

## **EARLY STAGE MINING TO START AT OPOSURA**

### **FULLY FUNDED OPERATION**

#### **HIGHLIGHTS:**

- **Trial mining and toll treatment operation to start in the September quarter of 2019**
- **Exploitation of high-grade (~15% Zn+Pb) mineralisation to generate early cash flow**
- **Operation is fully funded by A\$2M convertible note from major shareholder**
- **Feasibility Study for stand-alone, full-scale mining and processing is continuing**

Azure Minerals Limited (**Azure** or the **Company**) (ASX: AZS) is pleased to announce that the Board has approved the commencement of trial mining and processing of high-grade mineralisation from its 100%-owned Oposura zinc-lead project, located in Sonora, Mexico.

Planned mine production and processing rate will initially be between 1,500tpm to 3,000tpm (tonnes per month) of mineralised material grading approximately 15% combined zinc and lead with ore processed on a toll treatment basis through a nearby sulphide flotation processing facility. There is scope to increase the mine production rate if additional processing capacity becomes available.

Commenting on the decision to commence trial mining at Oposura, Azure's Managing Director Mr Tony Rovira said: *"This is an exciting step forward for the Company. With minimal upfront capital required, this trial mining operation will provide early positive cash flow and Azure will start to realise value from the asset. Generation of this cash flow will assist in funding completion of the Feasibility Study and meeting other corporate expenses."*

*"Furthermore, this operation will provide additional confidence for development of the full-scale mining and processing operation at Oposura, while the delivery of high-quality concentrates ahead of full-scale production will support future concentrate marketing and project financing negotiations."*

*"Azure thanks its major shareholder Deutsche Balaton for its strong and ongoing support of the Company and the development and production strategy the Company is implementing at Oposura."*

#### **FUNDING**

Azure has secured financing for the trial mining option at Oposura by entering into a binding commitment with the Company's major shareholder Deutsche Balaton for it to provide A\$2,000,000 in funding via a convertible note. This funding will enable the Company to meet start-up costs and working capital requirements with operations to commence in the September quarter of 2019.

The convertible note will have a term of two years at an interest rate of 12.5% per annum. It will be convertible at any time during the term at the note holders' election at an effective share price of 14.5 cents (a 38% premium to Azure's closing share price on 31 May 2019).

The issue of the convertible note is subject to shareholder approval which will be sought at a General Meeting of the Company to be held in July. The Notice of Meeting and Explanatory Memorandum will be despatched to all shareholders shortly.

## **DETAILS OF TRIAL MINING AND PROCESSING OPERATION**

Azure has studied the option of trial mining and toll processing of high-grade mineralisation from Oposura since late-2018. The aim is to deliver early cash flow to the Company to aid in financing the completion of the Feasibility Study and meet other corporate expenses.

Components of the trial mining study have included infill and extensional drilling, upgrading the Mineral Resource, geotechnical studies, mine planning and scheduling, bulk sampling, metallurgical testwork, and negotiations with mining, trucking and processing contractors and off-take companies.

The recently updated JORC Mineral Resource estimate for Oposura (ASX: 8 May 2019) is **3.1Mt @ 5.0% Zn & 2.7% Pb**, with 85% classified as Indicated resources and 15% as Inferred resources. Importantly, all mineralised material to be extracted and processed by this trial mining operation is classified in the Indicated resource category.

Included within the Oposura Mineral Resource is an area containing very high-grade, zinc-rich mineralisation, designated by Azure as the Tunnel D HG zone. This mineralisation occurs on the western side of the East Zone deposit and is accessible via the existing underground drive, Tunnel D. Specifically targeted, close-spaced infill drilling comprising more than 20 holes with a hole spacing of less than 25m x 25m defined the lateral extent, internal continuity, tonnage and grade of this high-grade area (see Figures 1 & 2).

Some of the better Tunnel D HG mineralised intersections (ASX: 22 May & 24 October 2018) include:

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

Based upon the updated Mineral Resource model, the Tunnel D HG zone is estimated to contain sufficient high-grade mineralised material to support the planned trial mining operation for at least 12 months at average grades of approximately 15% zinc and 3% lead. All mineralisation in this zone is classified as Indicated resources.

### **Mining**

Azure has prepared a trial mining plan and schedule for the Tunnel D HG zone. Tunnel D is a level drive approximately 250 metres in length which traverses high-grade, zinc-rich mineralisation along the drive.

Mining studies indicate that this massive sulphide mineralisation can be extracted at a production rate of at least 100 tonnes per day with the option of mining at a higher rate if additional processing capacity becomes available.

Selective mining by the room and pillar method will ensure maximum recovery of the massive sulphide ore while minimising dilution. Mechanised underground haulage will transport ore along Tunnel D to surface to be loaded on trucks for transport to the processing facility.

Figure 1: Tunnel D HG zone within East Zone Mineral Resource

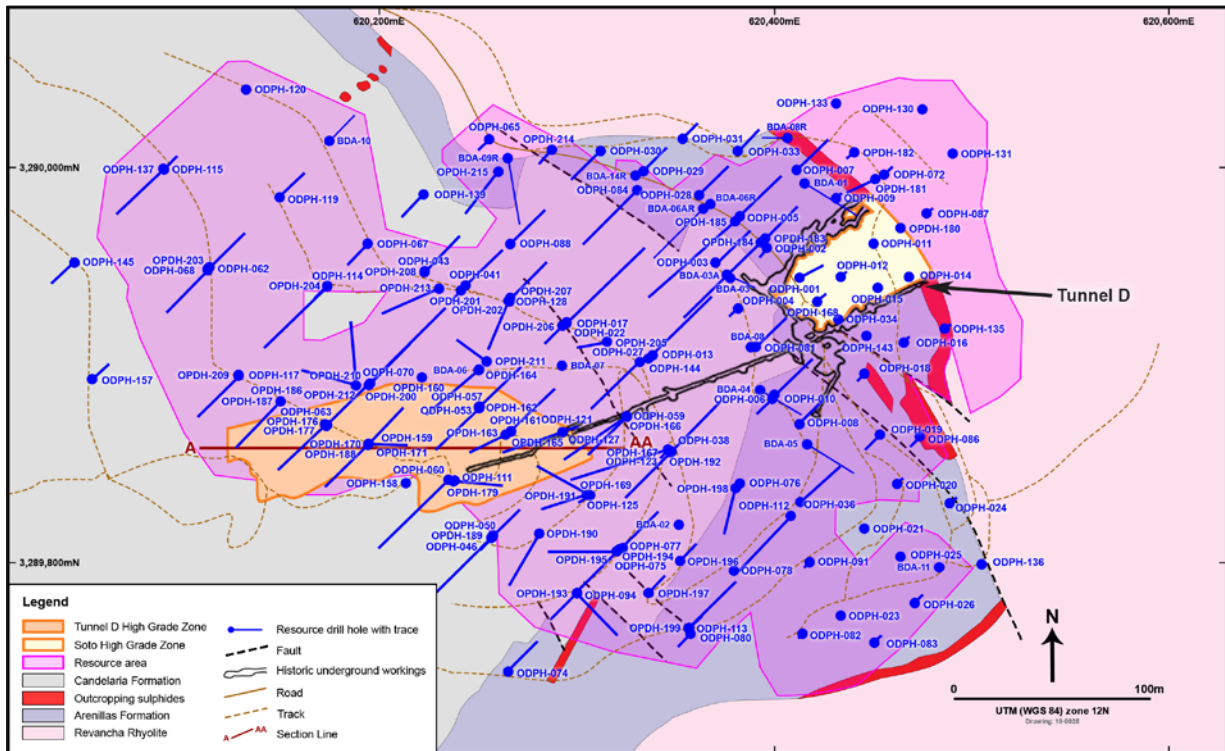
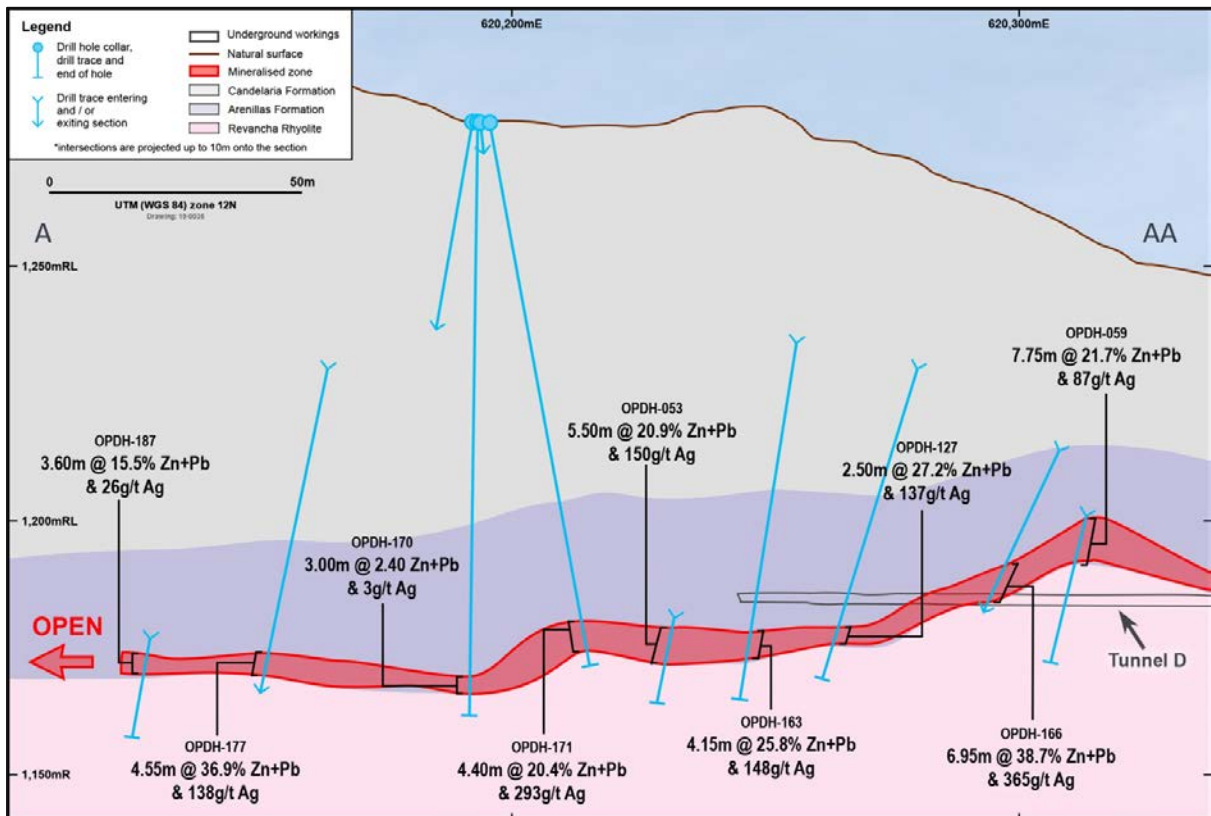


Figure 2: Long section A-AA of the Tunnel D HG zone looking North



### **Processing**

Azure has entered into a toll treatment agreement to process Oposura ore through the San Javier sulphide flotation plant. The San Javier plant has recently been fully refurbished and has a rated throughput of 100tpd. The plant is located approximately 200km by highway from Oposura.

Metallurgical testwork confirmed excellent recoveries into separate zinc and lead-silver concentrates with very low levels of impurities. Processing at the San Javier plant is expected to achieve industry benchmark grades of +53% zinc in the zinc concentrate and +60% lead and +2,000g/t silver in the lead concentrate.

#### **San Javier Processing Plant: Conditioning and Flotation Cells while undergoing refurbishment**



In addition to San Javier, there are several other sulphide flotation processing facilities within trucking distance of Oposura, which provides Azure optionality around additional toll treatment possibilities.

Azure has received offtake terms from several international metal trading companies to sell its zinc and lead concentrates. Favourable commercial terms, including optionality around frequency and tonnage of concentrate delivery, payabilities and payment terms, have been offered due to the quality of the concentrates and the high level of interest expressed by traders. A decision on the preferred off-take partner will be made shortly.

Importantly, trial mining of the Tunnel D HG zone is not expected to impact on the broader economics of the full-scale, stand-alone operation currently being assessed by Feasibility Study. As determined in the mine production plan of the Scoping Study (ASX: 15 October 2018), this part of the deposit was scheduled to be mined in Years 5 and 6 of the mine life. By mining this high-grade material over the next year, Azure is bringing forward this source of cash flow by several years.

Meanwhile the Feasibility Study into full-scale production at Oposura is continuing, albeit at a reduced rate due to the study into the trial mining and processing operation taking precedence. It is now expected that the completion of the Feasibility Study and the interim PFS will both be delayed by up six months.

**-ENDS-**

**For enquiries, please contact:**

**Tony Rovira**  
Managing Director  
Azure Minerals Limited  
Ph: +61 8 9481 2555

**Media & Investor Relations**  
Michael Weir / Cameron Gilenko  
Citadel-MAGNUS  
Ph: +61 8 6160 4903

or visit [www.azureminerals.com.au](http://www.azureminerals.com.au)

**Competent Person Statements:**

*Information in this report that relates to previously reported Exploration Results has been cross-referenced in this report to the date that it was originally 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 previously reported Mineral Resources for the Oposura Project has been cross-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, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.*

**Cautionary Statement - Production Targets:**

*The Trial Mining Study referred to in this announcement is based on lower-level technical and economic assessments and is insufficient to support estimation of Ore Reserves, or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Trial Mining study will be realised. Furthermore, the Company cautions that there is no certainty that the forecast production targets will be realised. Production targets referred to in this Report are underpinned by Mineral Resource estimates which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced 100% from resources classified in the Indicated Mineral Resource category. The stated production targets are based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions.*

**Caution Regarding Forward Looking Statements and Forward-Looking Information:**

*This announcement contains forward looking statements and forward-looking information, which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.*

*Except as required by law or regulation (including the ASX Listing Rules), Azure Minerals undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.*