

ASX RELEASE
29 JANUARY 2021

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 31 DECEMBER 2020

ANDOVER NICKEL-COPPER PROJECT

- Fixed-loop electromagnetic (FLTEM) survey identifies the VC-07 conductor. Drilling indicates this 1,050m-long and +200m-deep body is associated with significant nickel-copper sulphide mineralisation.
- First seven (all) diamond drill holes intersect substantial nickel-copper sulphide mineralisation coincident with VC-07 conductor.
- Down hole electromagnetic (DHTEM) surveys indicate the sulphide mineralisation remains open along strike and down-dip.
- Drilling has restarted with a three-rig, 30,000m diamond drilling program focused on delineating a mineral resource within the mineralised body represented by the VC-07 conductor.
- Ten separate, high-priority FLTEM targets identified within Andover project area with drilling of the first target underway.

OTHER PROJECTS

- Aeromagnetic surveys were completed over the Coongan and Meentheena gold projects.
- Mexican exploration projects remain on care and maintenance due to the severe and deteriorating COVID-19 situation in that country.

CORPORATE

- Successful completion of oversubscribed \$37.0 million placement to accelerate drilling at Andover.
- Mr. Wayne Bramwell appointed as a non-executive director.
- Annual General Meeting held on the 24 November, with all resolutions passed.
- Long-standing non-executive director Dr Wolf Martinick retired from his role at the conclusion of the Annual General Meeting.
- Major Shareholders, Deutsche Balaton Aktiengesellschaft (DBA) and DELPHI Unternehmensberatung Aktiengesellschaft (DELPHI) elected to convert the \$2M convertible notes held by them into Azure shares.
- Cash balance on 31 December 2020 was \$37.4 million.

AUSTRALIA - Andover Nickel-Copper Project (Azure 60% / Creasy Group 40%)

Azure maiden exploration program commenced at the Andover Ni-Cu Project, located 30km southeast of Karratha in Western Australia (see Figure 1), in August 2020, focusing on:

- Surface fixed-loop electromagnetic (FLTEM) surveys;
- Diamond core drilling; and
- Downhole electromagnetic (DHTEM) surveying.

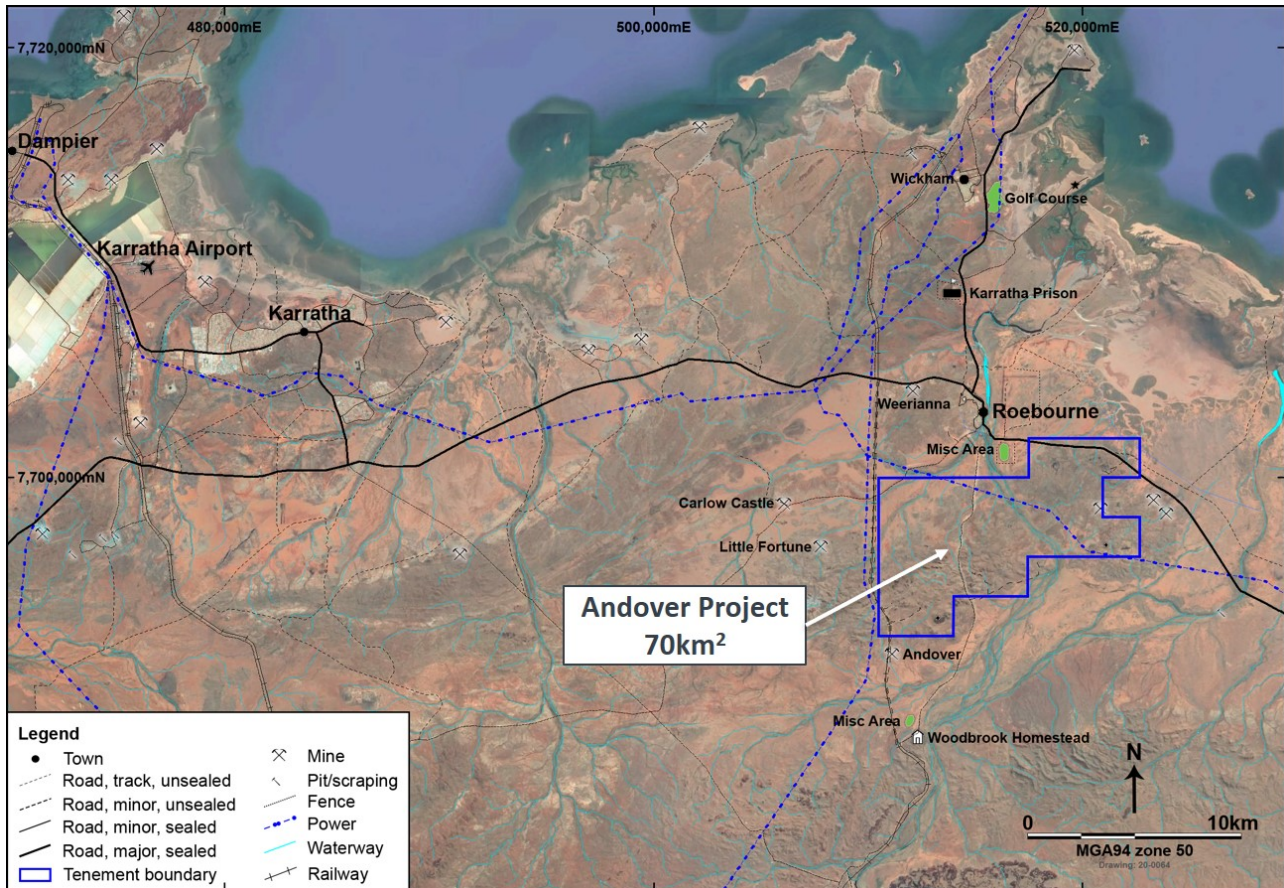


Figure 1: Andover Ni-Cu Project Location

The diamond drilling program consisted of seven holes for 2,509m. All seven holes intersected broad intervals containing substantial nickel-copper sulphide mineralisation and in every hole, massive sulphides coincide with electromagnetic conductors defined by surface FLTEM and DHTEM surveys. Host rocks are typical of a layered mafic-ultramafic intrusive complex with sulphide mineralisation hosted in gabbro and similar mafic rocks.

Azure's first three drill holes (**ANDD0001, 0002 and 0003**) tested several near-surface, relatively small electromagnetic conductors identified by FLTEM and DHTEM surveys. Broad intervals of nickel and copper sulphide mineralisation were intersected at shallow depths in all three holes (refer ASX: 12, 16 and 27 October 2020), in the form of massive, semi-massive, matrix, blebby and disseminated pentlandite (nickel sulphide), chalcopyrite (copper sulphide) and pyrrhotite (iron sulphide).

Sulphide mineralisation intersected in these holes is associated with or bounded by narrow zones of shearing and fractures which show different orientations in the drill core. This indicates that these sulphides have been remobilised into this location, likely from a nearby primary source.

Significant Ni-Cu mineralised intersections in the first three holes include (refer ASX: 9 & 30 November 2020):

- ANDD0001:** 22.4m @ 1.02% Ni and 0.55% Cu from 81.6m downhole
 including: 3.9m @ 2.85% Ni and 0.47% Cu from 94.5m
and: 11.3m @ 1.21% Ni and 0.66% Cu from 110.0m downhole
 including: 5.0m @ 2.09% Ni and 1.14% Cu from 116.0m
- ANDD0002:** 13.6m @ 1.19% Ni and 0.38% Cu from 104.m downhole
 including: 4.6m @ 2.41% Ni and 0.48% Cu from 113.0m
- ANDD0003:** 7.6m @ 1.51% Ni and 0.25% Cu from 78.4m downhole
 including: 4.6m @ 2.05% Ni and 0.20% Cu from 78.4m

Follow-up FLTEM surveying utilising four large (600m x 600m) loops identified a strong, laterally extensive, bedrock-hosted conductor, designated VC-07 (**see Figure 2**). The eastern end of the VC-07 conductor plate is modelled to start immediately beneath the first three drill holes with a strike extent of 1,050m east-west and a down-dip extent of at least 150m-200m with a steep northerly dip. The VC-07 geophysical signature is interpreted to represent the primary body of sulphide mineralisation.

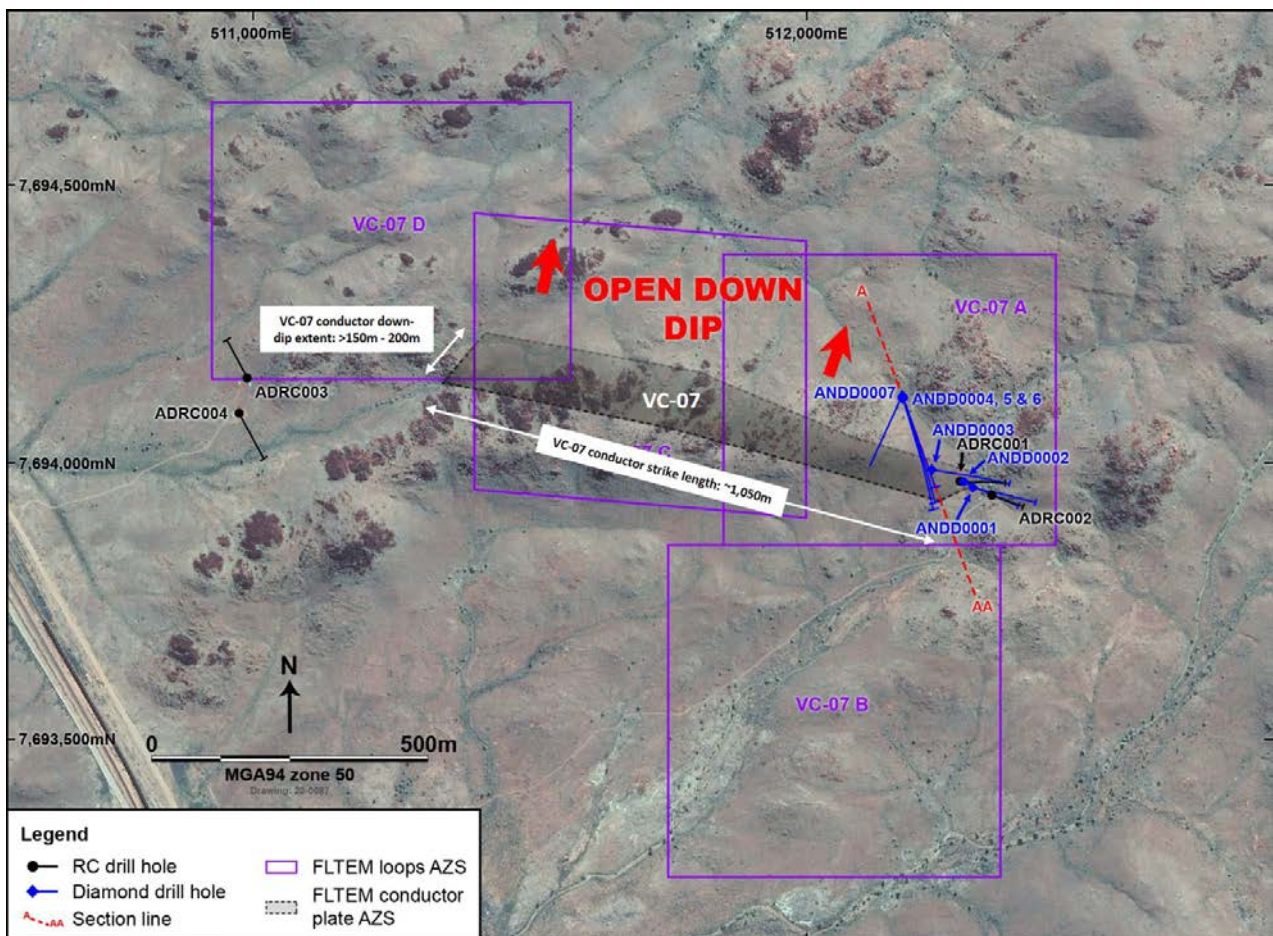


Figure 2: Drill holes, VC-07 conductor plate and section line A-AA

ANDD0004, 0005 and 0006 targeted the VC-07 conductor at depth beneath the first three holes. All holes intersected significant nickel-copper sulphide mineralisation, including massive sulphides, coincident with the modelled locations of the conductor plate. Significant reported drill intersections (**see Figure 3**) include (refer ASX: 10 December 2020 & 12 January 2021):

- ANDD0004:** **41.9m @ 1.10% Ni and 0.57% Cu from 347.5m downhole**
 including: **8.5m @ 2.77% Ni and 1.04% Cu from 354.8m**
- ANDD0005:** **18.7m @ 1.35% Ni and 0.68% Cu from 325.3m downhole**
 including: **6.7m @ 1.98% Ni and 0.86% Cu from 325.3m**
- ANDD0006:** **19.2m @ 1.47% Ni and 0.41% Cu from 406.3m downhole**
 including: **7.0m @ 2.23% Ni and 0.63% Cu from 411.35m**

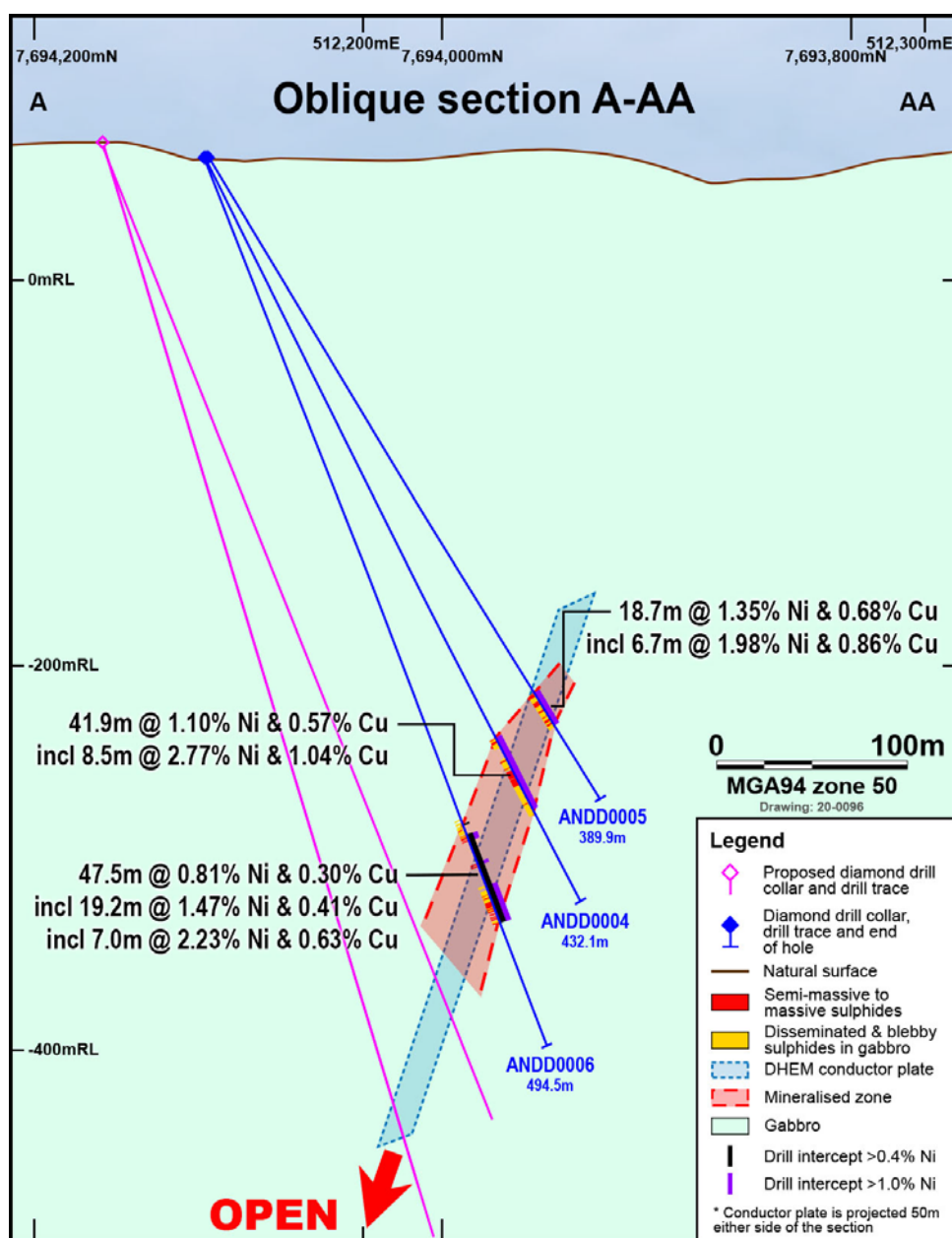


Figure 3: Section line A-AA (looking East) with drill holes and VC-07 conductor plate

Holes ANDD0004, 0005 and 0006 combine to define a vertical section through the mineralised horizon and demonstrate continuity of high-grade nickel-copper sulphide mineralisation over a down-dip extent exceeding 120m in this orientation. DHTEM surveying in these holes highlighted strong conductivity coincident with the intersected massive sulphides and modelling indicates that mineralisation remains open in all directions and particularly extends for significant distances both up-dip and down-dip from these holes.

ANDD0007 is the first along-strike step-out hole on VC-07 and targeted the modelled conductor plate 120m to the west-northwest of AND0004, 0005 & 0006. The hole intersected a downhole, 21.7m-wide interval containing multiple zones of matrix, semi-massive and massive nickel-copper sulphides along the interpreted strike and down-plunge directions, indicating continuity of mineralisation in those orientations (refer ASX: 21 December 2020). Assay results for ANDD0007 are awaited.

LOOKING FORWARD

A 30,000m diamond drilling program has commenced to define a mineral resource within the mineralised body represented by the VC-07 electromagnetic conductor.

VC-07 is interpreted to represent a continuous body of bedrock-hosted sulphide mineralisation extending east-west over a 1,050m strike length. The mineralised zone dips at -60° to -80° to the north with a down-dip extent of more than 200m (as modelled by DHTEM surveying) and remains open to depth.

These dimensions highlight the potential of this body to represent a substantial nickel-copper sulphide deposit and the drilling program planned for 2021 is focused on progressing the delineation of this mineralised system to JORC mineral resource standard. Initial drilling will define the along-strike and depth extents of the mineralisation, followed by close-spaced in-fill drilling to assess internal continuity and variability. This program will comprise approximately 30,000m of diamond core drilling and planned drill hole locations for the first phase are shown in (see Figure 4).

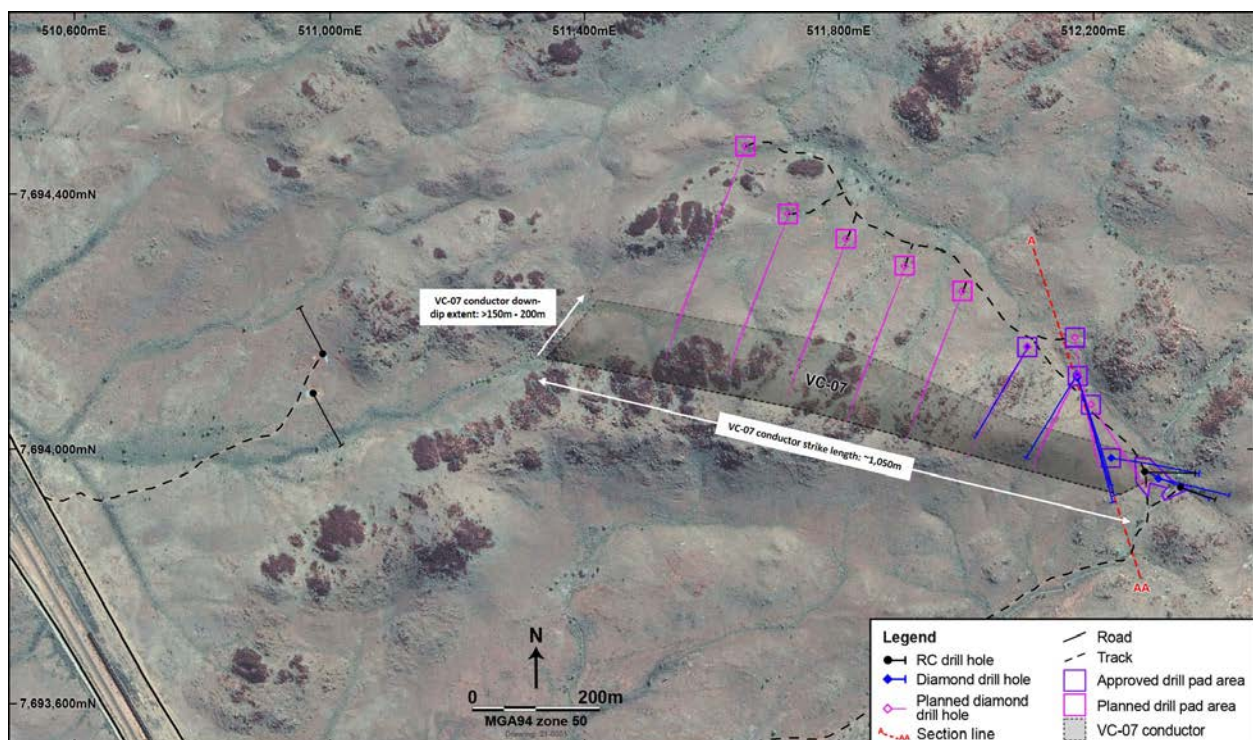


Figure 1: VC-07 conductor plate showing completed and planned drill hole sites

AUSTRALIA – Meentheena and Coongan Gold Projects (Azure 70% / Creasy Group 30%)

During the quarter, aeromagnetic surveys were completed over the Coongan (approximately 3,363 line kilometers) and Meentheena (approximately 2,752 line kilometres) gold projects. Interpretation of the results is underway and expected to be completed during the first quarter of 2021.

MEXICO

The COVID-19 situation in Mexico continues to deteriorate and with the health and safety of employees and contractors of paramount importance, Azure has placed all projects on care and maintenance until the situation improves.

CORPORATE

Completion of \$37.0 Million Placement

Azure received binding commitments from new and existing institutional and sophisticated investors to raise \$37.0 million (before costs) through the issue of 50,000,000 fully paid ordinary shares (Shares) at an issue price of \$0.74 per Share, representing a 5.9% discount to the 10 -day volume weighted average price (VWAP) and a 26.3% premium to the 30-day VWAP of Azure's shares. 26,000,000 shares were issued under the Company's existing 15% placement capacity in accordance with Listing Rule 7.1 and 24,000,000 shares were issued under Listing Rule 7.1A. The Shares issued under the Placement rank equally with Azure's existing Shares quoted on the ASX.

Euroz Hartleys acted as Sole Lead Manager to the Placement.

It is the current intention of the Company to use the funds raised as set out below. Azure's priority will be to undertake a substantial diamond drilling program to determine the scale of the nickel and copper sulphide mineralisation associated with the VC-07 EM conductor. Early stage environmental, hydrological and flora and fauna studies will also commence. In addition, exploration will also be initiated at the Company's Pilbara gold projects, including Turner River once the relevant tenements are granted. The Company's additional cash on hand of approximately \$3 million (at the time of the capital raising) will be allocated to the Company's other projects, including the Alacrán silver-gold project in Mexico.

Table 1: Use of Funds

Expenditure Item	Indicative Budget \$
Drill out nickel-copper mineralisation at VC-07 EM target	15,000,000
Other expenditure at Andover (regional exploration)	5,000,000
Other Andover Studies including EIS, Flora & Fauna, Heritage, Metallurgy, Geotechnical, Hydrological, Engineering	3,000,000
Exploration on Gold projects	2,000,000
Corporate & administration	2,500,000
Repay convertible notes	2,000,000
Expenses of the issue	1,400,000
Working Capital	6,100,000
Total	37,000,000

Director Appointment

Mr. Wayne Bramwell was appointed as a non-executive director of the Company on 14 October 2020. Mr Bramwell (BSc (Extractive Metallurgy), Grad Dip Bus, MSc (Min. Econ), GAICD) is a metallurgist with over 29 years of International and Australian project evaluation, development and operations expertise across the base metals, precious metals, and bulk commodity sectors. He is currently the Group Business Manager for the Creasy Group and a non-executive director of ASX listed gold producer Westgold Resources Limited.

Dr Wolf Martinick advised that he would not seek re-election as a non-executive director of the Company at the Annual General Meeting and retired at the conclusion of the meeting.

Annual General Meeting

The Azure Annual General Meeting was held on the 24 November, with all resolutions passed.

Conversion of Convertible Notes

Deutsche Balaton Aktiengesellschaft (DBA) and DELPHI Unternehmensberatung Aktiengesellschaft (DELPHI) elected to convert the \$1M convertible note debt held by each into Azure shares. The effect of the Conversion Notice was that Azure would not repay the \$2 million in cash but rather, issue fully-paid shares in accordance with the following formula:

$$\text{Number of shares to be issued} = \frac{\text{principal amount being converted}}{\$0.145}$$

DBA and DELPHI each received 6,896,552 shares, or 13,793,104 in total. Interest payments of \$53,767 were made by Azure to each of these parties. DBA now holds approximately 8.3% and DELPHI 9.9% of Azure's issued share capital.

Cash balance

The Company's cash balance on 31 December 2020 was A\$37.4 million.

OTHER

During the quarter, the company expensed some \$1,956,000 on the exploration activities reported above.

Payments to related parties of the entity and their associates totaled \$189,000 and consisted of Executive Service fees of \$109,000 and Director's fees of \$80,000.

Refer to Table 2 below for details of tenements acquired or relinquished during the quarter.

Table 2: Details of tenements acquired and relinquished during the quarter

	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Interests in mining tenements and petroleum tenements acquired or increased	Nil			
Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			

Authorised for release by Mr Brett Dickson, Company Secretary.

-ENDS-

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COMPETENT PERSON STATEMENT

Information in this report that relates to previously reported Exploration Results 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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for	-	-
(a) exploration & evaluation	(1,956)	(2,485)
(b) development	-	-
(c) production	-	-
(d) staff costs	(248)	(414)
(e) administration and corporate costs	(330)	(619)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	13	50
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(2,520)	(3,466)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	(229)	(229)
(c) property, plant and equipment	(37)	(41)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	6	42
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - GST recovered/(paid) on project acquisitions	660	-
2.6 Net cash from / (used in) investing activities	400	(228)

3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	37,000	41,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	958	958
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1,228)	(1,408)
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 - Convertible Note Interest	(107)	(232)
3.10 Net cash from / (used in) financing activities	36,623	40,318

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,965	850
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,520)	(3,466)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	400	(228)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	36,623	40,318
4.5 Effect of movement in exchange rates on cash held	(35)	(41)
4.6 Cash and cash equivalents at end of period	37,433	37,433

Consolidated statement of cash flows		Current quarter \$A'000	Previous quarter \$A'000
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		
5.1	Bank balances	37,375	2,907
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)	37,433	2,965

6	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	189
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

7	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Current quarter \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other - Convertible Notes	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

During the quarter 2 million Convertible Notes held by Deutsche Balaton Aktiengesellschaft (1 million) and Delphi Unternehmensberatung Aktiengesellschaft (1 million) each with a face value of \$1 were converted to 13,793,103 ordinary shares in Azure Minerals at a conversion price of \$0.145 per share.

8 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,466)
8.2 (payments for exploration & evaluation classified as investing activities)(item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,466)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	37,433
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	37,433
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	10.80
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions: 1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? <div data-bbox="220 680 1426 786"> Answer: N/A </div> 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? <div data-bbox="220 893 1426 999"> Answer: N/A </div> 3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? <div data-bbox="220 1081 1426 1187"> Answer: N/A </div>	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered</i>	

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.

Date: 29 January 2021

Authorised by: Brett Dickson, Company Secretary

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Annexure 1
Schedule of Interests in Mining Tenements

Australian Projects	Common Name	Mineral	Tenement	Percentage held
Andover	Andover	All Minerals	E47/2481	60%
Coongan	Coongan	All Minerals	E46/1156	70%
Meentheena	Meentheena	All Minerals	E45/5036	70%
Turner River	Turner River	All Minerals	ELA45/2573	70%
Turner River	Turner River	All Minerals	ELA45/2574	70%
Barton	Barton	All Minerals	ELA40/393	100%
Mexican Projects	Common Name	Mineral	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 III	All Minerals	234586	100%
Promontorio	Hidalgo	All Minerals	235270	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
San Augustin	San Augustin	All Minerals	238325	100%
Alacran	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%