- East Zone infill and extensional drilling completed with Mineral Resource update nearing completion
- Open pit and underground mine planning and scheduling in progress
- Geotechnical study in progress
- Initial hydrological drilling into potential aquifers successfully completed
- Condemnation / sterilisation drilling on plant site and tailings storage facility completed
- Perth company Mintrex Pty Ltd awarded contract for detailed engineering design and costings (Capex and Opex) for Oposura processing plant
- Detailed deposit-wide variability metallurgical testwork continuing
- Potential financiers and concentrate off-take partners undertake site visits and project due diligence

Alacrán Project

- Assays received from Phase 2 diamond drilling program and being collated and assessed
- Testing of porphyry copper potential at Cerro Alacrán was the major focus

OPOSURA PROJECT - (AZS 100% ownership)

OPOSURA FEASIBILITY STUDY

The Feasibility Study is continuing and recent activities include:

- Updating the Mineral Resource estimate with East Zone infill drilling - the Mineral Resource update is nearing completion and is expected to be released shortly;
- Geotechnical study for open pit and underground mining is expected to be completed in May 2019;
- Open pit and underground mine design and scheduling is expected to be completed in July 2019;
- Calculation of Ore Reserves for open pit and underground exploitation of the East and West Zones is expected to be completed in Q3 2019;
- First-pass hydrological drilling into potential aquifers located on the Oposura concessions has been successfully completed with groundwater identified;
- Condemnation / sterilisation drilling completed on the proposed sites for the processing plant and tailings storage facility – no significant mineralisation or geotechnical issues encountered;
- Metallurgical samples for deposit-wide physical characterisation and flotation testwork collected and testwork has commenced;
- Evaluation of tenders for detailed engineering design and costings (Capex and Opex) completed and the contract was awarded to Mintrex Pty Ltd – a Perth-based engineering consulting, project management and asset management organisation with extensive Australian and international experience;
- Site visits and Due Diligence studies were undertaken by potential concentrate off-take partners to establish commercial off-take terms and potential project financiers to investigate debt funding.

OPOSURA DRILLING

The Phase 2 drilling program was completed with a total of 58 holes (OPDH-158 to OPDH-215; 4,566.85m) drilled into and adjacent to the East Zone Mineral Resource. Primary objectives were:

- Infill drilling to increase the confidence level of the resources scheduled to be exploited within the first few years of the mine plan by upgrading to JORC Indicated Resource category; and
- Close-spaced extensional drilling within the western part of the East Zone Mineral Resource and extending further to the west into the Central Zone to follow-up very high-grade mineralisation intersected around Tunnel D.

The resource infill drilling confirmed excellent continuity of mineralisation within the East Zone and this is likely to result in upgrading most of the East Zone Mineral Resource to JORC Indicated classification, thereby enabling conversion to JORC Probable Reserves as part of the Feasibility Study.

The close-spaced extensional drilling was successful in delineating a zone of high-grade (>20% Zn+Pb) mineralisation located around Tunnel D within the western part of the East Zone and extending further to the west into the Central Zone. Azure is currently assessing the potential for early development of this high-grade mineralisation as access to this area is immediately available via Tunnel D.

Some of the best high-grade mineralised intersections (refer to ASX announcements dated 24 October and 11 December 2018) included:

Hole No	Intercept Length (m)	Grade			
		Zn (%)	Pb (%)	Zn+Pb (%)	Ag (g/t)
OPDH-166	6.95	33.5	5.2	38.7	365
OPDH-177	4.55	30.8	6.1	36.9	138
OPDH-127	2.50	24.8	2.4	27.2	137
OPDH-163	4.15	21.9	3.8	25.7	148
OPDH-165	2.90	18.8	2.3	21.1	148
OPDH-171	4.40	14.8	5.6	20.4	294

ALACRÁN PROJECT - (AZS 100% ownership, Teck earning back an initial 51%)

BACKGROUND

Azure Minerals earned a 100% interest in the Alacrán Project between 2015 to 2016 from Minera Teck S.A. de C.V. (**Teck**), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited.

Teck is currently earning back into the project and is the project operator. Work conducted during 2017 and 2018 represent the first two years of activity in a total four-year program comprising the first Option which will entitle Teck to earn back a 51% share of the project by sole-funding US\$10 million of exploration expenditure, and making cash payments to Azure totalling US\$500,000.

Upon reaching an initial 51% interest in the project, Teck may exercise the second Option to further increase its interest to 65% by sole funding an additional US\$5 million in expenditures over a further two years, and making cash payments to Azure totalling an additional US\$1.5 million. In this case, Azure will retain a contributing 35% interest in the Alacrán project. Grupo Mexico retains a 2% NSR royalty.

CURRENT PROGRAM

Teck's Year 2 work program comprised geological, geochemical and geophysical surveys, followed by the Phase 2 diamond drilling campaign. The major focus for Teck was the porphyry copper potential at the Cerro Alacrán prospect, with other targets including epithermal precious metals targets at Cerro San Simon and Cerro Colorado.

The Phase 2 drilling program consisted of 21 holes totalling 10,537m with two drill rigs operating continuously from August to December 2018.

Sixteen of Teck's holes targeted the Cerro Alacrán prospect where porphyry-style copper mineralisation lies 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.

Assay results for the drill samples have been received from Teck. Azure is currently undertaking a technical review and significant drill intersections will be released when this process is complete.

-ENDS-

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Competent Person Statements:

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.

Information in this report that relates to Mineral Resources for the Oposura Project is extracted from the report "Azure Delivers Robust Initial Mineral Resource at Oposura" created and released to the ASX on 4 July 2018 and is available to view on www.asx.com.au. 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, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Information in this report that relates to the Scoping Study for the Oposura Project is extracted from the report "Oposura Scoping Study Delivers Outstanding Economics" created and released to the ASX on 15 October 2018 and is available to view on www.asx.com.au. 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, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Appendix 5B

Name of entity

AZURE MINERALS LIMITED

ABN

46 106 346 918

Quarter ended ("current quarter")

31-Mar-19

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for	-	-
(a) exploration & evaluation	(1,115)	(3,096)
(b) development	-	-
(c) production	-	-
(d) staff costs	(170)	(525)
(e) administration and corporate costs	(388)	(1,148)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	57
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	(1,659)	(4,712)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(22)
(b) tenements (see item 10)	-	(18)
(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	(4)	(40)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	3,438	6,593
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,659)	(4,712)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(40)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(6)	(72)
4.6 Cash and cash equivalents at end of period	1,769	1,769

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	1,711	3,380
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)	1,769	3,438

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	136
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Add notes as necessary for an understanding of the position</i>		
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	830
9.2	Development	-
9.3	Production	-
9.4	Staff costs	209
9.5	Administration and corporate costs	245
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	1,284

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	-			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-			

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: 26 April 2019

Print name: Brett Dickson

Annexure 1

Schedule of Interests in Mining Tenements

Project	Common Name	Column1	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%		
Oso Negro	El Sahuaro	All Minerals	243322	100%	
	Oso Negro	All Minerals	application	100%	
Panchita	Panchita	All Minerals	212767	100%	
	Dona Panchita	All Minerals	192097	100%	
San Augustin	San Augustin1	All Minerals	238325	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.