AZURE MINERALS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2021

ABN 46 106 346 918

CORPORATE INFORMATION

ABN 46 106 346 918

DIRECTORS

Mr. Brian Thomas (Chairman)
Mr. Anthony Rovira (Managing Director)
Ms. Annie Guo (Non Executive Director)
Mr. Hansjörg Plaggemars (Non Executive Director)

COMPANY SECRETARY

Mr. Brett Dickson

REGISTERED OFFICE

Level 1, 34 Colin Street
West Perth WA 6005
(08) 9481 2555

SOLICITORS

K & L Gates
Level 32, 44 St Georges Terrace
Perth WA 6000

BANKERS

Commonwealth Bank of Australia Limited

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 1300 787 272

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

INTERNET ADDRESS

www.azureminerals.com.au

ASX CODE

Shares AZS

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CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to be able to write to you after my relatively recent appointment as Chairman of Azure Minerals Limited. I am very much looking forward to the opportunity of leading the board of Azure through this next stage of your Company's growth.

I would like to pay tribute to my predecessor Mr. Peter Ingram, an absolute icon of the Australian exploration and mining industry who for nearly 10 years played a critical role in guiding the Company through its efforts in Mexico and the subsequent transition back to Australia in 2020.

He has left the Company, led by our Managing Director Tony Rovira and his management team, in a very sound position. The acquisition of our Western Australian nickel, copper and gold portfolio from prominent mining investor and prospector Mr. Mark Creasy and the Creasy Group, including the flagship Andover Nickel-Copper project, has been a game-changer for Azure.

Mark Creasy is arguably one of the world's best prospectors and to have him as a project partner and Azure shareholder is a strong endorsement of the pathway we are on and the track record of Tony Rovira as a leader of mineral exploration and project development teams.

The Andover acquisition has already delivered discoveries at VC-07 and VC-23, confirming significant quantities of nickel and copper sulphide mineralisation at these prospects, with an intensive drilling program expected to deliver a maiden mineral resource in early 2022. Azure is also aggressively exploring several other very attractive targets at Andover and we see at see this project very much as a company-making opportunity.

Rounding out the project portfolio is our exciting gold exposure. Drilling at the 100%-owned Barton Gold Project, which adjoins Genesis Minerals' new Puzzle North gold as part of the growing Kookynie Gold District, will be underway very shortly.

Meanwhile, we are just awaiting the granting of exploration licences at Turner River, which is another Creasy Group joint venture located close to De Grey Mining's multi-million-ounce Hemi gold deposit.

Due to the onset of the COVID-19 pandemic in early 2020 and the challenges of managing offshore projects, we decided to pivot from our Mexican business strategy and return to our exploration roots in Western Australia. As much as we valued the Mexican assets and are proud of your Company's exploration success there, the reality is we are now totally focused on the opportunities in front of us in WA. As such, we conducted a strategic review of those assets and are now running a process to divest the projects to generate the best possible outcome for you our shareholders.

The next 12 months are going to be very busy and very exciting for your Company. The markets for our various commodities of nickel, copper and gold are very sound. Gold prices are strong, and the ongoing global electrification decarbonisation revolution means the future demand outlook for the high-value, clean and green battery metals, nickel and copper, is solid and exciting.

Finally, I would like to thank you our shareholders for their ongoing support plus my fellow directors, our management team, staff and contractors for their hard work and excellent outcomes.

Yours sincerely,

Brian Thomas
Chairman

REVIEW OF OPERATIONS

AUSTRALIA

In July 2020, Azure announced that it had entered into two Tenement Sale and Exploration Joint Venture Agreements with entities controlled by prominent mining prospector Mr. Mark Creasy ("Creasy Group"); one to acquire a 60% interest in the Andover Nickel-Copper (Ni-Cu) Project and another to acquire 70% interests in the Turner River, Meentheena and Coongan Gold Projects, all located in the Pilbara region of Western Australia.

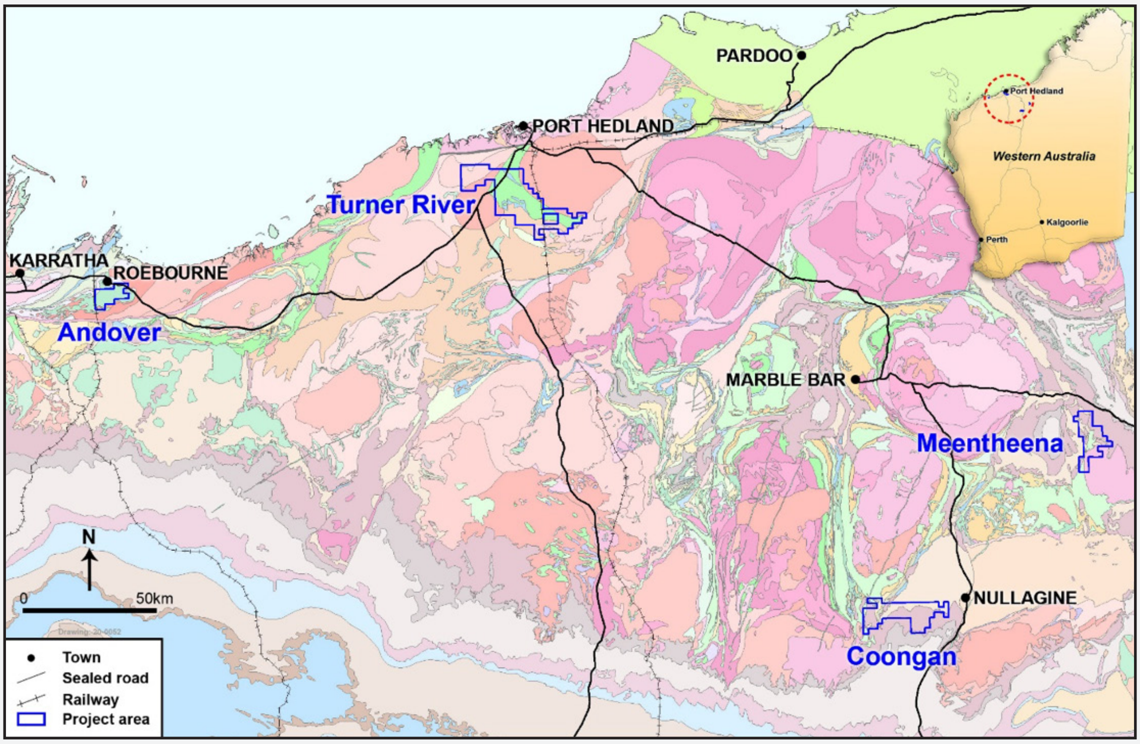


Figure 1: Locations of Azure's Pilbara projects overlying geology

REVIEW OF OPERATIONS

NICKEL

ANDOVER NICKEL-COPPER PROJECT (AZURE 60% / CREASY GROUP 40%)

The Andover Nickel-Copper Project (Andover) comprises a single Exploration Licence (E47/2481) located 35km southeast of Karratha and immediately south of Roebourne, with excellent local infrastructure such as airports, port access, railway, gas-fired grid power, sealed highways, and support services readily available.

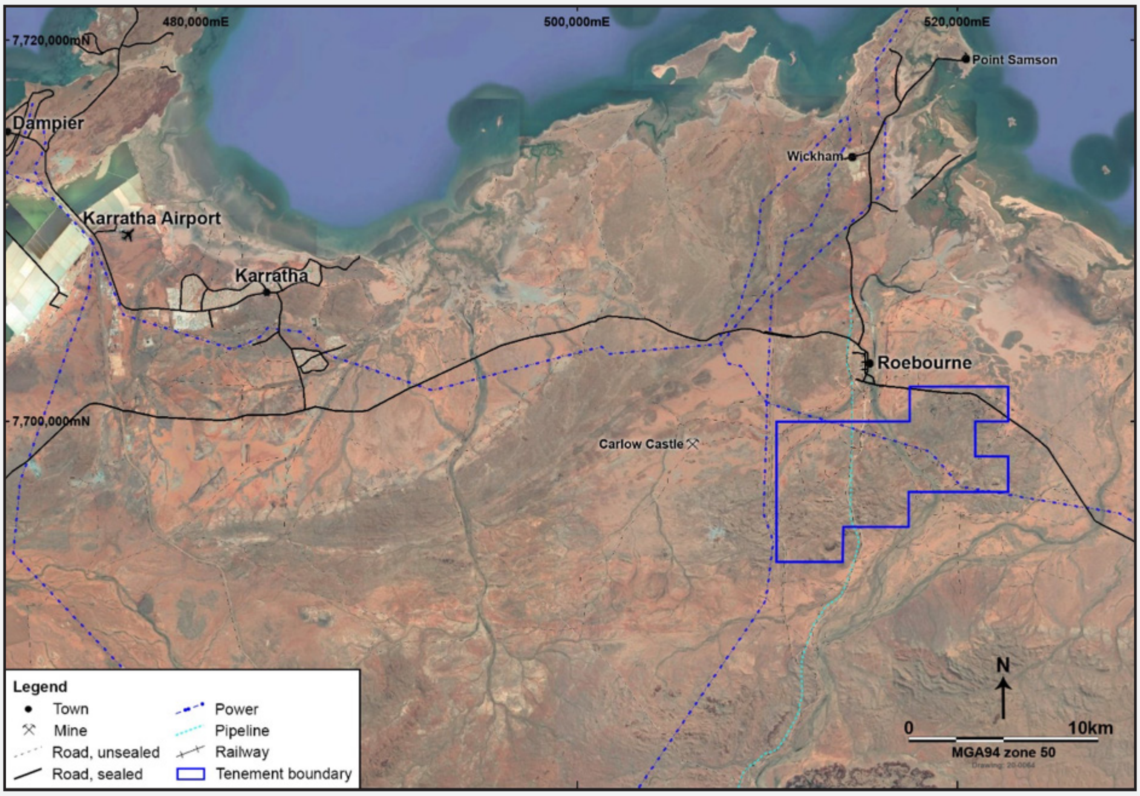


Figure 2: Location map of Andover Project

Andover covers 70km^2 and contains most of the Andover Mafic-Ultramafic Intrusive Complex which is similar geologically to the Fraser Range Province (host to the Nova-Bollinger Ni-Cu Mine and Legend Mining's Mawson Ni-Cu discovery), the Gonneville Intrusive Complex (host to Chalice Gold Mine's Julimar palladium-platinum-copper-nickel project), and the Savannah Intrusive Complex (host to Panoramic Resources' Savannah Nickel Mine).

Since acquisition, Azure has undertaken intensive exploration, comprising:

- Geophysical surveying:
  - Airborne electromagnetics (VTEM);
  - Airborne magnetics;
  - Surface fixed loop electromagnetics (FLTEM);
  - Downhole electromagnetics (DHTEM);
- Diamond drilling
- Geological mapping and surface sampling

Azure initiated exploration with FLTEM surveys being undertaken over several electromagnetic anomalies previously detected in an historical VTEM survey. The FLTEM surveys confirmed the presence of at least 10 high-quality, bedrock-hosted conductors that were considered prospective for representing sulphide bodies. Importantly, the Andover project area does not appear to host graphitic shales, conductive overburden, saline water or other properties that may generate false positives for the EM surveys. This provides Azure with confidence that electromagnetic conductors, when identified, represent bedrock-hosted sulphide bodies.

REVIEW OF OPERATIONS

NICKEL

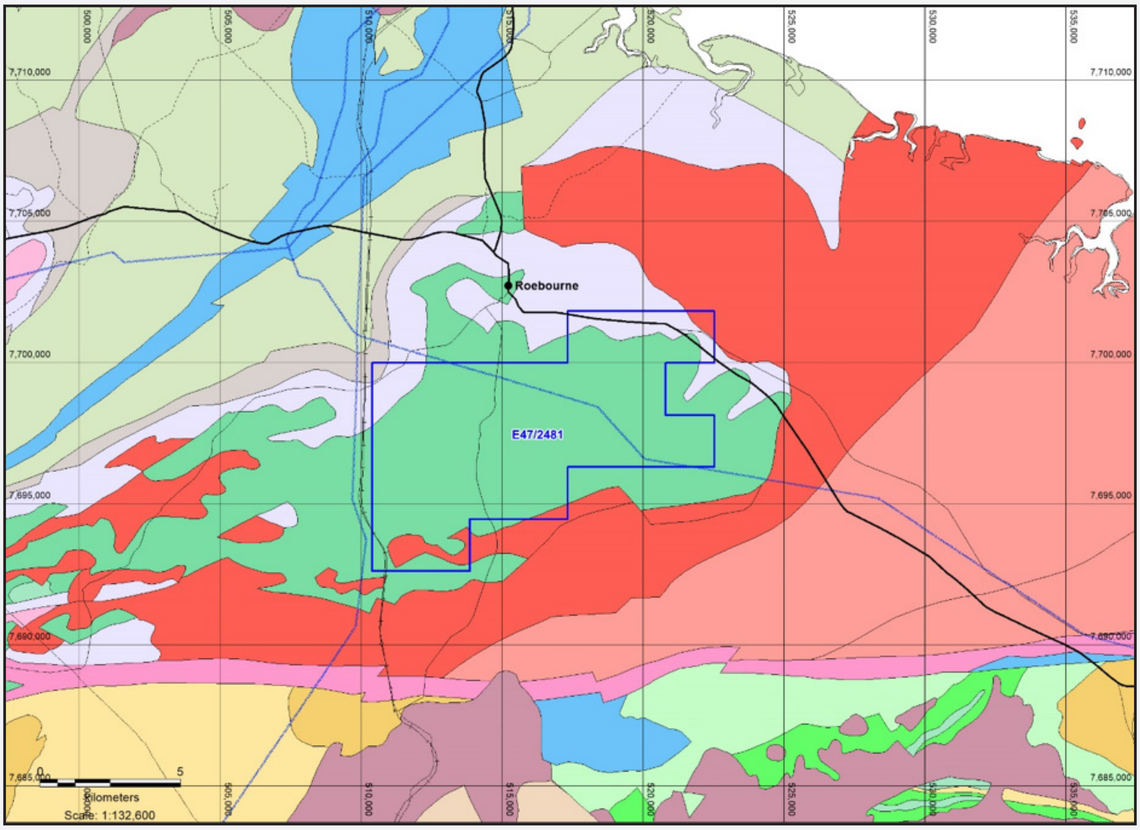


Figure 3: Geological map of Andover

A large-scale FLTEM survey utilising four 600m x 600m loops identified a strong, laterally extensive, bedrock-hosted EM conductor with a strike extent of 1,000m east-west and a down-dip extent of at least 400m. Designated as VC-07, this anomaly was interpreted to represent a body of primary sulphide mineralisation. The eastern end of the conductor coincided with two historical holes drilled by the Creasy Group in 2018 which intersected minor Ni-Cu sulphide mineralisation.

Azure commenced its maiden drill program in October 2020 to test VC-07, with seven drill holes completed by December 2020. Impressively, all holes intersected broad intervals containing substantial nickel and copper sulphide mineralisation. Importantly, in every hole, massive sulphide zones coincided with electromagnetic conductors defined by the FLTEM and subsequent DHTEM surveys.

Following the success of the Company's initial seven hole drill program, Azure immediately commenced a large diamond drilling program utilising three diamond drill rigs. By September 2021, 95 diamond drill holes have been completed for a total of 42,830m, with 87 holes drilled at VC-07 (76 holes at VC-07 East and 11 holes at VC-07 West) and 8 holes drilled at the nearby VC-23 prospect.

VC-07 MINERAL RESOURCE DRILL-OUT PROGRAM

Drilling confirmed that VC-07 represents an extensive mineralised system containing two significant zones of Ni-Cu sulphide mineralisation; named VC-07 East and VC-07 West.

Most drill holes intersected visible nickel and copper sulphide mineralisation, usually comprising a broad mineralised envelope containing an intermixed combination of massive, semi-massive, matrix, stringer, blebby and disseminated pentlandite (nickel sulphide), chalcopyrite (copper sulphide) and pyrrhotite (iron sulphide) hosted in gabbro and similar mafic rocks.

REVIEW OF OPERATIONS

NICKEL

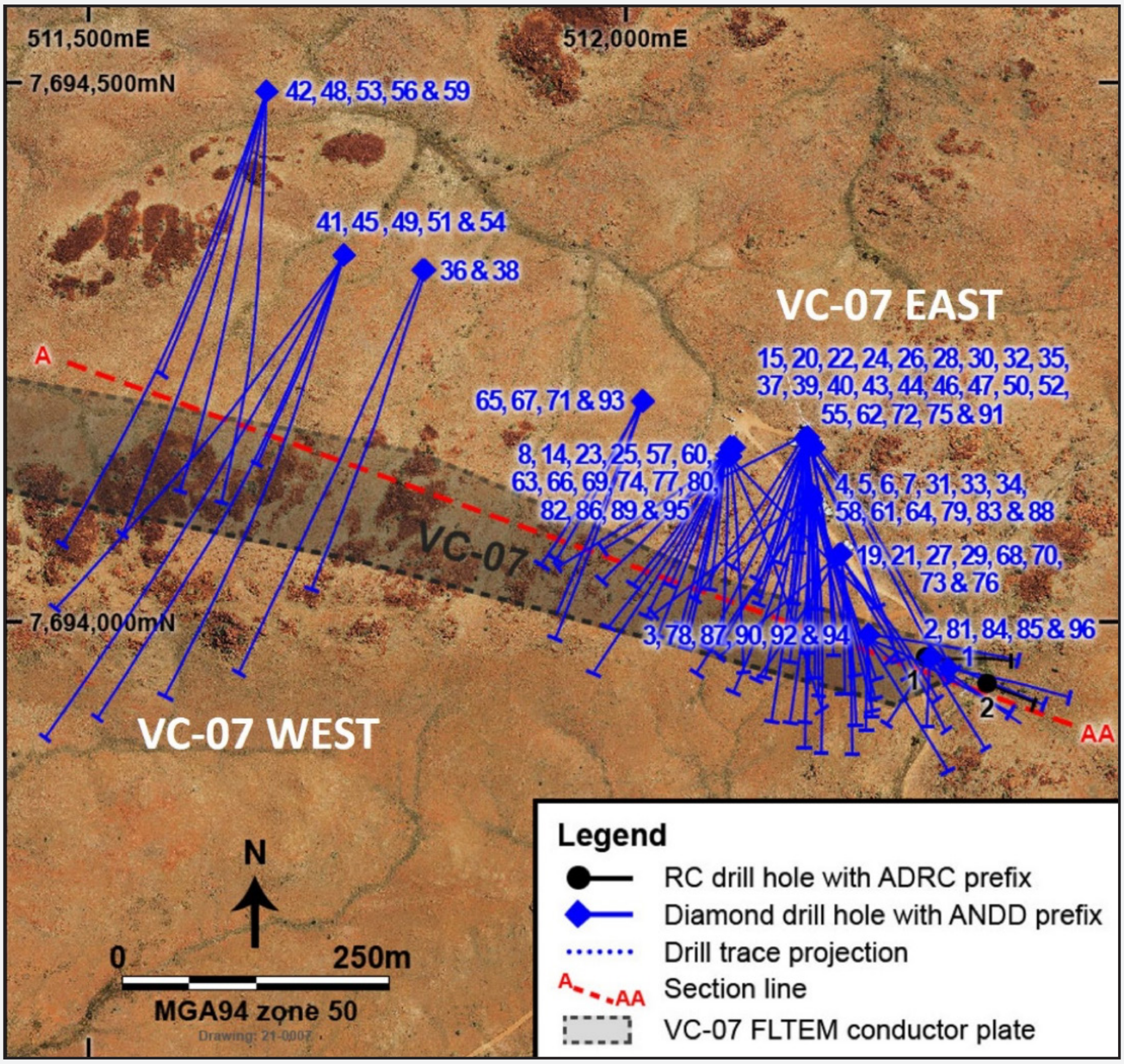


Figure 4: Andover VC-07 prospect showing drill hole locations and long section line A-AA

The DHTEM surveys carried out at VC-07 confirmed the strong relationship between massive sulphides and electromagnetic conductors, providing Azure with a high level of confidence that drilling of EM conductors leads to nickel and copper sulphide mineralisation.

VC-07 East

Mineral resource drilling is still ongoing in September 2021, with the VC-07 East zone now been confirmed as a significant Ni-Cu sulphide deposit in its own right. Sulphide mineralisation starts within 40m of surface, extends to at least 500m below surface, is at least 400m long (east-west), is up to 30m broad in true width, and has excellent internal continuity of grade and thickness.

REVIEW OF OPERATIONS

NICKEL

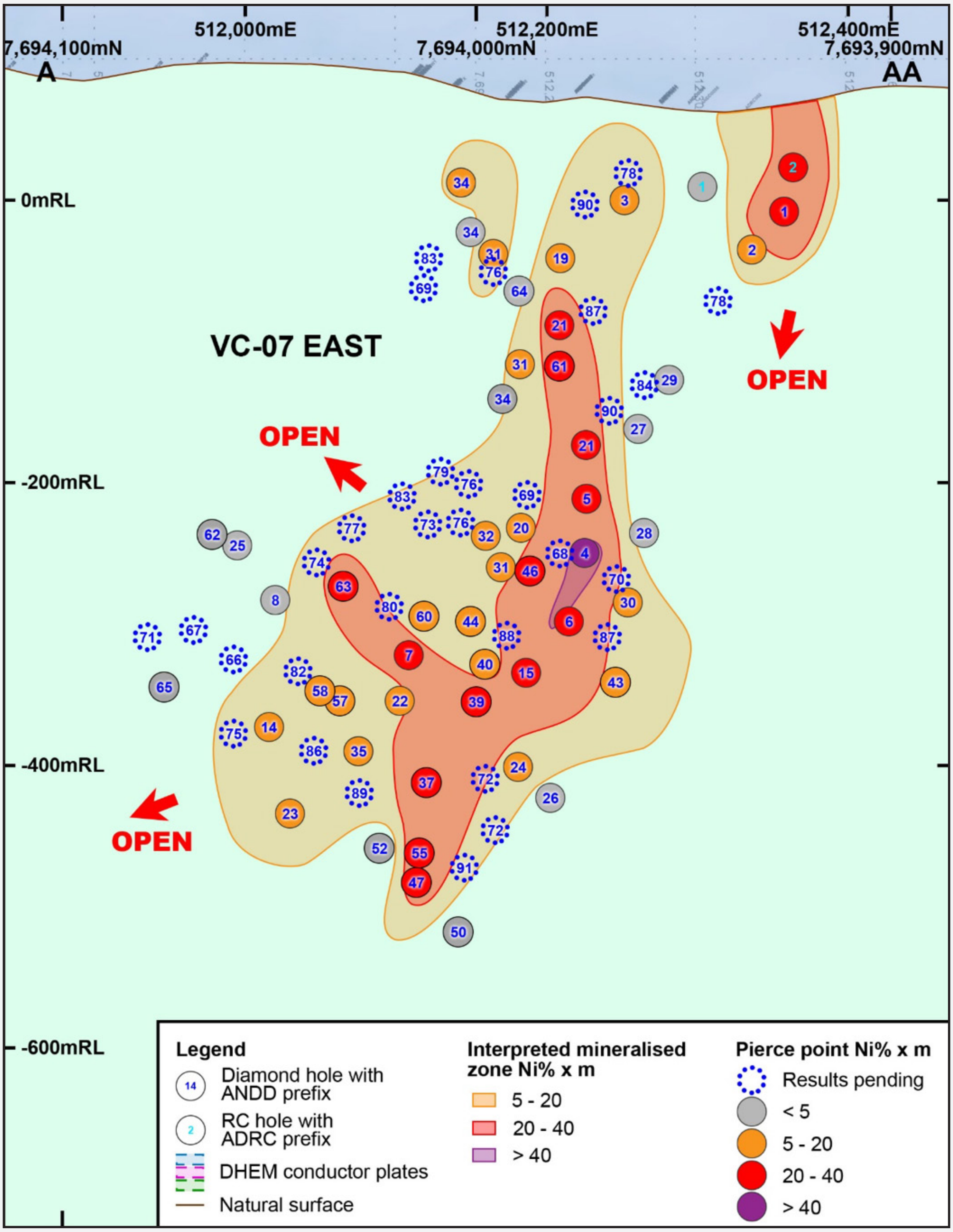


Figure 5: Long section A-AA showing grade-thickness heat map (Ni% x width[m]) of the VC-07 East Ni-Cu sulphide deposit

REVIEW OF OPERATIONS

NICKEL

Figure 6: ANDD0005 drill core
Massive Ni-Cu sulphides @ 330.0m-330.2m
1.0m @ 3.49% Ni & 0.44% Cu

Figure 7: ANDD0006 drill core
Massive Ni-Cu sulphides @ 416.9m-417.3m
0.75m @ 3.75% Ni and 0.21% Cu

(refer ASX: 12 January 2021)

TABLE 1: SIGNIFICANT MINERALISED INTERSECTIONS AT VC-07 EAST
(refer ASX: 29 January, 30 April, 30 July, 2 August 2021 & 13 September)
4.6m @ 2.41% Ni & 0.48% Cu within 13.6m @ 1.19% Ni and 0.38% Cu from 104.0m (ANDD0002)
8.5m @ 2.77% Ni & 1.04% Cu within 26.6m @ 1.50% Ni and 0.71% Cu from 347.5m (ANDD0004)
7.0m @ 2.23% Ni & 0.63% Cu within 19.2m @ 1.47% Ni and 0.41% Cu from 406.3m (ANDD0006)
7.6m @ 2.07% Ni & 1.47% Cu within 16.7m @ 1.67% Ni and 0.88% Cu from 434.5m (ANDD0015)
5.8m @ 2.81% Ni & 0.67% Cu within 14.8m @ 1.77% Ni and 0.69% Cu from 176.1m (ANDD0021)
6.3m @ 3.45% Ni & 0.47% Cu within 11.4m @ 1.99% Ni and 0.37% Cu from 267.3m (ANDD0021)
3.4m @ 2.13% Ni & 0.49% Cu within 11.2m @ 1.31% Ni and 0.45% Cu from 491.0m (ANDD0037)
4.5m @ 2.72% Ni & 0.59% Cu within 20.9m @ 1.81% Ni and 0.87% Cu from 390.7m (ANDD0046)
5.5m @ 2.12% Ni & 0.61% Cu within 10.3m @ 1.54% Ni and 0.59% Cu from 557.6m (ANDD0047)
4.1m @ 3.35% Ni & 0.87% Cu within 8.35m @ 2.58% Ni and 0.71% Cu from 234.4m (ANDD0061)
4.8m @ 2.17% Ni & 1.06% Cu within 18.2m @ 1.14% Ni and 0.62% Cu from 397.2m (ANDD0063)

REVIEW OF OPERATIONS

NICKEL

VC-07 West

Azure also carried out a short diamond drilling program to test conductors identified by the FLTEM survey in the western portion of the VC-07 mineralised corridor, completing 11 holes.

The first two holes were drilled as platforms to provide DHTEM coverage in this new area and several conductors were detected. Targeting those conductors, most of the follow-up holes intersected Ni-Cu sulphide mineralisation of variable intensity, ranging from massive sulphides containing high grades of nickel and copper through to lower grade disseminated sulphides.

Once again, zones of massive sulphides coincide with the modelled locations of the EM conductor plates, confirming the strong relationship between sulphide mineralisation and electromagnetic conductance.

Once the resource drill-out of the neighbouring VC-07 East deposit is completed, additional drilling will be undertaken at VC-07 West to follow the mineralisation along strike to the east and west, up-dip closer to surface, deeper down-dip and to test other nearby, as yet undrilled, DHTEM conductors.

TABLE 2: SIGNIFICANT MINERALISED INTERSECTIONS AT VC-07 WEST (REFER ASX: 2 AUGUST 2021)
4.5m @ 3.95% Ni & 0.80% Cu from 486.6m (ANDD0045); and
3.4m @ 2.01% Ni & 0.43% Cu within 6.6m @ 1.52% Ni and 0.49% Cu from 602.5m (ANDD0045)

REGIONAL DRILLING PROGRAM

VC-23 Discovery

To date, ten high-priority surface FLTEM conductor anomalies have been identified throughout the Andover project area, with VC-23 being the second (after the successful discovery of VC-07) of the targets to be tested as part of the regional drilling program.

Azure continued its strong run of success at Andover with the discovery of significant Ni-Cu sulphide mineralisation at VC-23. Eight diamond drill holes were completed, with holes targeting the modelled locations of EM conductor plates or interpreted down-dip extensions of those conductor plates.

All eight holes intersected varying amounts of visible Ni-Cu sulphide mineralisation, defining an interpreted east-west down-dip mineralised extent in excess of 200m, with mineralisation remaining open in all directions.

Six holes intersecting significant quantities of Ni-Cu sulphide mineralisation. Peak assay results of 4.76% Ni and 2.69% Cu were hosted in massive sulphides in ANDD0011, confirming the high nickel and copper tenor of this sulphide mineralisation.

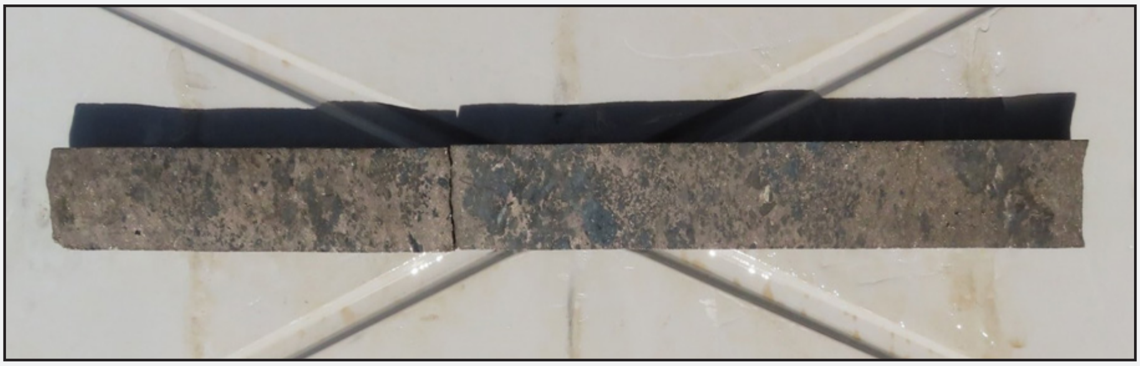


Figure 8: ANDD0011 at VC-23; semi-massive sulphides: 0.67m @ 3.62% Ni & 0.15% Cu

REVIEW OF OPERATIONS

NICKEL

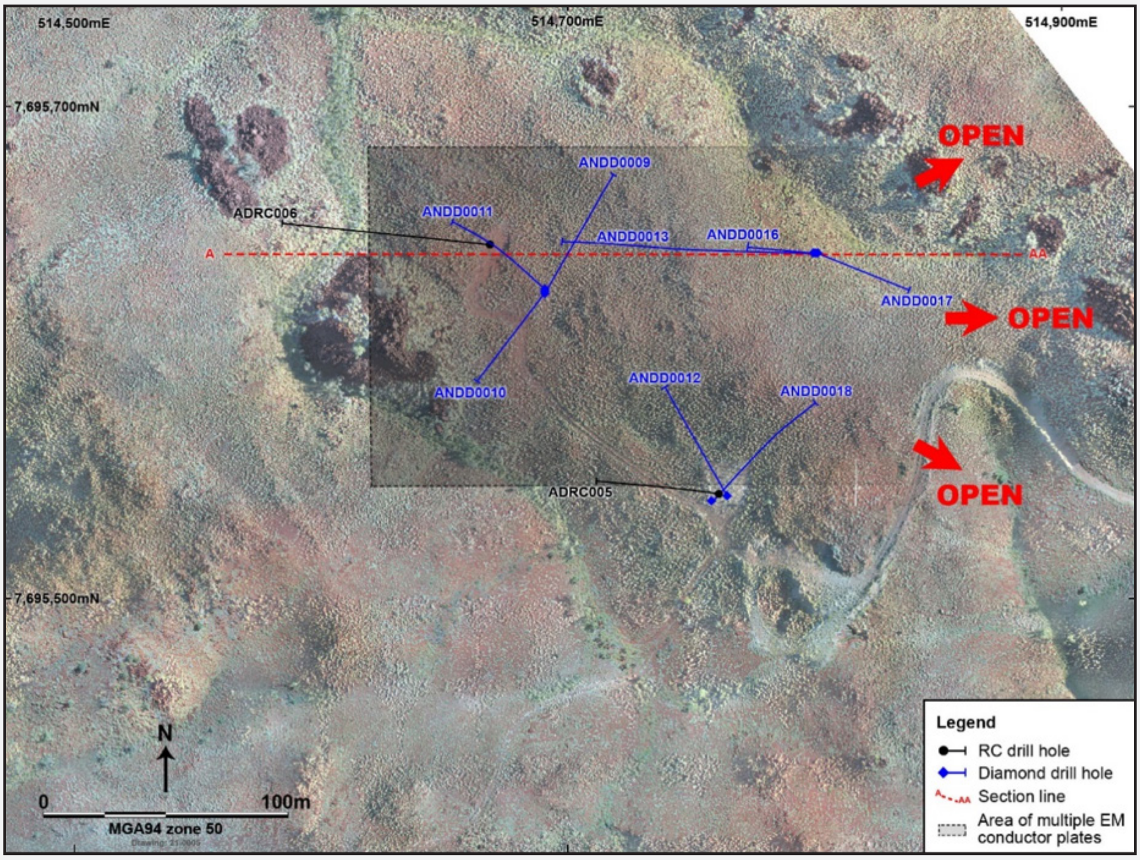


Figure 9: Drill hole locations at VC-23

Azure is well funded to continue advancing exploration and development of the nickel-copper sulphide deposits identified at Andover.

Initially, the Company is focused on completing the mineral resource drill-out programs on the VC-07 East Ni-Cu sulphide deposit, with the maiden mineral resource to be released in 2022. When the mineral resource drill program concludes at VC-07 East, Azure will re-focus the drilling campaign to expanding the VC-07 West mineralised zone to resource status and testing regional targets.

The Andover regional exploration program comprises geophysical surveying, detailed geological mapping and surface sampling, which will be followed up by Reverse Circulation and diamond drilling. The ongoing surface FLTEM surveys continue to define additional EM conductors interpreted to represent bedrock-hosted sulphide bodies and are high-quality drill targets, for example at VC-23, VC-18, VC-41, VC-30, VC-31 and VC-32.

TABLE 3: SIGNIFICANT MINERALISED INTERSECTIONS AT VC-23 (REFER ASX: 7 APRIL 2021)
1.3m @ 3.51% Ni & 0.21% Cu within 4.0m @ 1.69% Ni and 0.21% Cu from 32.7m (ANDD0011)
2.7m @ 2.29% Ni & 0.48% Cu within 7.0m @ 1.35% Ni and 0.45% Cu from 95.0m (ANDD0012)
2.3m @ 1.60% Ni & 0.75% Cu within 4.4m @ 1.17% Ni and 0.61% Cu from 84.6m (ANDD0013)

REVIEW OF OPERATIONS

NICKEL

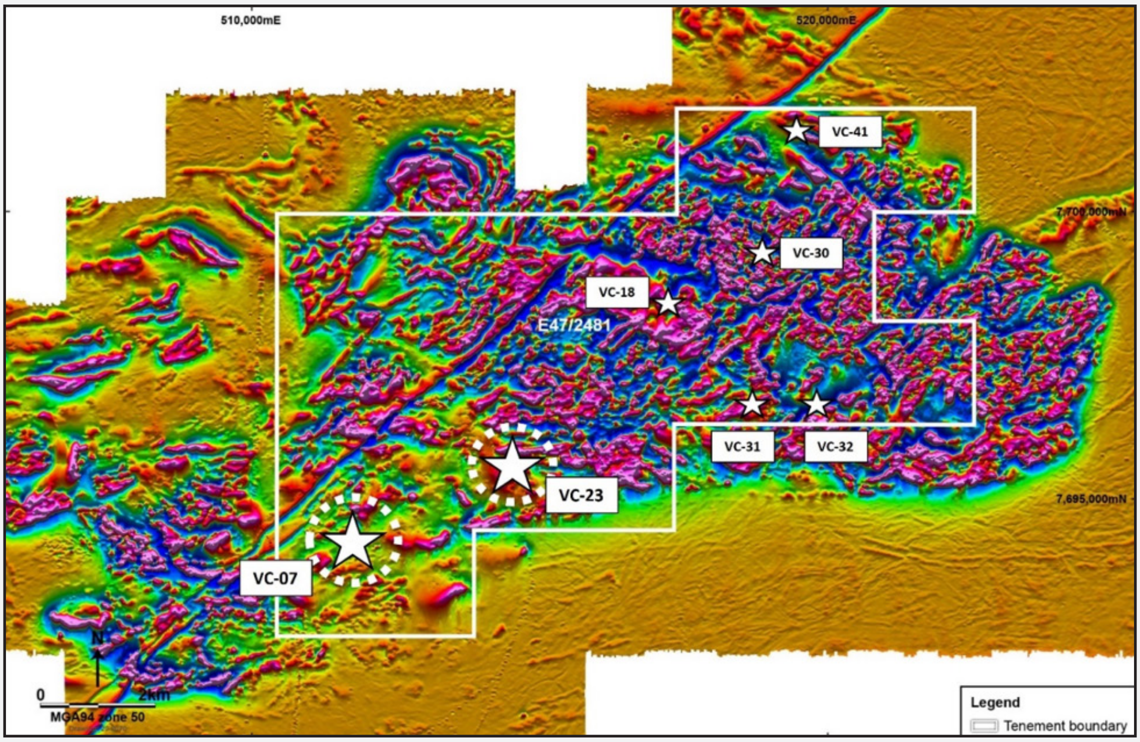


Figure 10: Aeromagnetic image with locations of significant EM conductor targets at Andover

GOLD

BARTON GOLD PROJECT (AZURE 100%)

Azure bolstered its gold portfolio through the acquisition of 100% of the Barton Gold Project (Barton), a single Exploration Licence (EL 40/393) which was granted on 1 July 2021. Barton is adjacent to the historical gold mining town of Kookynie, located approximately 40km south of Leonora in the Eastern Goldfields region of Western Australia.

Barton covers approximately 200km^2 of the Kookynie Gold District and adjoins several growing gold deposits / projects, including:

- Genesis Minerals Ltd (ASX: GMD): Ulysses Gold Project (1,608,000oz);
- Genesis Minerals' recent gold discovery at Puzzle North;
- Saturn Metals Ltd (ASX: STN): Apollo Hill Gold Project (944,000oz); and
- Recent high-grade gold discoveries at Kookynie by Metalicity Ltd (ASX:MCT) and other companies.

Since the 1890s, the Kookynie-Orient Well-Ulysses district has produced more than 1.1Moz of gold from open pit and underground mining of high-grade, quartz vein gold deposits and currently hosts additional gold resources of >3Moz.

Historically, the larger mines in the district were:

- Kookynie (combined): produced ~366,000oz Au; located 4km south of Azure's Barton Project
- Puzzle: produced ~100,000oz Au; located 1.3km south of Barton
- Orient Well: produced ~220,000oz Au; located 4km west of Barton
- Admiral / Butterfly: produced ~320,000oz Au; located 10km west of Barton
- Ulysses: produced ~50,000oz Au; located 15km west of Barton.

REVIEW OF OPERATIONS

GOLD

Most of the historical exploration in the Kookynie district focused on areas of outcrop and shallow soil-covered terrain. However, due to transported soils covering most of the Barton project area, soil sampling and shallow drilling previously undertaken within the project area was ineffective in testing for bedrock-hosted gold mineralisation.

The only deeper drilling that penetrated into bedrock was in the southwest of the property at the Daisy Corner prospect, which is situated within the Kookynie-Orient Well-Ulysses shear corridor between the Orient Well (247,000oz Au resources) and Puzzle (59,000oz Au resources) gold deposits.

In 1995-1997, drilling at Daisy Corner returned best results (refer ASX: 4 September 2020) of:

- 7m @ 1.26g/t Au from 42m within 18m @ 0.77g/t Au;
- 40m @ 0.2g/t Au from 20m; and
- 8m @ 0.53g/t Au from 48m.

Recent drilling by neighbouring company Genesis Minerals Ltd (https://genesisminerals.com.au) at their newly discovered Puzzle North prospect has identified wide zones of shallow gold mineralisation over a strike length in excess of 400m. Mineralisation is associated with quartz veining hosted in hematite-sericite altered granite adjacent to a north-striking granite-greenstone contact. The Puzzle North mineralised zone remains open and trends directly towards Azure's property.

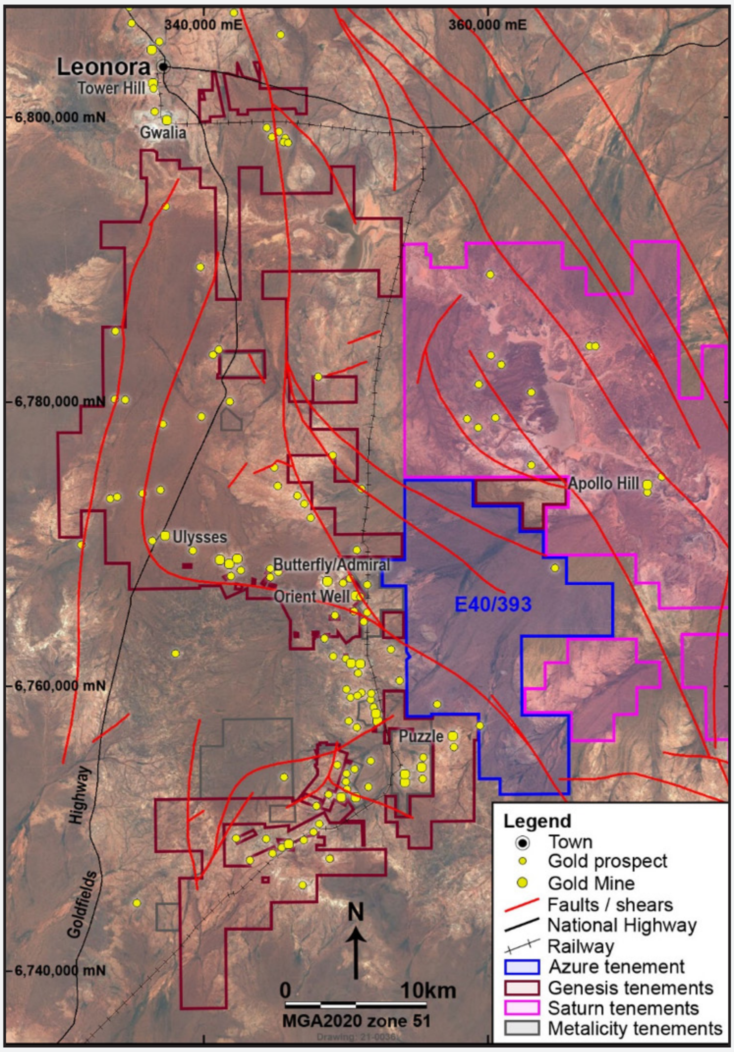


Figure 11: Plan of the Barton tenement, surrounding projects and gold prospects

REVIEW OF OPERATIONS

GOLD

PLANNED EXPLORATION PROGRAM

To date, Azure has completed an airborne magnetic survey over the Barton project area and preparation is underway for aircore and RC drilling programs.

Initially, Azure's drilling will follow-up gold mineralisation intersected historically at Daisy Corner, which may represent the northern extensions of the recent Puzzle North discovery where Genesis Minerals is currently undertaking a resource definition drilling program. Azure will also test for structurally controlled, bedrock-hosted gold associated with cross-cutting shears and fault zones elsewhere on the property.

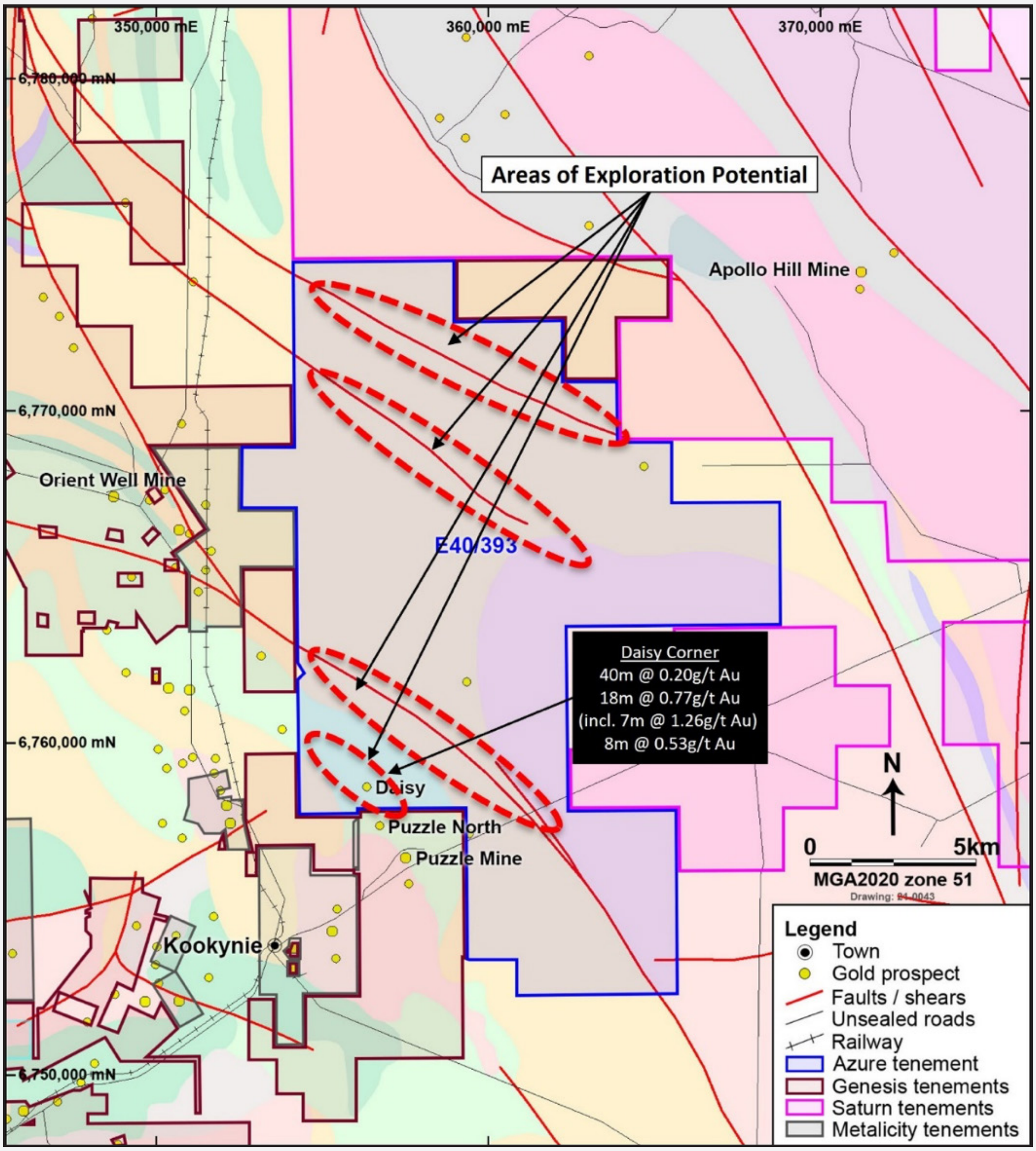


Figure 12: The Barton Project showing areas of gold prospectivity

REVIEW OF OPERATIONS

GOLD

PILBARA GOLD PROJECTS

Azure has also acquired an exciting gold project portfolio from the Creasy Group, providing an opportunity to diverse its commodity exposure and give shareholders exposure to a new and exciting gold district which has seen several recent large gold discoveries. The Company has acquired 70% interests in the Turner River, Meentheena and Coongan Gold Projects, located in the Pilbara region of Western Australia.

Turner River Gold Project (Azure 70% / Creasy Group 30%)

The Turner River Gold Project (Turner River) comprises two unexplored Exploration Licence applications covering 450km², located just south of Port Hedland and close to De Grey Mining's Mallina Gold Project and their newly discovered Hemi gold deposit (total of 9.0Moz of gold resources).

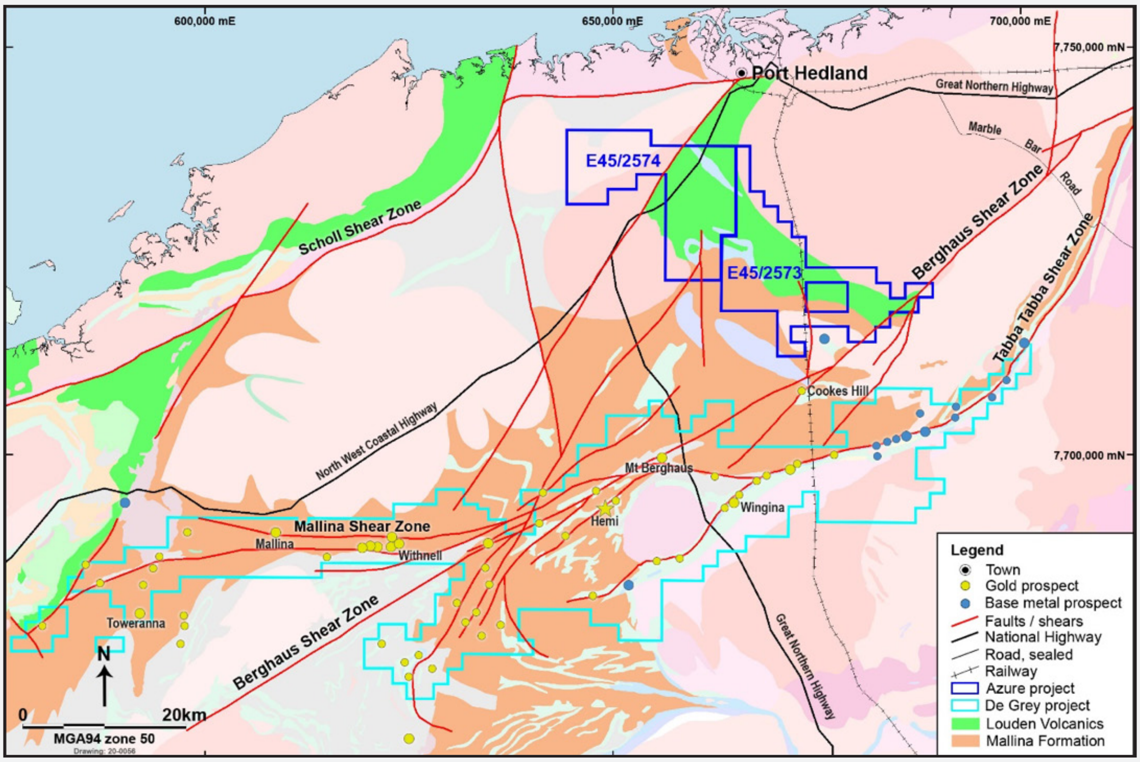


Figure 13: Turner River Gold Project showing geology, structural setting & gold deposits/occurrences

This district is rapidly emerging as a major gold province, with multiple intrusive-related gold deposits giving it potential to be of world-class scale. De Grey's Hemi gold deposit (6.8Moz gold resources and growing), together with another 2.2Moz of gold resources hosted in multiple deposits throughout the De Grey's Mallina project, demonstrate that substantial gold deposits have been formed with the confluence of granite intrusions into the Mallina sediments and major cross-cutting shear zones like the regionally-extensive Mallina and Berghaus Shear Zones.

The mostly sand-covered Turner River project area hosts similar geology to De Grey's ground, with Mallina Formation sediments, granite intrusions and the Archean-age Louden Volcanics greenstone belt all occurring within the property. Turner River also contains 12km of the northeast-trending, gold-rich Berghaus Shear Zone and parallel structures that are associated with Hemi and other nearby gold deposits like Mt Berghaus (De Grey) and Cookes Hill (Haoma Mining).

REVIEW OF OPERATIONS

GOLD

The Louden greenstone belt is prospective for more conventional structurally-controlled gold mineralisation, a geological concept that to date remains relatively untested in this district.

There are no indications of drilling or other historical exploration within the Turner River project area. The extensive sand cover, proximity to De Grey's strongly mineralised project area and gold deposits, favourable rock types and fertile structural setting, all highlight the significant prospectivity for Turner River to host substantial gold mineralisation.

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

The Meentheena and Coongan gold exploration projects are located in the eastern Pilbara.

Meentheena is located approximately 80km east of Marble Bar, with easy access via the sealed Marble Bar to Telfer Gold Mine road and Coongan is located 8km to the west of Nullagine)

Meentheena covers 223km^2 and been explored by the Creasy Group for more than 25 years. The project is prospective for epithermal-style gold mineralisation and geological mapping and geochemical sampling over several years defined a large (~20km^2) zone of epithermal alteration at surface. Strongly anomalous gold and silver values and high levels of the pathfinder minerals arsenic, antimony and mercury are associated with silica flooding, quartz and sulphide veining, and crackle breccias indicative of an epithermal event.

The Creasy Group drill-tested this zone completing five RC holes for 2,204m and one 706m diamond core hole. Several holes intersected epithermal-style alteration, veining and brecciation with anomalous precious metals and pathfinder elements. Azure plans to undertake further exploration, initially comprising surface studies followed by drilling.

Coogan covers an area of 141km^2. The Project is situated immediately west of Nullagine and adjoins the western boundary of Novo Resources Beatons Creek Conglomerate Gold Project (current resources of 903,000oz @ 2.53g/t Au in conglomerate, alluvial and reef gold.

There are numerous mineral occurrences and deposits reported in the immediate vicinity of Coongan, including gold to the northwest and east, copper to the north, Channel Iron Deposits (CID) to the south and tin, tantalum and lithium to the east. The project is considered prospective for alluvial and conglomerate-hosted gold similar to that at Beatons Creek and also bedrock-hosted primary gold mineralisation.

Exploration undertaken by Creasy Group focused on the western half of the project area and comprised surface geochemical sampling (stream sediment and rock chip) and a close-spaced detailed aeromagnetic survey. Numerous target areas were identified that warrant follow-up with infill stream sediment sampling, soil sampling, detailed rock chip sampling and geological mapping. In addition, the eastern half of the property requires similar reconnaissance exploration and an aeromagnetic survey.

MEXICO

Azure completed a strategic review of its precious metals and base metals projects in Mexico, including the 100%-owned Alacrán silver-gold-copper and Oposura zinc-lead-silver projects.

With increased Company attention on the exciting Andover Ni-Cu Project, the Board's objective in conducting the review was to determine how to best optimise the value of the Company's Mexican mineral projects.

The review concluded that with the Company now clearly focused on advancing Andover, that a trade sale of the Mexican assets would provide the best outcome for shareholders.

Following an assessment of a number of alternative pathways forward, Azure mandated PCF Capital Group to commence and complete a targeted and structured sale process of its Mexican project portfolio. PCF Capital Group provides services to the resource sectors in Australia and North America, with a range of corporate advisory services including project evaluations, M&A, asset divestment and acquisition processes plus project finance solutions and international capital raisings.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Azure Minerals Limited ("Azure") and the entities it controlled at the end of or during the year ended 30 June 2021.

Directors

The following persons were directors of Azure Minerals Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

- Brian Thomas (Appointed 1/3/2021)
- Anthony Rovira
- Hansjörg Plaggemars
- Annie Guo (Appointed 1/3/2021)
- Peter Ingram (Resigned 30/06/2021)
- Wolf Martinick (Resigned 24/11/2020)
- Wayne Bramwell (Appointed 14/10/2020 & Resigned 19/02/2021)

Principal Activities

During the year the principal continuing activity of the Group was exploration for precious and base metals principally in Australia with continuing exploration activities in Mexico.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

DIRECTORS' REPORT

Review of Operations

GROUP OVERVIEW

Azure Minerals Limited was incorporated on 19 September 2003. Up until early 2020 its principal focus was on exploration for gold, copper, silver and zinc in Mexico, but following the worldwide onset of COVID-19 during 2020 the company transitioned back to Australia with the acquisition of a number of gold and base metal projects in Western Australia.

OPERATING RESULTS FOR THE YEAR

The operating loss after income tax of the Group for the year ended 30 June 2021 was $16,900,178 (2020: $5,671,296). Included in this loss figure is $9,096,498 (2020: $3,467,734) of exploration expenditure. Refer to notes 1(c) and 5 to the financial statements.

SHAREHOLDER RETURNS	2021	2020
Basic loss per share (cents)	**(6.28)**	(3.75)
Diluted loss per shares (cents)	**(6.28)**	(3.75)

INVESTMENTS FOR FUTURE PERFORMANCE

The future performance of the group is dependent upon exploration success, the progress of development of those projects where precious and base metals are already present, and continued funding. To this end the group has budgeted to continue exploration on its projects.

REVIEW OF FINANCIAL CONDITION

At the date of this report the consolidated entity has a sound capital structure and is in a strong position to progress its mineral properties.

RISK MANAGEMENT

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The board has adopted a Risk Management Policy and performs the role of the Audit and Risk Management Committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which covers strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

The company undertakes risk review meetings as required with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

DIRECTORS' REPORT

Significant Changes in State of Affairs

During the year the Company issued a total of 145,893,104 fully paid ordinary shares (FPOS) being:

- The issue of 2,100,000 FPOS as a result of the exercise of 2,100,000 options raising $958,000;
- The issue of 90,000,000 FPOS to raise $41,000,000 before expenses of the issues;
- The issue of 40,000,000 FPOS as consideration for the acquisition of minerals exploration projects in Western Australia; and
- The issue of 13,793,104 FPOS as the result of the conversion of 2,000,000 convertible notes with a face value of $2,000,000.

There were no other significant changes in the state of affairs of the Group during the financial year.

Significant Events After the Reporting Date

On 1 July 2021 the Barton tenement (EL 40/393) was granted. As a result, the Company issued 1,150,000 fully paid ordinary shares and $20,000 to the vendor.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely Developments and Expected Results of Operations

The group expects to maintain the present status and level of operations. The impact of COVID-19 on the company going forward, including its financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's 2022 interim and annual financial statements.

Environmental Regulation and Performance

The company is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review. The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirement but may be required to report in the future.

DIRECTORS' REPORT

Information on Directors

MR. BRIAN THOMAS
BSc MBA Grad Cert App Fin Inv MAusIMM MAICD SAFin (Appointed 1 March 2021)

Mr. Thomas is a very experienced Director and Corporate Executive with significant domestic and international resources management experience. In addition, Mr. Thomas spent 15 years in the financial services sector with executive roles in corporate stockbroking, investment banking and banking with Morgan Stockbroking, McIntosh Securities, Merrill Lynch Investment Bank and Westpac Institutional Bank.

He has more than 35 years of mining and exploration industry experience covering a broad range of commodities from precious, base and battery metals, bulk and industrial minerals, diamonds plus oil and gas.

Mr. Thomas graduated from the University of Adelaide with a BSc in Geology and Mineral Economics, the University of Western Australia Business School with an MBA and the Securities Institute of Australia (now FinSIA) with a Certificate in Applied Finance and Investment.

OTHER CURRENT DIRECTORSHIPS
Nil

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS
- Non-Executive Director Paterson Resources Ltd (Resigned 11 December 2020)
- Non-Executive Director Auris Resources Ltd (Resigned 31 March 2020)
- Non-Executive Director Cougar Metals NL (Resigned 31 July 2019)

SPECIAL RESPONSIBILITIES
- Chairman of the Board

INTERESTS IN SHARES AND OPTIONS
Nil

MR. ANTHONY ROVIRA
BSc (Hons) Flinders University, MAusIMM (Managing Director)

Mr. Rovira has over 30 years technical and management experience in the mining industry, as an exploration and mining geologist, and as a company executive at Board level. Since graduating from Flinders University in South Australia in 1983, Tony has worked for companies both large and small, including BHP, Barrack Mines, Pegasus Gold and Jubilee Mines. From 1997-2003 Tony was the General Manager of Exploration with Jubilee Mines, during which time he led the team that discovered and developed the world class Cosmos and Cosmos Deeps nickel sulphide deposits in Western Australia. In the year 2000, the Association of Mining and Exploration Companies awarded Tony the "Prospector of the Year Award" for these discoveries.

Mr. Rovira joined Azure Minerals as the inaugural Managing Director in December 2003, held the position of Executive Chairman from June 2007 until December 2011, then reverted to his current position of Managing Director. He is responsible for the decision in 2020 to change the Company's focus from precious and base metals in Mexico to nickel and gold in Western Australia, leading the company to significant exploration success at the Andover Nickel-Copper Project.

OTHER CURRENT DIRECTORSHIPS
Nil

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS
- Ionic Rare Earths Limited (resigned 21 December 2020)

INTERESTS IN SHARES AND OPTIONS
- 1,506,002 ordinary shares in Azure Minerals Limited, of which 109,667 are held indirectly
- 1,500,000 options over ordinary shares in Azure Minerals Limited

DIRECTORS' REPORT

MR. HANSJÖRG PLAGGEMARS

Mr. Plaggemars was appointed a director on 26 November 2019 and is an experienced company director with a deep background in corporate finance, corporate strategy and governance. He has served on the Board of Directors of many listed and unlisted companies in a variety of industries including mining, agriculture, shipping, construction and investments. This includes the Board of Delphi Unternehmensberatung AG, a major shareholder of Azure.

Mr. Plaggemars has qualifications in Business Administration and is fluent in English and German.

OTHER CURRENT DIRECTORSHIPS

2invest AG, Ming Le Sports AG, Decheng Technology AG i.I., Snowbird Ag i.I., Wiluna Mining Corporation Limited, Gascoyne Resources (WA) Pty Ltd, PNX Metals Limited, 4basebio UK Limited, Altech Chemicals Limited, South Harz Potash Limited, KIN Mining NL, Alltech Advanced Metals AG

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

The Grounds Real Estate Development AG, CARUS AG, Enapter AG, KlickOwn AG, MARNA Beteiligungen AG, Biofrontera AG, Nordic SSW 1000 Verwaltungs AG

SPECIAL RESPONSIBILITIES

Nil

INTERESTS IN SHARES AND OPTIONS

- 60,000 ordinary shares in Azure Minerals Limited

MS. ANNIE GUO

B.Econ, M.Fin (Appointed 1 March 2021)

Ms. Guo, a highly proficient corporate executive with more than 20 years' experience in the mining and resources sector.

During Ms. Guo's earlier career with PricewaterhouseCoopers, she held senior roles in transaction services, with a focus on the mining and resources sector. In addition, she is an experienced public and private company director and executive and has run her own investment platform focused on Australian and international mining and resource projects for the past decade. Ms. Guo brings significant experience across mining project evaluation, mergers and acquisitions, capital markets, project development and corporate finance, and is currently the Managing Director of Zuleika Gold Limited and a Non-Executive Director Azure Minerals Limited

OTHER CURRENT DIRECTORSHIPS

- Zuleika Gold Limited (since November 2013)
- CZR Resources Limited (since February 2021)

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

Nil

SPECIAL RESPONSIBILITIES

Nil

INTERESTS IN SHARES AND OPTIONS

Nil

DIRECTORS' REPORT

MR. PETER INGRAM
BSc. (Resigned 30 June 2021)

Mr. Ingram was appointed a director on 12 October 2011 and assumed the Chair on 1 December 2011. He is a geologist with over fifty years' experience in the mining and mineral exploration industries within Australia, including over forty years' experience in public company management. He was the founding Chairman and Managing Director of Universal Resources Limited (later Altona Mining Limited).

Mr. Ingram was a founding councilor and past President of the Association of Mining and Exploration Companies (AMEC) and has been made an Honorary Life Member in recognition of his services to AMEC. He was also a founding director of the Australian Gold Mining Industry Council. He has served on the board of management of the WA School of Mines at Curtin University and was instrumental in the establishment of the Chair of Mineral Economics within that institution.

Mr. Ingram's previous directorships include: Managing Director of Metana Minerals NL and Eastmet Limited, both successful gold mining companies; Executive Chairman of Australia Oriental Minerals NL and Glengarry Resources Limited; and Non-executive Director of Dragon Mining Limited, Metana Petroleum Limited and Carnarvon Petroleum Limited.

OTHER CURRENT DIRECTORSHIPS
Nil

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS
Nil

INTERESTS IN SHARES AND OPTIONS AT TIME OF RETIREMENT
- 1,500,055 ordinary shares in Azure Minerals Limited all of which are held indirectly.

DR. WOLF MARTINICK
PhD, BSc (Agric) (Resigned 24 November 2020)

Dr. Martinick was appointed a director on 1 September 2007 and is an environmental scientist with over 40 years' experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

He was a founding director and chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia, and a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003.

OTHER CURRENT DIRECTORSHIPS
Nil

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS
- Ionic Rare Earths Limited – resigned 30 November 2018

INTERESTS IN SHARES AND OPTIONS AT TIME OF RETIREMENT
- 1,265,000 ordinary shares in Azure Minerals Limited

DIRECTORS' REPORT

MR. WAYNE BRAMWELL

BSc (Extractive Metallurgy), Grad Dip Bus, MSc (Min. Econ), GAICD) – Appointed 14 October 2020, Resigned 19 February 2021)

Mr. Bramwell is a metallurgist and mineral economist, experienced director and mining executive with extensive project and corporate development, executive management and governance expertise in precious and base metal companies spanning nearly three decades. He holds a Bachelor of Science in Extractive Metallurgy, a Graduate Diploma in Business, a Master of Science in Mineral Economics and is a graduate of the Australian Institute of Company Directors.

OTHER CURRENT DIRECTORSHIPS

- Westgold Resources Limited

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

- CZR Resources Limited (appointed 3 November 2020, resigned 19 February 2021)
- Ardea Resources Limited (appointed 29 January 2018, resigned 3 July 2020).

INTERESTS IN SHARES AND OPTIONS AT TIME OF RETIREMENT

- 40,000 ordinary shares in Azure Minerals Limited all of which are held indirectly.

Directors' Meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

MEETINGS OF COMMITTEES						
	MEETINGS		AUDIT & RISK MANAGEMENT		REMUNERATION & NOMINATION	
DIRECTORS'	A	B	A	B	A	B
Mr. Brian Thomas	4	4	–	–	–	–
Mr. Anthony Rovira	12	12	–	–	1	1
Mr. Hansjörg Plaggemars	12	12	–	–	1	1
Ms Annie Guo	4	4	–	–	–	–
Mr. Peter Ingram	12	12	1	1	1	1
Dr Wolf Martinick	5	5	1	1	–	–
Mr. Wayne Bramwell	5	5	–	–	1	1

NOTES:
A : Number of meetings attended.
B : Number of meetings held during the time the director held office or was a member of the committee during the year.

DIRECTORS' REPORT

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

A : PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION
B : DETAILS OF REMUNERATION
C : SERVICE AGREEMENTS
D : SHARE-BASED COMPENSATION
E : ADDITIONAL INFORMATION

Key management personnel (KMP) covered in this report

NAME	POSITION	TERM AS KMP
Mr. Brian Thomas	Non-Executive Chair	From 1 March 2021
Mr. Anthony Rovira	Executive Managing Director	Full financial year
Mr. Hansjörg Plaggemars	Non-Executive Director	Full financial year
Ms Annie Guo	Non-Executive Director	From 1 March 2021
Mr. Peter Ingram	Non-Executive Director	Full financial year
Dr Wolf Martinick	Non-Executive Director	Resigned 24 November 2020
Mr. Wayne Bramwell	Non-Executive Director	From 14 October 2020 to 19 February 2021
Mr. Brett Dickson	Company Secretary & CFO	Full financial year

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporation Act 2001.

A : PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The remuneration policy of Azure Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long term incentives based on key performance areas affecting the Groups results. Short-term incentives implemented by the Company are detailed later in the report in section E. At present the Company has not implemented any specific long-term incentives and as such the remuneration policy is not impacted by the Groups performance, including earnings in shareholder wealth (dividends, changes in share price or return on capital to shareholders). The board of Azure Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Groups performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 10.0% of cash salary, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive; to date no shares have been awarded to directors or executives. Options are valued using either the Black Scholes or Binomial methodologies.

DIRECTORS' REPORT

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently $400,000) as approved at the Annual General Meeting held on 24 November 2020. In line with standard industry practice fees for non executive directors are pagenot linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

The full board acts as the Remuneration Committee under the Remuneration Committee Charter. It is primarily responsible for making recommendations to the board on:

- Non-executive director's fees
- Remuneration levels of executive directors and other key management personnel
- Key performance indicators and performance hurdles of the executive team

It's objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group. The Corporate Governance Statement provides further information on the role of this committee.

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can reduce, cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Remuneration consultants were not engaged during the year.

There is no Retirement Benefit Policy for directors, other than the payment of statutory superannuation.

DIRECTORS' REPORT

B : DETAILS OF REMUNERATION

Amount of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Azure Minerals Limited are set out below in the following tables.

The key management personnel of Azure Minerals Limited includes the directors as disclosed earlier in this report and the following who have authority and responsibility for planning, directing and controlling the exploration activities of the entity and the Company Secretary/CFO, Mr. B Dickson is an executive whose remuneration must be disclosed under the Corporations Act 2001.

KEY MANAGEMENT PERSONNEL OF THE GROUP							
	SHORT-TERM			POST-EMPLOYMENT	SHARE-BASED PAYMENTS	TOTAL	SHARE BASED PAYMENT %
NAME	CASH, SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPERANNUATION	OPTIONS		
DIRECTORS							
BRIAN THOMAS – CHAIRMAN (APPOINTED 1 MARCH 2021)							
2021	**21,666**	**–**	**–**	**2,058**	**–**	**23,724**	**–**
2020	–	–	–	–	–	–	–
ANTHONY ROVIRA – MANAGING DIRECTOR							
2021	**384,750**	**–**	**–**	**25,000**	**–**	**409,750**	**–**
2020	387,375	–	–	25,000	57,818	470,193	12.3
HANSJÖRG PLAGGEMARS –NON EXECUTIVE							
2021	**48,750**	**–**	**–**	**–**	**–**	**48,750**	**–**
2020	15,688	–	–	–	–	15,688	–
ANNIE GUO – NON EXECUTIVE (APPOINTED 1 MAR. 2021)							
2021	**15,000**	**–**	**–**	**356**	**–**	**15,356**	**–**
2020	–	–	–	–	–	–	–
PETER INGRAM – NON EXECUTIVE							
2021	**52,500**	**–**	**–**	**4,988**	**–**	**57,488**	**–**
2020	37,500	–	–	3,561	28,909	69,970	41.3
WOLF MARTINICK –NON EXECUTIVE (RESIGNED 24 NOV. 2020)							
2021	**21,726**	**–**	**–**	**2,064**	**–**	**23,790**	**–**
2020	33,750	–	–	3,207	28,909	65,866	43.9
WAYNE BRAMWELL – NON EXECUTIVE (APPOINTED 14 OCT 2020, RESIGNED 19 FEB 2021)							
2021	**17,160**	**–**	**–**	**1,274**	**–**	**18,434**	**–**
2020	–	–	–	–	–	–	–
EXECUTIVES							
BRETT DICKSON – COMPANY SECRETARY							
2021	**172,125**	**–**	**–**	**–**	**–**	**172,125**	**–**
2020	172,125	–	–	–	40,473	212,598	19.0
TOTAL							
2021	**733,677**	**–**	**–**	**35,740**	**–**	**769,417**	**–**
2020	646,438	–	–	31,768	156,109	834,315	18.7

DIRECTORS' REPORT

COMPENSATION OPTIONS

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. During the year no options were granted as remuneration (2020: 2,700,000) and 2,100,000 options were exercised (2020: Nil). During the year no options lapsed or were forfeited (2020: 1,350,000 lapsed).

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Retirement benefits provided for the non-executive directors in the financial statements do not form part of the above remuneration until such time as the amount is paid to the retiring director.

Apart from the issue of options the company currently has no performance based remuneration component built into non-executive director remuneration (2020: Nil). Performance based remuneration for executives is detailed later in section E of this report.

C : SERVICE AGREEMENT

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

ANTHONY ROVIRA Managing Director	**BRETT DICKSON** Company Secretary/Chief Financial Officer
▪ Term of agreement – to 31 December 2022. ▪ Base salary, exclusive of superannuation, of $413,000 to be reviewed annually by the remuneration committee. ▪ As the result of disruptions caused by the COVID-19 pandemic, for the 6 month period from 1 March 2020 to 30 September 2020 Mr. Rovira voluntarily undertook a 25% reduction to this base salary. ▪ Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination or the equivalent of 6 months remuneration, whichever is the greater.	▪ Term of agreement – to 31 December 2022. ▪ Fixed fee, $15,300 per month. ▪ As the result of disruptions caused by the COVID-19 pandemic, for the 6 month period from 1 March 2020 to 30 September 2020 Mr. Dickson undertook a 25% reduction to this base salary. ▪ Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination or the equivalent of 6 months remuneration whichever is the greater.

RETIREMENT BENEFITS

Other retirement benefits may be provided directly by the company if approved by shareholders.

D : SHARE BASED COMPENSATION

Options over shares in Azure Minerals Limited may be issued to directors and executives. The options are not issued based on performance criteria but are issued to directors and executives of Azure Minerals Limited, where appropriate, to increase goal congruence between executives, directors and shareholders. There are no standard vesting conditions to options awarded with vesting conditions, if any, at the discretion of Directors at the time of grant. Options are granted for nil consideration.

During the year no options were awarded to or vested with Directors and Executives (2020: 2,700,000 options with a fair value of $156,109). Refer to Note 22 of the Notes to the Consolidated Financial Statements for more information.

2,100,000 options held by directors or executives were exercised during the financial year and no options have been exercised since the end of the financial year. During the year nil (2020: 1,350,000) options lapsed.

The Company's remuneration policy prohibits executives from entering into transactions or arrangements which limit the "at risk" aspect of participating in unvested entitlements.

DIRECTORS' REPORT

E : ADDITIONAL INFORMATION

PERFORMANCE BASED REMUNERATION

VARIABLE REMUNERATION – SHORT TERM INCENTIVE ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve those operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to executives depend on the extent to which specific targets set at the beginning of the review period, being a fiscal year, are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to exploration success, share price appreciation, risk management and cash flow sustainability. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Board has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, determines the amount, if any, of the STI to be paid to each executive. This process usually occurs in the last quarter of the fiscal year. Payments made are delivered as a cash bonus in the fourth quarter of the fiscal year.

STI bonus for 2020 and 2021 financial years

No STI payment was awarded for the 2020 and 2021 financial years.

VARIABLE REMUNERATION – LONG TERM INCENTIVE ("LTI")

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of options.

The options, when issued to executives, will not be exercisable for a price less than the then current market price of the Company's shares.

The grant of LTI's is reviewed annually, though LTI's may not be granted each year. Exercise price and performance hurdles, if any, are determined at the time of grant of the LTI.

To date no performance hurdles have been set on options issued to executives. The Company believes that as options are issued at not less than the current market price of the Company's shares there is an inherent performance hurdle on those options as the share price of the Company's shares must increase significantly before there is any reward to the executive.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

2,100,000 shares were issued on exercise of compensation options during the year.

DIRECTORS' REPORT

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL							
2021	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OPTIONS LAPSED	BALANCE AT END OF YEAR*	VESTED AT 30 JUNE	
						VESTED & EXERCISABLE	UNVESTED
DIRECTORS							
BRIAN THOMAS	–	–	–	–	–	–	–
WOLF MARTINICK	1,000,000	–	(1,000,000)	–	–	–	–
PETER INGRAM	1,000,000	–	(250,000)	–	750,000	750,000	–
ANTHONY ROVIRA	2,000,000	–	(500,000)	–	1,500,000	1,500,000	–
HANSJÖRG PLAGGEMARS	–	–	–	–	–	–	–
ANNIE GUO	–	–	–	–	–	–	–
WAYNE BRAMWELL	–	–	–	–	–	–	–
EXECUTIVES							
BRETT DICKSON	1,400,000	–	(350,000)	–	1,050,000	1,050,000	–
TOTAL	**5,400,000**	**–**	**(2,100,000)**	**–**	**3,300,000**	**3,300,000**	**–**

*Or date of retirement from the board.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL						
2021	BALANCE 1 JULY ORD	GRANTED ORD	ON EXERCISE OF OPTIONS ORD	PURCHASED ORD	BALANCE 30 JUNE ORD	BALANCE INDIRECTLY HELD ORD
BRIAN THOMAS	–	–	–	–	–	–
WOLF MARTINICK	265,000	–	1,000,000	–	1,265,000	215,000
PETER INGRAM	500,055	–	250,000	250,000	1,000,055	1,000,055
ANTHONY ROVIRA	806,000	–	500,000	200,002	1,506,002	109,667
HANSJÖRG PLAGGEMARS	–	–	–	60,000	60,000	60,000
ANNIE GUO	–	–	–	–	–	–
EXECUTIVES						
BRETT DICKSON	–	–	350,000	25,000	375,000	375,000
TOTAL	**1,571,055**	**–**	**2,100,000**	**535,002**	**4,206,057**	**1,759,722**

*Or date of retirement from the board.

OTHER RELATED PARTY TRANSACTIONS

The Company has entered into a sub-lease agreement on normal commercial terms with Ionic Rare Earths Limited (IonicRE), a company of which Brett Dickson is a director. During the year IonicRE paid sub-lease fees totalling $9,255 (2020: $17,872).

The Company has also entered into a sub-lease agreement on normal commercial terms with Rox Resources Limited, a company of which Brett Dickson was an officer. During the year Rox Resources Limited paid sub-lease fees totalling $104,457 (2020: $110,399).

DIRECTORS' REPORT

DIRECTORS AND EXECUTIVE OPTIONS

Set out below are summaries of current Directors & Executives options granted.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	VALUE PER OPTION AT GRANT DATE (CENTS)	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
2021									
20 NOV '17	30 NOV '20	58	1.6	1,350,000	–	(1,350,000)	–	–	–
30 NOV '18	30 NOV '21	29	10.3	1,350,000	–	(250,000)	–	1,100,000	1,100,000
26 NOV '19	30 NOV '22	20.5	5.8	2,700,000	–	(500,000)	–	2,200,000	2,200,000
				5,400,000	**–**	**(2,100,000)**	**–**	**3,300,000**	**3,300,000**
Weighted average exercise price				$0.32	–	$0.456	–	$0.233	$0.233

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.7 years (2019: 1.4 years)

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	CONSOLIDATED	
	2021 $	2020 $
Options issued to directors and other executives	–	156,109

DIRECTORS' REPORT

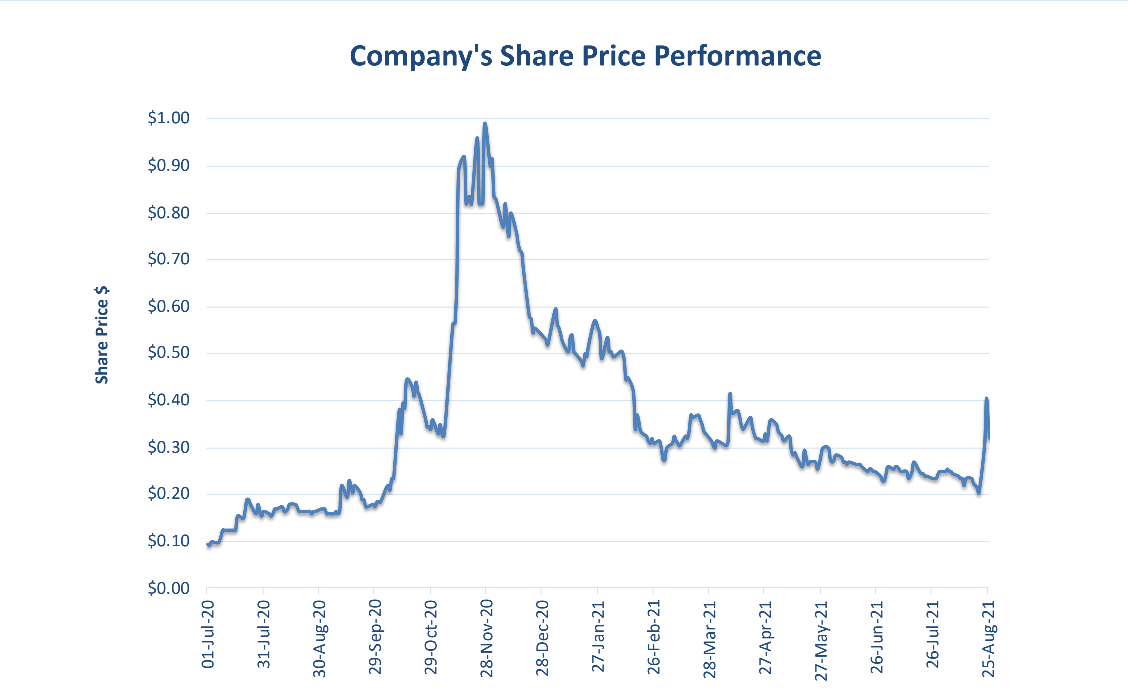
COMPANY'S PERFORMANCE

Company's share price performance

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the year and of general market conditions.

The variable components of the executives' remuneration including short-term and long-term incentives are indirectly linked to the Company's share price performance.

The graph below shows the Company's share price performance during the financial year ended 30 June 2021.



Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2021.

	2021	2020	2019	2018	2017
Basic loss per share (cents)	(6.28)	(3.75)	(8.77)	(10.06)*	(0.42)

*After 1:20 share consolidation

VOTING AND COMMENTS MADE AT THE COMPANY'S 2020 ANNUAL GENERAL MEETING

Azure Minerals Limited received approximately 98.6% of "yes" votes on its remuneration report for the 2020 financial year. Remuneration consultants were not engaged during the year and the company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Loans to Directors or Executives

No loans have been provided to directors or executives.

End of Audited Remuneration Report

DIRECTORS' REPORT

Shares Under Option

At the date of this report there are 6,750,000 unissued ordinary shares in respect of which options are outstanding.

			TOTAL NUMBER OF OPTIONS
Balance at the beginning of the year			8,650,000
Share option movements during the year	**Issued**	**Other**	
Exercisable at 49.0 cents, on or before 30 June 2024	500,000		500,000
Exercisable at 57.0 cents, on or before 30 June 2024	1,000,000		1,000,000
Exercisable at 65.0 cents, on or before 30 June 2024	1,500,000		1,500,000
Options Exercised		(2,100,000)	(2,100,000)
Options Lapsed		(2,800,000)	(2,800,000)
Total options issued, exercised and lapsed in the year to 30 June 2021			(1,900,000)
Total number of options outstanding as at 30 June 2021 and at the date of this report			**6,750,000**

The balance is comprised of the following:

DATE GRANTED	EXPIRY DATE	EXERCISE PRICE (CENTS)	NUMBER OF OPTIONS
30 NOV 2018	30 NOV 2021	29.0	1,250,000
26 NOV 2019	30 NOV 2022	20.5	2,500,000
22 JUN 2021	30 JUN 2024	49.0	500,000
22 JUN 2021	30 JUN 2024	57.0	1,000,000
22 JUN 2021	30 JUN 2024	60.0	1,500,000
Total number of options outstanding at the date of this report			**6,750,000**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the financial year no options were exercised by parties unrelated to the Company. Since the end of the financial year no options have been exercised.

Indemnification and Insurance of Directors and Officers

During the financial year, Azure Minerals Limited paid a premium of $39,051 (2020: $24,017) to insure the directors and secretary of the company and its Australian based controlled entities.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No Proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*

DIRECTORS' REPORT

Non Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provisions of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principals relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:

	CONSOLIDATED	
	2021 $	2020 $
1. AUDIT SERVICES		
BDO Audit (WA) Pty Ltd		
– Audit and review of financial reports	**44,545**	41,882
BDO Castillo Miranda y Campania, S.C. (BDO MÉXICO)		
– Audit and review of financial reports of Mexican subsidiaries	**42,887**	26,430
Total remuneration for audit services	**87,432**	68,312
2. NON AUDIT SERVICES		
Taxation Services		
BDO Corporate Tax (WA) Pty Ltd		
– Tax compliance services	**17,252**	4,202
Total remuneration for non-audit services	**17,252**	4,202

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 79.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.

Brian Thomas
Chairman
Perth, 22 September 2021.

> I WOULD LIKE TO THANK OUR SHAREHOLDERS FOR THEIR ONGOING SUPPORT PLUS MY FELLOW DIRECTORS, OUR MANAGEMENT TEAM, STAFF AND CONTRACTORS FOR THEIR HARD WORK AND EXCELLENT OUTCOMES.

BRIAN THOMAS
CHAIRMAN

APPROACH TO CORPORATE GOVERNANCE

Azure Minerals Limited ABN 46 106 346 918 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition. The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at:
http://www.azureminerals.com.au/ corporate/corporate-governance/

CHARTERS

- Board
- Audit and Risk Committee
- Nomination and Remuneration Committee

POLICIES AND PROCEDURES

- Anti-Bribery and Corruption Policy
- Code of Conduct (summary)
- Compliance Procedures (summary)
- Diversity Policy (summary)
- Policy and Procedure for the Selection and (Re)Appointment of Directors
- Policy on Assessing the Independence of Directors
- Policy on Continuous Disclosure (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Process for Performance Evaluations
- Risk Management Policy (summary)
- Securities Trading Policy
- Shareholder Communication and Investor Relations Policy
- Whistle Blower Policy

The Company reports below on whether it has followed each of the recommendations during the 2020/2021 financial year (Reporting Period). The information in this statement is current at 21 September 2021. This statement was approved by a resolution of the Board on 21 September 2021.

APPROACH TO CORPORATE GOVERNANCE

PRINCIPLE 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The checks which are undertaken, and the information to be provided to shareholders are set out in the Company's Policy and Procedure for the Selection and (Re)Appointment of Directors, which is disclosed on the Company's website.

The Company provided shareholders with all material information in relation to election of Mr. Wayne Bramwell and Mr. Hansjoerg Plaggemars as directors at its 2020 Annual General Meeting.

The Company appointed Mr. Wayne Bramwell to the board on 14 October 2021, and the checks referred to in the Company's policies and Procedures for the selection and (Re)Appointment of Directors were undertaken.

The Company appointed Mr. Brian Thomas and Ms. Annie Guo to the board on 1 March 2021, and the checks referred to in the Company's policies and Procedures for the selection and (Re)Appointment of Directors were undertaken.

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company Secretary's role is also outlined in the consultancy agreement between the Company Secretary and the Company.

Recommendation 1.5

The Company has a Diversity Policy. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, the number of employees in Australia and the nature of the labour market in Mexico, the Board considers that it is not practical to set measurable objectives for achieving gender diversity.

APPROACH TO CORPORATE GOVERNANCE

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to significantly affect the company's financial standing. For the Reporting Period, this included the Managing Director and the Company Secretary & Chief Financial Officer:

	PROPORTION OF WOMEN
Whole organisation (including Board members)	4 out of 13 (30%)
Senior executive positions	0 out of 4 (0%)
Board	1 out of 4 (25%)

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The evaluations are undertaken in accordance with the Company's Process for Performance Evaluations, which is disclosed on the Company's website.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period an evaluation of the Company Secretary & Chief Financial Officer (the Company's sole senior executive, other than the Managing Director) took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Chairman is responsible for evaluating the Managing Director.

During the Reporting Period, an evaluation of the Managing Director took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

PRINCIPLE 2: Structure the Board to be Effective and Add Value

Recommendation 2.1

The Board had established a Nomination and Remuneration Committee comprising two of the Company's independent non-executive directors, Peter Ingram (Chairman) and Wolf Martinick. However upon the retirement of Wolf Martinick on 24 November 2020, leaving only one independent director, the Nomination and Remuneration Committee was disbanded as the Board believed that there would be no efficiencies or other benefits gained by maintaining or establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Although the Board has not established a separate Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Nomination Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Nomination Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when nomination related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

Details of director attendance at Nomination and Remuneration Committee meetings held during the Reporting Period are set out in a table in the Directors' Report on page 23.

APPROACH TO CORPORATE GOVERNANCE

Recommendation 2.2

Significant geological experience, environmental management experience and professional skills including leadership, governance and strategy are the skills and diversity which the Board is looking to achieve in its membership, and these are collectively held by current members of the Board.

While the Company is at exploration stage, it does not wish to increase the size of the Board and considers that the current Board has the appropriate skills and knowledge and is appropriate at this stage of the Company's development. The Board may bring in external consultants with specialist knowledge as and when required to address any areas where the Board does not collectively possess the relevant attribute.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The independent director of the Company is Mr. Brian Thomas, Chairman.

The length of service of each director is set out in the Directors' Report on page 20.

Recommendation 2.4

The Board does not have a majority of directors who are independent. The Board does not wish to increase its size at present and considers that the current composition of the Board is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant to the Company's business.

Recommendation 2.5

The independent Chair of the Board is Brian Thomas, who is not also Managing Director of the Company.

Recommendation 2.6

Mr. Brian Thomas, Mr. Wayne Bramwell and Ms Annie Guo were appointed during the Reporting Period. The Company has an induction program, coordinated by the Company Secretary. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. All directors participated in the induction program.

The full board and Remuneration Committee, or the full board from 24 November 2020, regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Nomination and Remuneration Committee, or the full board from 24 November 2020, considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive ongoing education on developments in accounting standards.

PRINCIPLE 3:
Instil a Culture of Acting Lawfully, Ethically and Responsibly

Recommendation 3.1

The Company expects that its board and senior executives will conduct themselves with integrity and honesty in accordance with the Code of Conduct. Directors, executives and employees shall deal with the Company's customers, suppliers, competitors, shareholders and each other with honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates.

APPROACH TO CORPORATE GOVERNANCE

The Company aims to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community and to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

The Company is to comply with all legislative and common law requirements which affect its business wherever it operates. Where the Company has operations overseas, it shall comply with the relevant local laws as well as any applicable Australian laws. Any transgression from the applicable legal rules is to be reported to the Managing Director as soon as a person becomes aware of such a transgression.

Recommendation 3.2

The Company has established a Code of Conduct for its directors, senior executives and employees, a summary of which is disclosed on the Company's website. Any breach of that code is reported to the board at the next board meeting.

Recommendation 3.3

The Company has adopted a Whistle blower Policy to encourage the raising of any concerns or reporting of instances of any violations (or suspected violations) of the Code of Conduct (or any potential breach of law or any other legal or ethical concern) without the fear of intimidation or reprisal.

Recommendation 3.4

The Company has established an anti-bribery and corruption policy which is disclosed on the Company's website. Any breach of that policy is immediately reported to the Managing Director and Chairman of the board of directors.

PRINCIPLE 4:
Safeguard the Integrity of Corporate Reports

Recommendation 4.1

The Board had established an Audit and Risk Committee comprising two of the Company's independent non-executive directors, Peter Ingram (Chairman) and Wolf Martinick. However, upon the retirement of Wolf Martinick on 24 November 2020, leaving only one independent director, the Audit and Risk Committee was disbanded as the Board believed that there would be no efficiencies or other benefits gained by establishing a separate Audit and Risk Committee. Accordingly, the Board performs the role of the Audit and Risk Committee. Although the Board has not established a separate Audit and Risk Committee, it has adopted an Audit and Risk Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit and Risk Committee. The Company's Audit and Risk Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Audit and Risk Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when audit or risk related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is an appendix to its Audit and Risk Committee Charter disclosed on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit and Risk Committee (or its equivalent) and any recommendations are made to the Board.

APPROACH TO CORPORATE GOVERNANCE

Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2020 and the full-year ended 30 June 2021, it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (Declaration).

Recommendation 4.3

Processes are in place to verify the integrity of the Company's periodic corporate reports released to the market and not audited or reviewed by the external auditor. Examples of periodic corporate reports released by the company include quarterly cash flow reports. Azure has adopted a Continuous Disclosure Policy which sets out how market announcements are prepared and released and has appointed the Company Secretary as the Continuous Disclosure officer who oversees the drafting of and approves the final release of announcements. The Company Secretary is responsible for satisfying him/herself that the content of any announcement is accurate and not misleading and is supported by appropriate verification.

PRINCIPLE 5: Make Timely and Balanced Disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Recommendation 5.2

The Company secretary circulates all material market announcements to the board prior to release to ASX.

Recommendation 5.3

All new presentations are released to ASX Markets Platform ahead of any presentation to investors.

PRINCIPLE 6: Respect the Rights of Security Holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.azureminerals.com.au.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy.

Recommendation 6.3

The Company has in place a Shareholder Communication and Investor Relations Policy which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

All resolutions put to the AGM are decided by way of a poll.

APPROACH TO CORPORATE GOVERNANCE

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au

PRINCIPLE 7: Recognise and Manage Risk

Recommendation 7.1

As noted above, the Board has not established a combined Audit and Risk Committee. Please refer to the disclosure above under Recommendation 4.1 in relation to the Audit and Risk Committee.

Recommendation 7.2

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy, a summary of which is disclosed on the Company's website.

Recommendation 7.4

As the Company is not in production, the Company has not identified any material exposure to any environmental and/or social sustainability risks. However, the Company does have a material exposure to the following economic risks:

- Market risk – movements in commodity prices. The Company manages its exposure to market risk by monitoring market conditions, and making decisions based on industry experience; and
- Future capital risk – cost and availability of funds to meet the Company's business requirements. The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processed by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least annually by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least annually to the Board.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

APPROACH TO CORPORATE GOVERNANCE

PRINCIPLE 8: Remunerate Fairly and Responsibly

Recommendation 8.1

As noted above, the Board has not established a Nomination or Remuneration Committee. Please refer to the disclosure above under Recommendation 2.1 in relation to the Nomination and Remuneration Committee.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration and "clawback policy" regarding the lapsing of performance-based remuneration in the event of fraud or serious misconduct and the clawback of the performance-based remuneration in the event of a material misstatement in the Company's financial statements, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 18 of the Company's Annual Report for year ended 30 June 2021.

Recommendation 8.3

The Company has an Employee Share Option Plan. The Company's Securities Trading Policy includes a statement on the Board's policy that participations in the Company's equity based remuneration schemes are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

> "THE NEXT 12 MONTHS ARE GOING TO BE VERY BUSY AND VERY EXCITING FOR YOUR COMPANY"

GRAHAM LEAVER
EXPLORATION MANAGER

FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2021	NOTES	CONSOLIDATED	
		2021 $	2020 $
Other Income		**251,809**	510,802
EXPENDITURE			
Depreciation	5	**(56,636)**	(48,263)
Salaries and employee benefits expense		**(695,079)**	(533,973)
Directors fees		**(156,476)**	(109,438)
Exploration expenses	5	**(9,096,498)**	(3,467,734)
Travel expenses		**(20,660)**	(178,339)
Promotion expenses		**(183,844)**	(58,418)
Administration expenses		**(534,269)**	(334,292)
Consulting expenses		**(85,153)**	(31,094)
Insurance expenses		**(53,207)**	(30,452)
Lease Interest		**(23,323)**	(14,359)
Lease Amortisation		**(122,422)**	(135,310)
Convertible Note Interest		**(120,512)**	(237,022)
Fair Value adjustments of convertible notes	11	**(5,517,242)**	–
Share based payment expense	22	**(86,607)**	(254,400)
Other expenses		**(400,059)**	(749,004)
Loss before income tax		**(16,900,178)**	(5,671,296)
Income tax expense	6	**–**	–
Loss for the year		**(16,900,178)**	(5,671,296)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**520,359**	(1,375,662)
Other comprehensive income/(loss) for the year net of tax		**520,359**	(1,375,662)
Total comprehensive loss for the Year		**(16,379,819)**	(7,046,958)
The loss for the year and total comprehensive loss for the year is fully attributable to the owners of Azure Minerals Limited			
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share (cents per share)	18	**(6.28)**	**(3.75)**
Diluted loss per share (cents per share)	18	**N/A**	**N/A**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

AT 30 JUNE 2021	NOTES	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	**30,267,222**	849,549
Trade and other receivables		**876,900**	284,689
Total Current Assets		**31,144,122**	1,134,238
NON-CURRENT ASSETS			
Investments		**948**	948
Security Deposit		**4,500**	–
Office right of use		**492,904**	67,655
Plant and equipment		**369,594**	123,865
Capitalised exploration expenditure	7	**15,216,335**	7,889,184
Total Non-Current Assets		**16,084,281**	8,081,652
TOTAL ASSETS		**47,228,403**	9,215,890
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**1,641,257**	393,846
Lease Liability		**120,558**	71,050
Provisions		**198,983**	144,085
Total Current Liabilities		**1,960,798**	608,981
NON-CURRENT LIABILITIES			
Provisions		**121,623**	114,687
Lease Liability		**382,791**	
Borrowings	10	**–**	2,000,000
Total Non-Current Liabilities		**504,414**	2,114,687
TOTAL LIABILITIES		**2,465,212**	2,723,668
NET ASSETS		**44,763,191**	6,492,222
EQUITY			
Contributed equity	11	**142,324,512**	87,760,331
Reserves	12	**3,861,673**	3,254,707
Accumulated losses	12	**(101,422,994)**	(84,522,816)
TOTAL EQUITY		**44,763,191**	6,492,222

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

30 JUNE 2021

	ISSUED SHARE CAPITAL	SHARE OPTION RESERVE	FINANCIAL ASSET RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2020	87,760,331	5,642,711	(39,996)	(2,348,008)	(84,522,816)	6,492,222
Loss for period	–	–	–	–	(16,900,178)	(16,900,178)
Other comprehensive loss						
Exchange differences on translation of foreign operations	–	–	–	520,359	–	520,359
Total other comprehensive loss	–	–	–	520,359	–	520,359
Total comprehensive loss for the period	–	–	–	520,359	(16,900,178)	(16,379,819)
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	54,564,181	–	–	–	–	54,564,181
Share based payments (Note 22)	–	86,607	–	–	–	86,607
Total transactions with owners	54,564,181	86,607	–	–	–	54,650,788
Balance as at 30 June 2021	**142,324,512**	**5,729,318**	**(39,996)**	**(1,827,649)**	**(101,422,994)**	**44,763,191**

30 JUNE 2020

	ISSUED SHARE CAPITAL	SHARE OPTION RESERVE	FINANCIAL ASSET RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2019	80,732,475	5,388,311	(39,996)	(972,346)	(78,851,520)	6,256,924
Loss for period	–	–	–	–	(5,671,296)	(5,671,296)
Other comprehensive loss						
Exchange differences on translation of foreign operations	–	–	–	(1,375,662)	–	(1,375,662)
Total other comprehensive loss	–	–	–	(1,375,662)	–	(1,375,662)
Total comprehensive loss for the period	–	–	–	(1,375,662)	(5,671,296)	(7,046,958)
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	7,027,856	–	–	–	–	7,027,856
Share based payments (Note 22)	–	254,400	–	–	–	254,400
Total transactions with owners	7,027,856	254,400	–	–	–	7,282,256
Balance as at 30 June 2020	**87,760,331**	**5,642,711**	**(39,996)**	**(2,348,008)**	**(84,522,816)**	**6,492,222**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021	NOTES	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,980,637)**	(2,248,162)
Interest received		**3,721**	15,166
Other Income		**52,580**	1,086,721
Expenditure on mining interests		**(8,249,544)**	(3,737,637)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	14(B)	**(10,173,880)**	(4,883,912)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(322,934)**	(29,116)
Acquisition Payments for projects	7	**(228,559)**	(163,400)
Security Deposit		**(4,500)**	–
Proceeds from sale of mineral projects		**104,260**	35,435
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(451,733)**	(157,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**41,000,000**	4,020,000
Share issue costs		**(1,511,062)**	(300,612)
Proceeds from exercise of options		**958,000**	–
Proceeds from convertible notes		**–**	2,000,000
Interest expense		**(232,534)**	(125,000)
Lease payments		**(132,858)**	(150,872)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**40,081,546**	5,443,516
NET INCREASE IN CASH AND CASH EQUIVALENTS		**29,455,933**	402,523
Cash and cash equivalents at the beginning of the financial year		**849,549**	650,348
Effect of exchange rate changes on cash and cash equivalents		**(38,260)**	(203,322)
CASH AND CASH EQUIVALENTS AT END OF YEAR	14(a)	**30,267,222**	849,549

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Azure Minerals Limited as an individual entity and the consolidated entity consisting of Azure Minerals Limited and its subsidiaries.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Azure Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRSs

The consolidated financial statements of Azure Minerals Limited and the separate financial statements of Azure Minerals Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through other comprehensive income or P&L.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(A) PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisitions method of accounting is used to account for business combinations by the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Azure Minerals Limited.

(B) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(C) EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

(D) LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the group is required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group's incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items such as IT-equipment and small items of office furniture.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight-line basis over the length of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(E) INCOME TAX

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(F) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(G) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is Azure Minerals Limited's functional and presentation currency. The functional currency of Australian subsidiary (Azure Mexico Pty Ltd) is the Australian dollar. The functional currency of the Mexican overseas subsidiaries (Minera Piedra Azul CV de SA, Minera Azure CV de SA, Minera Capitana CV de SA and Servicios AzuPerth CV de SA) is the Mexican Peso.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(H) TRADE AND OTHER PAYABLES

Liabilities for trade creditors are recognised initially at fair value and subsequently at amortised cost.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(I) EMPLOYEE BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black Scholes or a Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(J) REVENUE RECOGNITION

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(K) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received

(L) EARNINGS PER SHARE (EPS)

Basic earnings per share

Basic EPS is calculated as the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(N) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(O) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chairman.

(P) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivative, and trading and financial assets at fair value through other comprehensive income or P&L) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flow, are used to determined fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(Q) CONVERTIBLE LOANS

Convertible notes were issued by the Group which include embedded derivatives (options to convert to a variable number of shares). Convertible notes are initially recognised as financial liabilities at fair value.

On initial recognition the fair value of the convertible notes equates the proceeds received and subsequently the convertible note is measured at fair value. The movements are recognised in profit or loss as a finance cost, except if the movement is attributable to changes in the Group's own credit risk status in which case it is recognised in other comprehensive income.

(R) ASSET ACQUISITION

Acquisition costs for mineral projects are capitalised to Exploration Expenditure at cost, or fair value if not acquired for cash consideration, and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

(S) ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

Other standards not yet applicable

A number of other standards, amendments to standards and interpretations issued by the AASB which are not materially applicable to the Group have not been applied in preparing these consolidated financial statements.

2. Financial risk management

OVERVIEW

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents. For the Company it arises from receivables due from subsidiaries.

CASH AND CASH EQUIVALENTS

The Group manages its credit risk on cash and cash equivalents by only dealing with banks licensed to operate in Australia or Mexico.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

TRADE AND OTHER RECEIVABLES

As the Group operates in the mining exploration sector, it generally does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Presently, the Group undertakes exploration and evaluation activities in Australia and Mexico. At the reporting date there were no significant concentrations of credit risk.

EXPOSURE TO CREDIT RISK

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

CONSOLIDATED	NOTES	2021 $	2020 $
Trade and other receivables		**332,445**	59,426
Cash and cash equivalents	**14**	**30,267,222**	849,549

EXPECTED CREDIT LOSSES

None of the Company's other receivables are past due (2020: nil).

The Group operates in the mining exploration sector and generally does not have trade receivables and is therefore not materially exposed to credit risk in relation to trade receivables. Other receivables are principally value added taxes withheld by third parties and due to the Group from sovereign governments, as such the Group does not consider it is exposed to any significant credit risk.

The allowance accounts in respect of other receivables is used to record expected credit losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2021 the Group does not have any collective expected credit on its other receivables.

The Group places its cash deposits with institutions with a credit rating of -AA or better and only with major banks.

GUARANTEES

The Group has provided a financial guarantee of $94,475(2020: $94,475) to secure its office lease. Otherwise, the Group only provides guarantees to wholly owned subsidiaries.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

The following are the contractual maturities of financial liabilities at amortised cost:

CONSOLIDATED	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MTHS OR LESS	6-12 MTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
30 June 2021							
Trade and other payables	1,641,257	1,641,257	1,641,257	–	–	–	–
Lease Liability	503,349	603,954	61,784	64,108	130,610	347,452	–
30 June 2020							
Trade and other payables	393,846	393,846	393,846	–	–	–	–
Lease Liability	71,050	71,050	71,050	–	–	–	–
Convertible note	2,000,000	2,000,000	–	–	2,000,000	–	–

The Convertible Note was repaid on 23 December 2020, by the issue of 13,793,103 shares in the Company.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United Sates Dollar (USD) and Mexican Peso (MxP).

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

EXPOSURE TO CURRENCY RISK

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

	2021		2020	
	USD	MXD	USD	MXD
Trade receivables	**246,056**	**246,056**	102,176	102,176
Trade payables	**56,878**	**56,878**	85,594	85,594
Gross statement of financial position	**302,934**	**302,934**	187,770	187,770
Net exposure	**302,934**	**302,934**	187,770	187,770

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2021	2020	2021	2020
USD/AUD	**1.3406**	1.4921	**1.3321**	1.4541
MXD/AUD	**0.0646**	0.0732	**0.0671**	0.0630

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

SENSITIVITY ANALYSIS

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and decrease loss, before tax, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

CONSOLIDATED	
	PROFIT OR LOSS
30 June 2021	
USD	**30,293**
30 June 2020	
USD	18,777

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

INTEREST RATE RISK

Interest rate risk is the risk that the Groups financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings therefore is not exposed to interest rate risk in this area. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

CONSOLIDATED		
	CARRYING AMOUNT	
	2021	2020
Variable rate instruments		
Short term cash deposits	**30,206,279**	823,584

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

The Group has reviewed the likely movements in interest rates and considers that a movement of +/- 100 basis points is reasonable.

GROUP SENSITIVITY

At 30 June 2021 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post-tax profit would have been $302,672 higher /lower (2020 – change of 100 basis points $8,496 higher/lower).

FAIR VALUES

FAIR VALUES VERSUS CARRYING AMOUNTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

CONSOLIDATED	2021		2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Trade and other receivables	**876,900**	**876,900**	284,689	284,689
Cash and cash equivalents	**30,267,222**	**30,267,222**	849,549	849,549
Other financial assets	**948**	**948**	948	948
Trade and other payables	**(1,641,257)**	**(1,641,257)**	(393,846)	(393,846)
Lease liability	**(503,349)**	**(503,349)**	(71,050)	(71,050)
Convertible note	–	–	(2,000,000)	(2,000,000)

The methods and assumptions used to estimate the fair value of instruments are:

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Other financial assets: The quoted market price

Lease Liability: The carrying amount approximates fair value.

Convertible Note: The carrying amount approximates fair value because of their short-term to maturity.

CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. Critical Accounting Estimates and Significant Judgements

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

IMPACT OF CORONAVIRUS (COVID-19) PANDEMIC.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the Consolidated Financial Statements

EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

SHARE OPTIONS

The Company measures the cost of equity-settled transactions with employees, including directors, by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binominal formula. For options issued in this financial year, the assumptions detailed as per Note 22 were used.

ASSET ACQUISITION

The Group has determined that the acquisition of the Andover, Turner River, Meentheena and Coongan projects from the Creasy Group is deemed to be an asset acquisition not a business combination. In assessing the requirements of AASB 3 Business Combinations, the Group has determined that the assets acquired do not constitute a business. The assess acquired consists of mineral exploration tenements. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in the purchase transaction and no deferred tax will arise in relation to the acquired asset as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition.

4. Segment Information

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on these criteria, management has determined that the company has one operating segment being mineral exploration, and the segment operations and results are the same as the Group's results. As the company is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

As a result, the operating segment information is as disclosed in the primary statements, and notes to the financial statements, throughout this report.

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During the period the Company conducted its activities across two geographic locations, being Australia and Mexico.

2021			
	AUSTRALIA	MEXICO	TOTAL
	$	$	$
Revenues	40,871	210,938	251,809
Loss	(15,936,683)	(963,495)	(16,900,178)
Non-current assets	7,656,700	8,427,581	16,084,281
Total assets	38,281,288	8,947,115	47,228,403
Total liabilities	(2,351,457)	(113,755)	(2,465,212)
2020			
	AUSTRALIA	MEXICO	TOTAL
	$	$	$
Revenues	74,621	436,181	510,802
Loss	(1,860,044)	(3,811,252)	(5,671,296)
Non-current assets	103,828	7,977,824	8,081,652
Total assets	1,026,697	8,189,193	9,215,890
Total liabilities	(2,552,480)	(171,188)	(2,723,668)

5. Expenses

	30 JUNE 2021	30 JUNE 2020
	$	$
Loss before income tax includes the following specific expenses		
Depreciation of plant and equipment	**56,636**	48,263
Exploration expenditure	**9,096,498**	3,467,734
Superannuation	**87,882**	64,774

FINANCIAL STATEMENTS

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6. Income Tax

	30 JUNE 2021	30 JUNE 2020
	$	$
(a) Income tax expense		
Current tax	–	–
Deferred tax	–	–
	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(16,900,179)**	(5,671,296)
Tax at the Australian tax rate of 27.5% (2020: 27.5%)	**(4,647,549)**	(1,559,607)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**23,817**	69,960
Sundry items	**1,079**	60,354
	(4,622,653)	(1,429,293)
Movement in unrecognised temporary differences	**(113,217)**	(96,457)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**4,735,870**	1,525,750
Income tax expense	**–**	–
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 27.5%)		
On Income Tax Account		
Prepayments	**14,324**	4,710
Depreciation of plant and equipment	**(10,201)**	(10,201)
Provisions	**87,617**	76,662
Carry forward tax losses	**12,842,410**	9,104,509
Carry forward tax losses – foreign	**10,261,875**	10,025,903
Other – tenement	**600,100**	600,100
	23,796,125	19,801,683
Deferred Tax Liabilities (at 27.5%)	**–**	**–**

Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which deductible temporary differences can be utilised.

In addition to the above Australian estimated future income tax benefits the consolidated entity has incurred significant expenditure in Mexico, some of which should give rise to taxable deductions. At this stage, the company is unable to reliably estimate the quantity of such future tax benefits.

There are no franking credits available.

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7. Capitalised Exploration Expenditure (Non-Current)

	2021	2020
	$	$
At Cost	**15,216,335**	7,889,184

RECONCILIATIONS

Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the current financial year

	2021	2020
	$	$
Opening net book amount	**7,889,184**	5,567,921
Additions(a)	**6,828,559**	3,241,716
Disposals	**(43,321)**	–
Foreign exchange translation adjustment	**541,913**	(920,453)
Closing net book amount	**15,216,335**	7,889,184

(a) During the 2021 financial year the company issued 40,000,000 fully paid ordinary shares with a fair value of $6,600,000 to acquire the Andover, Turner River, Meentheena and Coongan mineral exploration projects in Western Australia. An additional $228,559 Western Australian stamp duty was assessed and paid.

During the 2020 financial year $31,506 was paid to acquire additional concessions for the Oposura Project; $122,585 to obtain an additional concession for the Sara Alicia project and $3,087,624 to move to 100% ownership of the Alacrán project. All acquisitions were by cash payments, except for the $3,087,624 to move to 100% ownership of the Alacrán project. This was met by the issue of 27,545,566 fully paid shares in the capital of the Company on 27 August 2019, which at the time of issue had a fair value of $3,305,468.

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale.

8. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(a):

NAME	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING*	
			2021	2020
Azure Mexico Pty Ltd	Australia	Ordinary	**100%**	100%
Minera Piedra Azul, S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Capitana S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Azu-Perth S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Azure, S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Tlali SAPI. de C.V.	Mexico	Ordinary	**100%**	100%

*Percentage of voting power is in proportion to ownership.

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9. Trade And Other Payables (Current)

	2021	2020
	$	$
Trade payables	**1,641,257**	393,846
	1,641,257	393,846

Information about the Group's financial risk management policies is disclosed in Note 2.

The carrying amount of trade and other payables are assumed to approximate their fair values due to their short-term nature.

10. Borrowings

	2021	2020
	$	$
Face Value of Convertible Notes issued	–	2,000,000
Finance Costs	–	112,022
Total Borrowings	–	2,112,022
Balance included in Non-current Borrowings	–	2,000,000
Balance included in Current Trade and other Payables	–	112,022

On 19 July 2019, the company issued convertible notes for $2,000,000, as part of a capital raising exercise. On 23 December 2020 the Convertible Note was repaid through the issue of 13,793,104 fully paid ordinary shares. Refer to Note 11 for further details.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

11. Contributed Equity

(a) Share capital

CONSOLIDATED	2021		2020	
	NO. OF SHARES	$	NO. OF SHARES	$
Ordinary shares fully paid				
Total consolidated contributed equity	**308,085,721**	**142,324,512**	162,192,617	87,760,331

(b) Movements in ordinary share capital

	2021		2020	
	NO. OF SHARES	$	NO. OF SHARES	$
1 July opening balance	162,192,617	87,760,331	110,999,992	80,732,475
Issued to Teck Resources Ltd (Note 14)	–	–	27,545,566	3,308,468
Issue at $0.17 per share	–	–	23,647,059	4,020,000
Issue at $0.10 per share	40,000,000	4,000,000	–	–
Issue at $0.74 per share	50,000,000	37,000,000	–	–
Issue for projects (Note 14)	40,000,000	6,600,000	–	–
Exercise of options at $0.205	500,000	102,500	–	–
Exercise of options at $0.29	250,000	72,500	–	–
Exercise of options at $0.58	1,350,000	783,000	–	–
Conversion of convertible note (b)(i)	13,793,104	7,517,242	–	–
Share issue expenses	–	(1,511,061)	–	(300,612)
30 June closing balance	308,085,721	142,324,512	162,192,617	87,760,331

Funds raised from the share issues during the 2021 year were used to progress the company's exploration activities.

(i) The convertible notes were issued with a face value of $2,000,000. Given the notes converted to 13,793,104 shares at a price of $0.545 per share, $5,517,241 was recognised as a finance cost in the statement of profit or loss and other comprehensive income, being the difference between the face value and the fair value at the time of conversion.

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(c) Movements in unlisted options on issue

2021

EXERCISE PRICE (cents)	EXPIRY	OPENING BALANCE	ISSUED	EXERCISED	LAPSED	CLOSING BALANCE
58	30 November 2020	2,050,000	–	(1,350,000)	(700,000)	–
29	30 November 2021	2,200,000	–	(250,000)	(700,000)	1,250,000
20.5	30 November 2022	4,400,000	–	(500,000)	(1,400,000)	2,500,000
49	30 June 2024	–	500,000	–	–	500,000
57	30 June 2024	–	1,000000	–	–	1,000000
65	30 June 2024	–	1,500,000	–	–	1,500,000
		8,650,000	**3,000,000**	**(2,100,000)**	**(2,800,000)**	**6,750,000**

2020

EXERCISE PRICE (cents)	EXPIRY	OPENING BALANCE	ISSUED	EXERCISED	LAPSED	CLOSING BALANCE
120	30 November 2018	2,050,000	–	–	(2,050,000)	–
94	30 November 2019	2,050,000	–	–	–	2,050,000
58	30 November 2020	2,200,000	–	–	–	2,200,000
29	30 November 2021	–	4,400,000	–	–	4,400,000
110	11 September 2019	9,725,511	–	–	(9,725,511)	–
45	30 April 2020	13,683,339	–	–	(13,683,339)	–
		29,708,850	**4,400,000**	**–**	**(25,458,850)**	**8,650,000**

Further information on options issued is set out in Note 22

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. For further information on Capital Management refer to Note 2.

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Notes to the Consolidated Financial Statements

12. Reserves And Accumulated Losses

	2021	2020
	$	$
ACCUMULATED LOSSES		
Balance at beginning of year	(84,522,816)	(78,851,520)
Loss for the year	(17,264,366)	(5,671,296)
Balance at end of year	(101,787,182)	(84,522,816)
SHARE-BASED PAYMENTS RESERVE		
Balance at beginning of year	5,642,711	5,388,311
Movement during the year	86,607	254,400
Balance at end of year	5,729,318	5,642,711
FINANCIAL ASSET RESERVE		
Balance at beginning of year	(39,996)	(39,996)
Revaluation	–	–
Balance at end of year	(39,996)	(39,996)
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at beginning of year	(2,348,008)	(972,346)
Movement during the year	520,359	(1,375,662)
Balance at end of year	(1,827,649)	(2,348,008)
Total Reserves	3,861,673	3,254,707

(a) Nature and purpose of reserves

SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

FINANCIAL ASSET RESERVE

This reserve records fair value changes on investments held at Fair Value through Other Comprehensive Income. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the statements of foreign subsidiaries.

13. Dividends Paid Or Provided For On Ordinary Shares

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

14. Statement Of Cash Flows

(a) Cash and cash equivalents Cash and cash equivalents comprise:	2021 $	2020 $
Short-term deposits	**30,206,278**	823,584
Closing cash and cash equivalents balance	**30,267,222**	849,549

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

(b) Reconciliation of the net loss after income tax to the net cash outflows from operating activities	2021 $	2020 $
Convertible Note Interest	**232,534**	237,022
Depreciation of non current assets	**56,636**	48,264
Share based payment expense	**86,607**	254,400
Fair Value adjustment on convertible notes	**5,517,242**	–
Plant and Equipment written off	**649**	863
Profit on sale of mineral concession	**(83,647)**	(35,435)
Re-classify right to use asset	**7,050**	3,395
Operating lease payments	**132,857**	150,872
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(494,375)**	45,302
(Increase)/decrease in prepayments	**(31,242)**	(4,392)
Increase/(decrease) in trade and other payables	**1,240,153**	87,093
Increase/(decrease) in provisions	**61,834**	–
Net cash outflow from operating activities	**(10,173,880)**	(4,883,912)

(c) Non-cash financing and investing activities

During the 2021 period:

- 40,000,000 shares were issued to acquire the Andover, Turner River. Meentheena and Coongan exploration projects in Western Australia.
- 13,793,104 were issued to redeem convertible notes with a face value of $2,000,000.
- The Company entered into an office lease agreement for a period of five years on commercial terms and conditions, which are confidential.

During 2020 period 27,545,566 shares were issued to Teck Resources Limited to move to 100% ownership of the Alacrán project.

There have been no other non-cash financing and investing activities during the 2021 year (2020: Nil).

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15. Commitments

As a result of the acquisition of the additional interest in the Alacrán Project, during the 2020 financial year the Group issued to Teck a 0.5% Net Smelter Return Royalty on the Project, and a participation right on the proceeds of any sale of the project within a five-year period.

In addition, the company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments which are expected to be met in the normal course of business are as follows:

Not later than one year	85,957	74,305

16. Contingencies

The Company has entered into an agreement with 30 Well Pty Ltd to acquire the Barton Gold Project (EL 40/393) with consideration of 1,150,000 fully paid ordinary shares and $20,000 cash payable upon the grant of the exploration licence. The licence was granted after the reporting period on 1 July 2021.

There are no other material contingent liabilities or contingent assets of the company at reporting date (2020: Nil).

17. Events Occuring After Reporting Date

On 1 July 2021 the Barton tenement (EL 40/393) was granted. As a result, the Company issued 1,150,000 fully paid ordinary shares and $20,000 to the vendor.

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2022.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

FINANCIAL STATEMENTS

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18. Loss Per Share

(a) Reconciliation of earnings to profit or loss

	2021 $	2020 $
Net loss	**(16,900,178)**	(5,671,296)
Loss used in calculating basic loss per share	**(16,900,178)**	(5,671,296)
Basic loss per share (cents per share)	**(6.28)**	(3.75)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share

	2021 NO. OF SHARES	2020 NO. OF SHARES
Weighted average number of ordinary shares used in calculating basic loss per share	**268,954,233**	151,398,370

(c) Effect of dilutive securities
Options on issue at reporting date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered antidilutive. Accordingly, diluted loss per share has not been disclosed.

19. Auditor's Remuneration

Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:

	2021 $	2020 $
Tax compliance services	**17,252**	4,202
An audit or review of the financial report of the entity	**44,545**	41,882
Remuneration of other auditors of subsidiaries	**61,797**	46,084
Audit or review of financial report of subsidiaries	**42,887**	26,430

20. Key Management Personnel Disclosures

(a) Compensation of key management personnel by compensation

	2021 $	2020 $
Short-term	**733,677**	646,438
Post-employment	**35,740**	31,768
Share-based payment	–	156,109
	769,417	834,315

For further information refer to the Remuneration Report included as part of the Directors' Report.

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21. Related Party Disclosures

(A) PARENT ENTITY

The ultimate parent entity within the Group is Azure Minerals Limited.

(B) SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a):

NAME	COUNTRY OF INCORPORATION	CLASS OF SHARE	EQUITY HOLDING*	
			2021	2020
Azure Mexico Pty Ltd	Australia	Ordinary	**100%**	100%
Minera Piedra Azul, S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Capitana S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Azu-Perth S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Azure, S.A. de C.V.	Mexico	Ordinary	**100%**	100%
Minera Tlali SAPI. de C.V.	Mexico	Ordinary	**100%**	100%

*Percentage of voting power is in proportion to ownership.

No other provision for doubtful debts has been raised in relation other outstanding balances, and no other expense has been recognised in respect of bad or doubtful debts due from related parties.

(C) OTHER RELATED TRANSACTIONS

The Company has entered into a sub-lease agreement on normal commercial terms with Ionic Rare Earths Limited (**IonicRE**), a company of which Brett Dickson is an officer. During the year IonicRE paid sub-lease fees totalling $9,255 (2020: $17,872).

The Company has also entered into a sub-lease agreement, which expired on 31 March 2021, on normal commercial terms with Rox Resources Limited, a company of which Brett Dickson is a director. During the year Rox Resources Limited paid sub-lease fees totalling $104,457 (2020: $110,399). In addition, the Company paid fees of $36,819 (2020: $45,990) to Rox Resources Limited for the provision of office secretarial support.

22. Share-Based Payments

No options have been issued pursuant to an Employee Share plan.

(A) EMPLOYEE AND CONSULTANTS OPTION PLAN

The establishment of the Azure Minerals Limited – Employees and Contractors Option Incentive Plan ("Plan") was approved by shareholders at the Annual General Meeting held on 26 November 2019. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights. During the year 3,000,000 options were issued pursuant to the plan (2020: Nil)

Set out below are summaries of options issued under the Employee Share Plan.

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The weighted average remaining contractual life of share options outstanding at the end of the period was

2021									
GRANT DATE	EXPIRY DATE	EXERCISE PRICE (cents)	VALUE PER OPTION AT GRANT DATE (cents)	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
8 Jun '21	30 Jun '24	49	15.9[a]	–	500,000	–	–	500,000	500,000
8 Jun '21	30 Jun '24	57	15.2[b]	–	1,000,000	–	–	1,000,000	–
8 Jun '21	30 Jun '24	65	14.6[c]	–	1,500,000	–	–	1,500,000	–
				–	**3,000,000**	**–**	**–**	**3,000,000**	**500,000**
Weighted average exercise price					$0.60	–	–	$0.60	$0.49

2.98 years.

FAIR VALUE OF OPTIONS GRANTED.

During the 2021 financial year the weighted average fair value of the options granted was 15.0 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2021	2021	2021
	TRANCH A	TRANCH B	TRANCH C
Weighted average exercise price (cents)	49.0	57.0	65.0
Weighted average life of the option (years)	3.0	3.0	3.0
Weighted average underlying share price (cents)	27.0	27.0	27.0
Expected share price volatility (%)	124	124	124
Risk free interest rate (%)	0.21	0.21	0.21

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Tranche a options vested immediately; tranche b and tranche c options vest upon certain operational milestones which are expected to be met over the life of the option.

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(B) DIRECTOR, EXECUTIVE AND EMPLOYEE OPTIONS

Set out below are summaries of current directors, executives & employees options granted.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (cents)	VALUE PER OPTION AT GRANT DATE (cents)	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	LAPSED DURING THE YEAR	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
2021									
20 Nov '17	30 Nov '20	58	1.6	2,050,000	–	(1,350,000)	(700,000)	–	
19 Dec '18	30 Nov '21	29	10.3	2,200,000	–	(250,000)	(700,000)	1,250,000	1,250,000
26 Nov '19	30 Nov '22	20.5	5.8	4,400,000	–	(500,000)	(1,400,000)	2,500,000	2,500,000
				8,650,000	–	**(2,100,000)**	**(2,800,000)**	**3,750,000**	**3,750,000**
Weighted average exercise price				$0.32	–	$0.46	$0.32	$0.23	$0.23
2020									
7 Dec '16	30 Nov '19	94	1.4	2,050,000	–	–	(2,050,000)	–	–
20 Nov '17	30 Nov '20	58	1.6	2,050,000	–	–	–	2,050,000	2,050,000
19 Dec '18	30 Nov '21	29	10.3	2,200,000	–	–	–	2,200,000	2,200,000
26 Nov '19	30 Nov '22	20.5	5.8	–	4,400,000	–	–	4,400,000	4,400,000
				6,300,000	4,400,000	–	**(2,050,000)**	**8,650,000**	**8,650,000**
Weighted average exercise price				$0.60	$0.205	–	$0.94	$0.315	$0.315

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.09 years (2020: 1.7 years).

FAIR VALUE OF OPTIONS GRANTED.

No options were issued to directors and executives during the 2021 financial year. During the 2020 financial year the weighted average fair value of the options granted was 5.8 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2020
Weighted average exercise price (cents)	20.5
Weighted average life of the option (years)	3.0
Weighted average underlying share price (cents)	11.5
Expected share price volatility (%)	100
Risk free interest rate (%)	0.73

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The options vested immediately and the total expenses arising from share-based payment transactions recognised during the year were as follows:

CONSOLIDATED	2021	2020
	$	$
Options issued to directors and executives	–	254,400

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

23. Parent Entity Financial Information

(A) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2021	2020
	$	$
STATEMENT OF FINANCIAL POSITION		
Current assets	**39,988,655**	8,921,871
Total assets	**47,114,589**	9,044,696
Current liabilities	**(1,847,043)**	(437,793)
Total liabilities	**(2,351,456)**	(2,552,480)
Net assets	**44,763,133**	6,492,216
SHAREHOLDER'S EQUITY		
Issued capital	**142,324,512**	87,760,331
Reserves	**6,053,510**	5,602,715
Accumulated loses	**(103,614,889)**	(86,870,830)
	44,763,133	6,492,216

(B) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities or guarantees as at 30 June 2021 or 30 June 2020.

(C) CONTRACTED COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANTS OR EQUIPMENT

The parent entity did not have any commitments for the acquisition of property, plants or equipment.

FINANCIAL STATEMENTS

Directors' Declaration

The directors of the company declare that:

(1) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (a) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (b) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.

(2) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(3) The directors have been given the declaration by the chief executive officer and chief financial officer as required by section 295A of the Corporations Act 2001.

(4) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Brian Thomas
Chairman

Perth, 22 September 2021

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Azure Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Azure Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Capitalised Exploration Expenditure

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2021 the carrying value of capitalised exploration expenditure was disclosed in Note 7. As the carrying value of the exploration assets represent a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of these assets may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular, whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of the areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 1 and Note 7 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 26 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Azure Minerals Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 22 September 2021

FINANCIAL STATEMENTS

DECLARATION OF INDEPENDENCE

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor of Azure Minerals Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azure Minerals Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

22 September 2021

ASX ADDITIONAL INFORMATION

THE NUMBER OF SHAREHOLDERS, BY SIZE OF HOLDING, IN EACH CLASS OF SHARE AS AT 31 AUGUST 2021 ARE:

			ORDINARY SHARES	
			NO. OF HOLDERS	**NO. OF SHARES**
1	–	1,000	1,192	540,014
1,001	–	5,000	1,639	4,670,593
5,001	–	10,000	832	6,559,333
10,001		100,000	1,702	59,706,123
100,001		and over	287	237,759,658
		Rounding Total	**5,652**	**309,235,721**
The number of shareholders holding less than a marketable parcel of shares are:			1,388	774,194

(b) Twenty largest shareholders
The names of the twenty largest holders of quoted shares are:

		LISTED ORDINARY SHARES	
		NO. OF SHARES	**PERCENTAGE OF ORDINARY SHARES**
1	Yandal Investments Pty Ltd	46,200,000	14.94
2	Delphi Unternehmensberatung Aktiengesellschaft	29,499,077	9.54
3	HSBC Custody Nominees <Australia> Limited	26,295,692	8.50
4	Deutsche Balaton Aktiengesellschaft	25,698,017	8.31
5	Harmanis Holdings Pty Ltd <Harman Family A/C>	4,803,378	1.55
6	RCF Opportunities Fund Lp	4,054,055	1.31
7	Citicorp Nominees Pty Limited	3,562,145	1.15
8	Rubi Holdings Pty Ltd <John Rubino Super Fund A/C>	3,000,000	0.97
9	BNP Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	2,945,589	0.95
10	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	2,724,463	0.88
11	UBS Nominees Pty Ltd	2,551,351	0.83
12	Mr.s Rebecca Shalala	1,512,921	0.49
13	Mr. Jay Evan Dale Hughes <Inkese Family A/C>	1,500,000	0.49
14	J & B Smith Superannuation Pty Ltd <Loch M Fraser Sf A/C>	1,450,000	0.47
15	Mr. Neil James Waddington	1,410,000	0.46
16	Mr. Anthony Paul Rovira	1,396,333	0.45
17	Comsec Nominees Pty Limited	1,298,627	0.42
18	Mr. Simon (Sui Hee) Lee	1,207,242	0.39
19	Dr Lyndsay George Mcdonald Gordon	1,132,481	0.37
20	Mr. William Bambling + Mr.s Joyce Bambling	1,110,000	0.36
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**163,351,371**	**52.82**
Total Remaining Holders Balance		**145,884,350**	**47.18**

(c) Twenty largest shareholders
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	NO. OF SHARES
Yandal Investments Pty Ltd	**46,200,000**
Teck Resources Limited	**27,570,566**
Delphi Unternehmensberatung Aktiengesellschaft	**56,249,924**
Deutsche Balaton Aktiengesellschaft	**56,249,924**

(d) Voting rights
All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

ASX ADDITIONAL INFORMATION

(e) Schedule of interests in mining tenements

AUSTRALIAN PROJECTS	COMMON NAME	MINERAL	TENEMENT	PERCENTAGE HELD	STATUS
Andover	Andover	All Minerals	E47/2481	60%	Granted
Barton	Barton	All Minerals	E31/1278	100%	Application
Barton	Barton	All Minerals	E31/1280	100%	Application
Barton	Barton	All Minerals	E31/1281	100%	Application
Barton	Barton	All Minerals	E31/1293	100%	Application
Barton	Barton	All Minerals	E31/1295	100%	Application
Barton	Barton	All Minerals	E31/1296	100%	Application
Barton	Barton	All Minerals	E40/412	100%	Application
Barton	Barton	All Minerals	E40/393	100%	Granted
Coongan	Coongan	All Minerals	E46/1156	70%	Granted
Meentheena	Meentheena	All Minerals	E45/5036	70%	Granted
Turner River	Turner River	All Minerals	ELA45/2573	70%	Application
Turner River	Turner River	All Minerals	ELA45/2574	70%	Application

MEXICAN PROJECTS	COMMON NAME	MINERAL	TENEMENT	PERCENTAGE HELD	STATUS
Oposura	El Monstruo De Plomo	All Minerals	180473	100%	Granted
	Don Genaro	All Minerals	180474	100%	Granted
	El Crestón De Plomo	All Minerals	180475	100%	Granted
	Candelaria	All Minerals	180476	100%	Granted
	El Hueco	All Minerals	180477	100%	Granted
	Campo De Plomo	All Minerals	180602	100%	Granted
	Oposura Número 2	All Minerals	180603	100%	Granted
	Oposura Número 4	All Minerals	180604	100%	Granted
	Oposura Número 6	All Minerals	180605	100%	Granted
	El Encinal	All Minerals	223473	100%	Granted
Sara Alicia	Sara Alicia	All Minerals	165539	100%	Granted
	El Tecolote III	All Minerals	234586	100%	Granted
Promontorio	Hidalgo	All Minerals	235270	100%	Granted
Panchita	Panchita	All Minerals	212767	100%	Granted
	Dona Panchita	All Minerals	192097	100%	Granted
San Augustin	San Augustin1	All Minerals	238325	100%	Granted
Alacran1	Kino 3	All Minerals	166312	100%	Granted
	Kino 2	All Minerals	166313	100%	Granted
	Kino 4	All Minerals	166314	100%	Granted
	Kino 8	All Minerals	166315	100%	Granted
	Kino 9	All Minerals	166316	100%	Granted
	Kino 10	All Minerals	166317	100%	Granted
	Kino 11	All Minerals	166318	100%	Granted
	Kino 15	All Minerals	166365	100%	Granted
	Hidalgo No. 4	All Minerals	166366	100%	Granted
	Kino 16	All Minerals	166367	100%	Granted
	Hidalgo No. 3	All Minerals	166368	100%	Granted
	Hidalgo No. 2	All Minerals	166369	100%	Granted
	Hidalgo No. 5	All Minerals	166370	100%	Granted
	Hidalgo No. 6	All Minerals	166371	100%	Granted
	Hidalgo No. 8	All Minerals	166372	100%	Granted
	Hidalgo No. 7	All Minerals	166373	100%	Granted
	Hidalgo	All Minerals	166374	100%	Granted
	Hidalgo No. 9	All Minerals	166375	100%	Granted
	San Simon	All Minerals	166376	100%	Granted
	San Simon No. 2	All Minerals	166377	100%	Granted
	El Alacran	All Minerals	201817	100%	Granted

ASX ADDITIONAL INFORMATION

Tables of Minerals Resources

MINERAL RESOURCES ESTIMATION GOVERNANCE STATEMENT

Governance of Azure's mineral resources is a responsibility of the Executive Management of the Company.

All mineral resources have not changed since last year.

Azure has ensured that its mineral resources estimates are subject to appropriate levels of governance and internal controls. The mineral resources reported have been estimated by independent external consultants who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimations. Additionally, the Company carries out regular internal peer reviews of processes and contractors engaged.

Azure has reported its Promontorio mineral resources on an annual basis in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC code) 2004 Edition.

Azure has reported its Oposura, Cascada, Mesa de Plata and Loma Bonita mineral resources on an annual basis in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC code) 2012 Edition.

Competent Persons named by Azure are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or of a "Recognised Professional Organisation", as included in a list on the JORC and ASX websites.

OPOSURA PROJECT

TABLE 1: OPOSURA RESOURCE ESTIMATE – JUNE 2018 – USING A 1.5% ZINC EQUIVALENT CUT-OFF GRADE

(First released to ASX on 4 July 2018)

	INDICATED MINERAL RESOURCE				INFERRED MINERAL RESOURCE				TOTAL MINERAL RESOURCE			
	TONNES		GRADE		TONNES		GRADE		TONNES		GRADE	
ZONE	(Mt)	Zn (%)	Pb (%)	Ag (g/t)	(Mt)	Zn (%)	Pb (%)	Ag (g/t)	(Mt)	Zn (%)	Pb (%)	Ag (g/t)
EAST	0.5	5.0	3.7	19.4	0.5	4.8	2.7	16.7	1.0	4.9	3.2	18.5
WEST	1.6	5.4	2.6	16.5	0.3	3.3	2.1	14.3	1.9	5.0	2.6	16.2
TOTAL	**2.1**	**5.3**	**2.9**	**17.2**	**0.8**	**4.3**	**2.5**	**16.5**	**2.9**	**5.0**	**2.8**	**17.0**

ALACRÁN PROJECT

TABLE 2: MESA DE PLATA JORC CODE MEASURED AND INDICATED MINERAL RESOURCE

(First released to ASX on 1 December 2016)

	MEASURED MINERAL RESOURCE			INDICATED MINERAL RESOURCE			TOTAL MINERAL RESOURCE		
ZONE	TONNES (Mt)	SILVER		TONNES (Mt)	SILVER		TONNES (Mt)	SILVER	
		(g/t Ag)	(Moz)		(g/t Ag)	(Moz)		(g/t Ag)	(Moz)
HIGH GRADE	1.21	307.4	12.0	0.54	201.7	3.5	1.75	274.7	15.5
MID-GRADE	8.43	43.0	11.7	0.28	36.2	0.3	8.71	42.8	12.0
TOTAL	**9.64**	**76.2**	**23.6**	**0.82**	**145.4**	**3.8**	**10.46**	**81.6**	**27.4**

ASX ADDITIONAL INFORMATION

TABLE 3: LOMA BONITA JORC CODE INDICATED AND INFERRED MINERAL RESOURCE

(First released to ASX on 21 December 2016)

CUT-OFF GRADE (g/t Au)	JORC CODE CLASSIFICATION	TONNES (Mt)	GOLD		SILVER	
			(g/t)	(KOz)	(g/t)	(Moz)
≥ 0.5	Indicated Mineral Resource	2.87	1.25	115.7	33.9	3.14
	Inferred Mineral Resource	0.5	1.0	15	18	0.3
	TOTAL	**3.4**	**1.2**	**131**	**32.0**	**3.4**
≥ 0.21	Indicated Mineral Resource	4.20	0.95	128.5	30.1	4.07
	Inferred Mineral Resource	1.2	0.6	22	18	0.7
	TOTAL	**5.4**	**0.9**	**150**	**28**	**4.8**

PROMONTORIO PROJECT

TABLE 4: CASCADA MINERAL RESOURCE ABOVE A 0.5% CU EQUIVALENT CUT-OFF WITHIN THE RESOURCE CONSTRAINING SHELL

(First released to ASX on 7 May 2015)

WITHIN CONSTRAINING SHELL CUT OFF > 0.5% CUEQ		GRADE				CONTAINED METAL			
CLASSIFICATION	TONNAGE (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
INDICATED	810,000	1.1	1.4	28	2.0	9,000	36,000	720,000	15,900
INFERRED	1,140,000	0.7	1.7	26	1.8	8,400	63,200	960,000	20,000
TOTAL	**1,950,000**	**0.9**	**1.6**	**27**	**1.8**	**17,400**	**99,200**	**1,680,000**	**35,900**

TABLE 5: CASCADA MINERAL RESOURCE ABOVE A 1.0% CU EQUIVALENT CUT-OFF BELOW THE RESOURCE CONSTRAINING SHELL

BELOW CONSTRAINING SHELL CUT OFF > 1.0% CUEQ		GRADE				CONTAINED METAL			
CLASSIFICATION	TONNAGE (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
INDICATED	30,000	1.0	0.8	17	1.5	300	700	20,000	400
INFERRED	80,000	1.3	2.7	22	2.7	1,100	7,300	60,000	2,300
TOTAL	**110,000**	**1.2**	**2.3**	**21**	**2.4**	**1,400**	**8,000**	**80,000**	**2,700**

TABLE 6: CASCADA MINERAL RESOURCE TOTAL WITHIN AND BELOW THE RESOURCE CONSTRAINING SHELL

TOTAL RESOURCE		GRADE				CONTAINED METAL			
CLASSIFICATION	TONNAGE (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
INDICATED	840,000	1.1	1.4	27	1.9	9,200	36,700	740,000	16,300
INFERRED	1,230,000	0.8	1.8	26	1.8	9,500	70,500	1,020,000	22,300
TOTAL	**2,070,000**	**0.9**	**1.6**	**27**	**1.9**	**18,700**	**107,200**	**1,760,000**	**38,600**

TABLE 7: PROMONTORIO PROJECT MINERAL RESOURCE

(First released to ASX on 10 May 2013)

TOTAL RESOURCE		GRADE				CONTAINED METAL			
CLASSIFICATION	TONNAGE (tonnes)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (oz)	Ag (oz)	CuEq (tonnes)
INDICATED	610,000	2.7	1.7	56	4.4	16,700	32,500	1,090,000	26,700
INFERRED	230,000	1.8	1.5	56	3.3	4,100	11,300	410,000	7,500
TOTAL	**840,000**	**2.5**	**1.6**	**56**	**4.1**	**20,800**	**43,800**	**1,500,000**	**34,200**

ASX ADDITIONAL INFORMATION

Competent Person Statement:

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.

The information in this report that relates to the Mineral Resource for the Promontorio deposit was prepared and first disclosed to the ASX on 10 May 2013 under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources for the Cascada deposit is extracted from the report "Cascada Mineral Resource Estimate" created and released to ASX on 7 May 2015 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Mesa de Plata deposit is extracted from the report "Mesa de Plata Mineral Resource" created and released to ASX on 1 December 2016 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Loma Bonita deposit is extracted from the report "Loma Bonita Mineral Resource" created and released to ASX on 21 December 2016 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Oposura deposit is extracted from the report "Oposura Mineral Resource" created and released on the ASX on 4 July 2018 and is available to view on www.asx.com.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Copper Equivalency Statements:

PROMONTORIO:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three-year averages at the data cut-off date 2 April 2013: US$3.25/lb for Cu, US$1,450/oz for Au and US$27.50/oz for Ag.

The CuEq grade accounts for the following metal recoveries: 97.9% for Cu, 93.4% for Au, and 97.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.979) + (Au (g/t) x 0.6077) + (Ag (g/t) x 0.0120).

CASCADA:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three-year averages at the data cut-off date of 30 October 2014: US$3.40/lb for Cu, US$1,470/oz for Au and US$25.00/oz for Ag.

The CuEq grade accounts for the following metal recoveries: 95.0% for Cu, 75.0% for Au, and 85.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.95) + (Au (g/t) x 0.4729) + (Ag (g/t) x 0.0091).

ASX ADDITIONAL INFORMATION

Zinc Equivalency Statement:

OPOSURA:

Zinc Equivalency % US$:

Zinc equivalent values in US$ are determined by the following factors:

Zn Eq = ((%Zn x 0.875 x 0.85)+(%Pb x 0.85 x 0.95)+(g/t Ag x 0.67 x 0.70))/(%Zn x 0.875 x 0.85)

Commodity prices used in this Mr.E:

Zinc $3,107.50/t, Lead $2,411/t (spot price, LME, 2018. www.lme.com, cited 0:00 GMT 20/06/2018)

Silver $16.20/oz (spot price, NYSE, 2018. www.kitco.com, cited 0:00 GMT 20/06/2018)

Concentrate recoveries used in this Mr.E: Zn 87.5%, Pb 85%, Ag 67% (Locked Cycle and Batch Flotation tests: Azure Minerals Ltd, 2018.)

Smelter recoveries used in this Mr.E: Zn 85%, Pb 95%, Ag 70% (International Benchmarks: Azure Minerals Ltd, 2018)

It is the opinion of Azure Minerals Ltd that all the elements included in the calculation have a reasonable potential to be recovered and sold.

> “I WOULD LIKE TO PAY TRIBUTE TO MY PREDECESSOR MR. PETER INGRAM WHO FOR NEARLY 10 YEARS PLAYED A CRITICAL ROLE IN GUIDING THE COMPANY.”

BRIAN THOMAS
CHAIRMAN

AZURE
MINERALS LIMITED