

Azure Minerals Limited

ABN 46 106 946 918

Interim Financial Statements

For the Half-Year Ended 31 December 2021

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Azure Minerals Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AZURE MINERALS LIMITED

CORPORATE INFORMATION

ABN 46 106 346 918

Directors

Mr. Brian Thomas (Chairman)

Mr. Anthony Rovira (Managing Director)

Mr. Hansjörg Plaggemars (Non-Executive Director)

Ms. Hui (Annie) Guo (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 2, 45 St, Georges Terrace

Perth WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

Auditors

BDO Audit (WA) Pty Ltd

Mia Yellagonga Tower

5 Spring Street

Perth WA 6000

Australia

Website

www.azureminerals.com.au

ASX Code

Shares

AZS

AZURE MINERALS LIMITED

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Competent Person Statements:

Information in this report that relates to previously reported Exploration Results has been cross-referenced in this report to the date that it was reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcements.

Information in this report that relates to Mineral Resources for the Oposura Project is extracted from the report "Azure Delivers Robust Initial Mineral Resource at Oposura" created and released to the ASX on 4 July 2018 and is available to view on www.asx.com.au. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Information in this report that relates to the Scoping Study for the Oposura Project is extracted from the report "Oposura Scoping Study Delivers Outstanding Economics" created and released to the ASX on 15 October 2018 and is available to view on www.asx.com.au. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Information in this report that relates to Mineral Resources for the Alacrán Project is extracted from the reports "Silver Resource Upgraded at Mesa de Plata" created and released to the ASX on 1 December 2016 and "Initial Mineral Resource Estimate for Loma Bonita" created and released to the ASX on 21 December 2016 and are available to view on www.asx.com.au. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

AZURE MINERALS LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Azure Minerals Limited and the entities it controlled ("AZS", "Azure" or "the Group") at the end of, or during, the half-year ended 31 December 2021.

General information

Directors

The following persons were directors of Azure Minerals Limited during all or part of the half-year as indicated below, and up to the date of this report:

Mr. Brian Thomas

Mr. Anthony Rovira

Mr. Hansjörg Plaggemars

Ms. Hui (Annie) Guo

Project Review

ANDOVER NICKEL-COPPER PROJECT (Azure 60% / Creasy Group 40%)

Recent focus for the Company has been on advancing the VC-07 East nickel-copper sulphide deposit, with the resource drill-out completed late in the December quarter with estimation of the initial Mineral Resource underway.

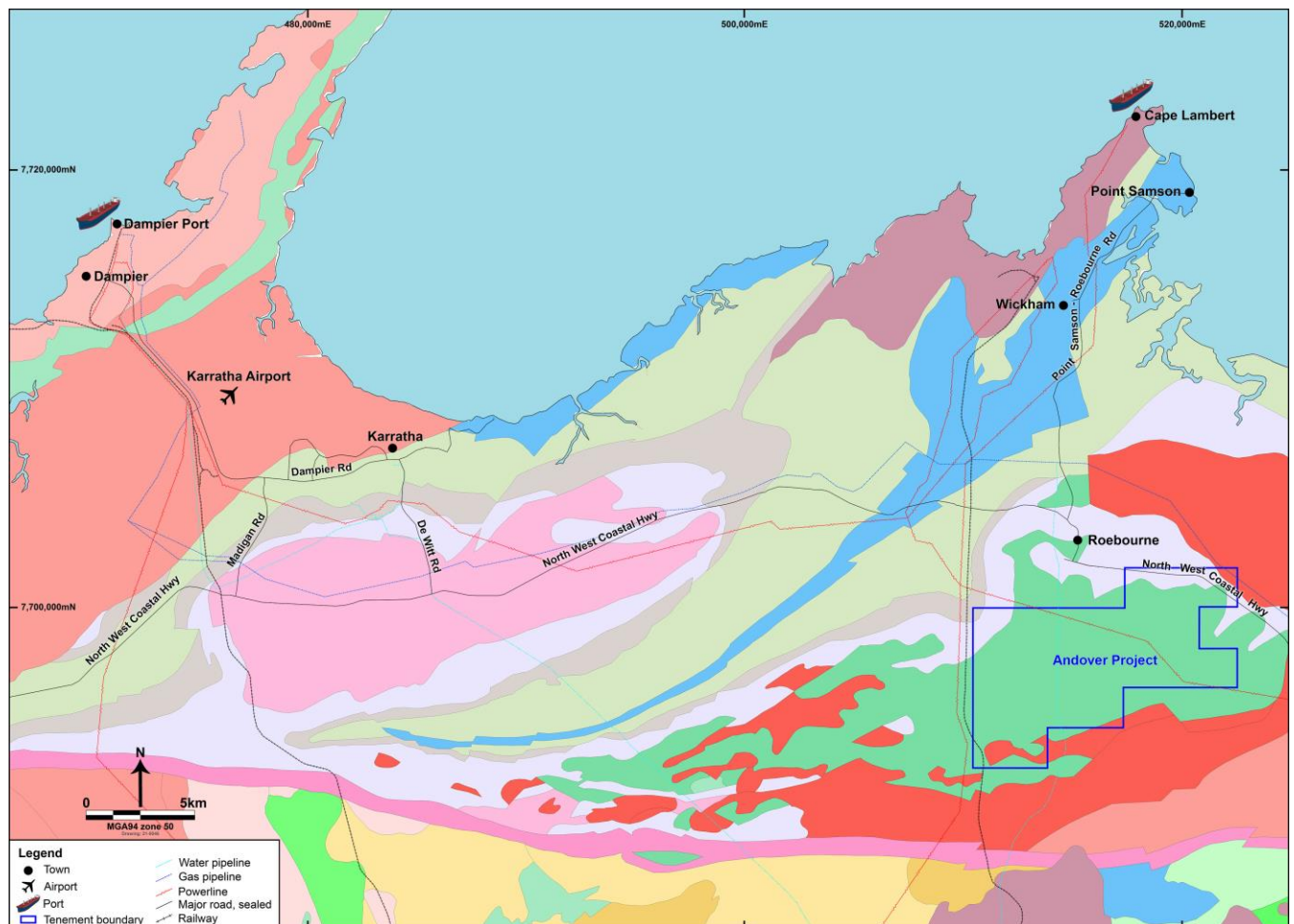


Figure 1: Location of Andover project, local infrastructure and underlying geology

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VC-07 EAST Ni-Cu SULPHIDE DEPOSIT

Over the past year, Azure's drilling program at Andover confirmed that the plus one kilometre-long VC-07 mineralised system contains multiple zones of nickel and copper sulphide mineralisation.

The first mineralised zone to be defined was VC-07 East where Azure has drilled a total of 103 diamond holes for 43,555m completed. The maiden Mineral Resource Estimate for VC-07 East is expected to be delivered in the first quarter of 2022.

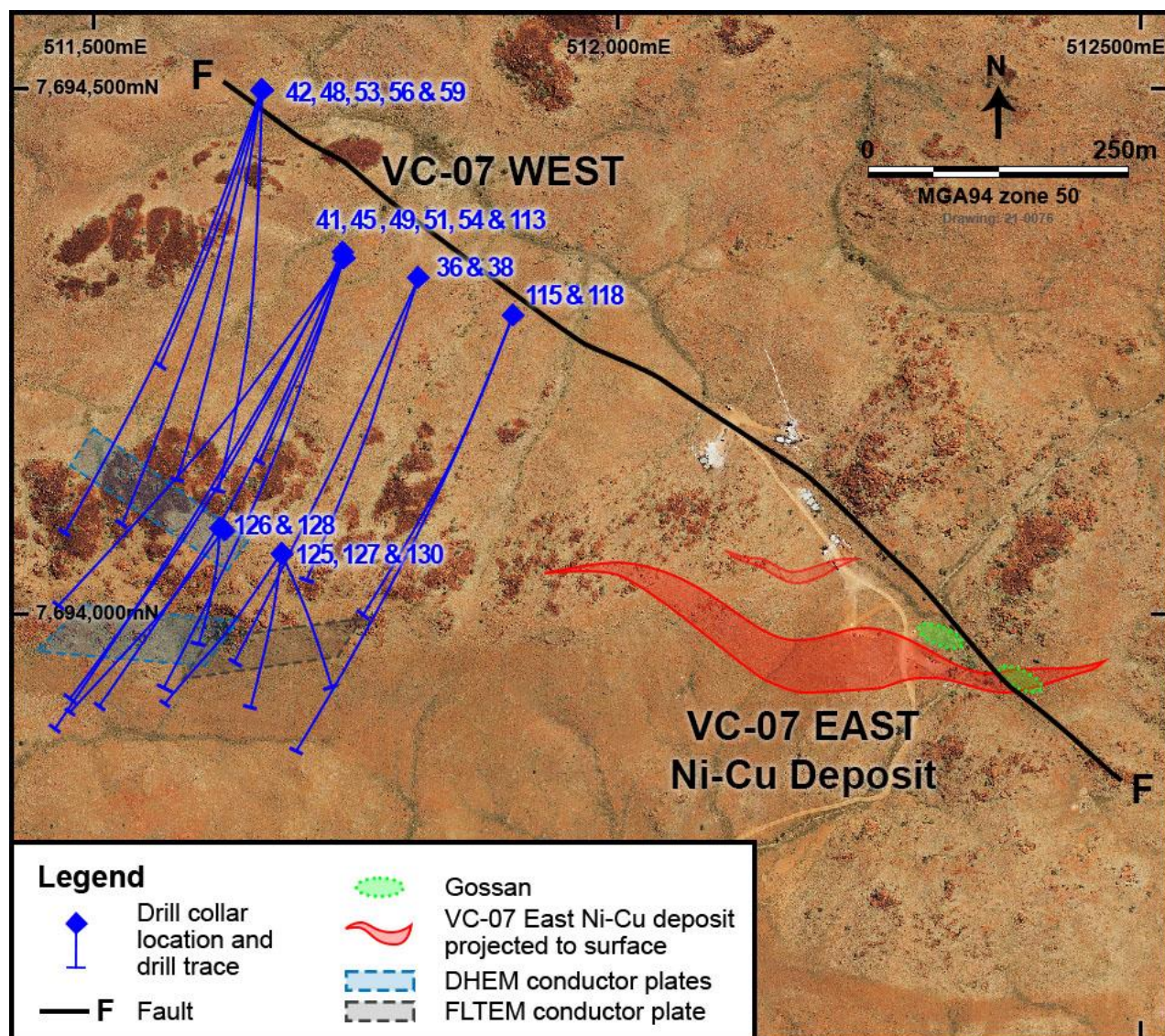


Figure 2: VC-07 East Ni-Cu deposit and VC-07 West target zones and drill hole traces

VC-07 East is well defined by drilling with an internal mineralised intersection spacing of 50m x 50m over a continuous strike length of more than 300m. Sulphide mineralisation commences at a depth of about 20m below surface and has a continuous vertical extent to depths exceeding 550m below surface.

Assay results returned from the final stages of the resource drill-out continue to demonstrate good widths and grades of Ni-Cu sulphide mineralisation. In addition, the drilling confirmed excellent internal continuity of mineralised widths and grades within the deposit to the extent that a large proportion of the initial Mineral Resource Estimate is expected to report to the Indicated resource category. This will enhance the robustness of the overall resource and the development and economic studies.

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The highest nickel and copper assays received to date from Andover, delivered (ASX: 9 November 2021):

- 5.04% Ni over 1.5m from 325.8m downhole in hole ANDD0087
- 4.94% Cu over 1.1m from 498.9m downhole in hole ANDD0086

Extensional drilling was designed to identify external boundaries of the mineralised zones but, with several holes intersecting strong mineralisation around the edges, the VC-07 deposit remains open for further expansion to the east, west and at depth.

Encouragingly, shallow drilling at the eastern end of the deposit intersected Ni-Cu sulphide mineralisation within 20m of surface, beneath an extensive outcrop of nickel and copper-rich gossan which extends for several hundred metres further to the east and remains undrilled in this direction.

VC-07 WEST

Drilling for extensions and repetitions of Ni-Cu sulphide mineralisation along the VC-07 corridor continues, initially focused on the VC-07 West zone located between 300m – 600m to the west of the VC-07 East deposit.

Several holes have returned significant intersections of Ni-Cu sulphide mineralisation, including substantial amounts of massive, semi-massive and matrix sulphides in holes ANDD0126, ANDD0127 and ANDD0128 (ASX: 9 December 2021), which coincide with the modelled locations of the targeted EM conductors.

Assays for these holes are awaited however an earlier hole, ANDD0045, returned high grades of nickel and copper mineralisation in both zones (ASX: 2 August 2021), including:

- 4.5m @ 3.95% Ni, 0.80% Cu and 0.16% Co from 486.6m downhole; and
- 3.4m @ 2.01% Ni, 0.43% Cu and 0.09% Co from 605.2m downhole.



Image 1: Enriched copper sulphide interval (chalcopyrite - golden colour) hosted within a 6.2m-wide zone of massive and semi-massive nickel and copper sulphides in hole ANDD0128 at VC-07 West

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REGIONAL EXPLORATION

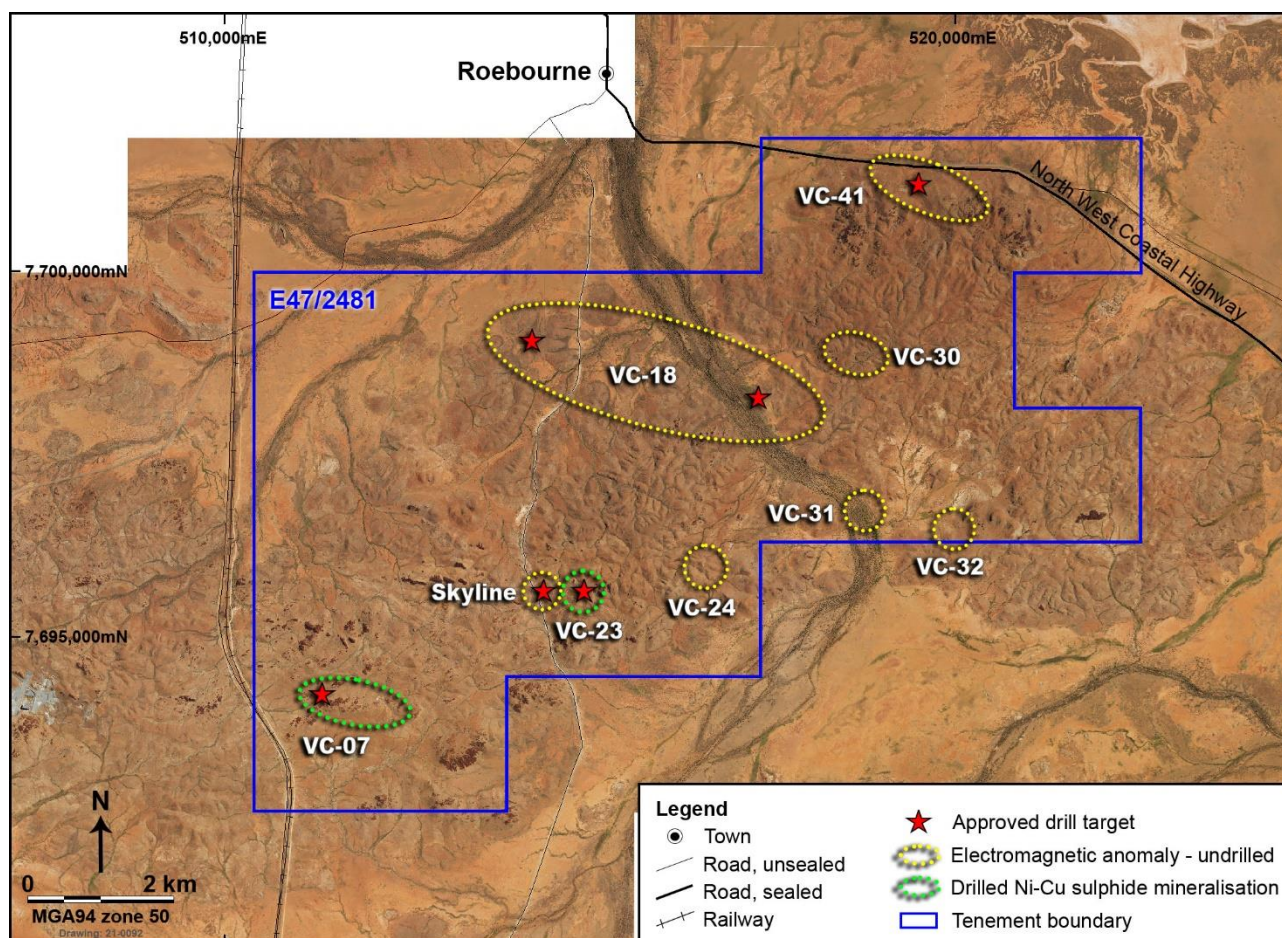


Figure 3: Aerial image of Andover Nickel-Copper Project showing drill targets

Azure's ongoing regional exploration program comprises geological mapping, geochemical sampling, surface EM surveying and drilling, and has shown very promising results to date.

Completion of archaeological and ethnographical heritage surveys and subsequent approvals during the period enabled the Company to prepare drill sites and access tracks required for exploration drilling at the Skyline, VC-23 (extended), VC-18, VC-41 prospects (see **Figures 3 and 4**).

The EM surveying has identified numerous bedrock-hosted conductors and drill-testing of two of these targets intersected Ni-Cu sulphide mineralisation at VC-23 (eight holes drilled in early 2021) and Skyline (three holes drilled in December quarter).

- **VC-23:** five of Azure's eight drill holes intersected significant nickel and copper sulphide mineralisation associated with the surface fixed loop EM conductors (ASX: 22 January, 8 March and 7 April 2021), including:
 - 5.8m @ 1.12% Ni and 0.71% Cu from 69.6m in hole ANDD0009
 - 4.0m @ 1.69% Ni and 0.21% Cu from 32.7m in hole ANDD0011
 - 7.0m @ 1.35% Ni and 0.45% Cu from 95.0m in hole ANDD0012
- **Skyline:** drilling completed during the December quarter intersected a new mineralised zone of nickel and copper sulphide mineralisation coincident with electromagnetic (EM) conductors identified by surface fixed loop surveys (ASX: 9 December 2021);

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- **VC-18:** a very large, moderately conductive target represented by a 3.5 kilometre-long, bedrock-hosted EM anomaly; and
- **VC-41,** represented by two strong and overlapping EM conductors located near the Northwest Coastal Highway

Drilling of Skyline, VC-23, VC-18, VC-41 and others on the property, will continue in 2022.

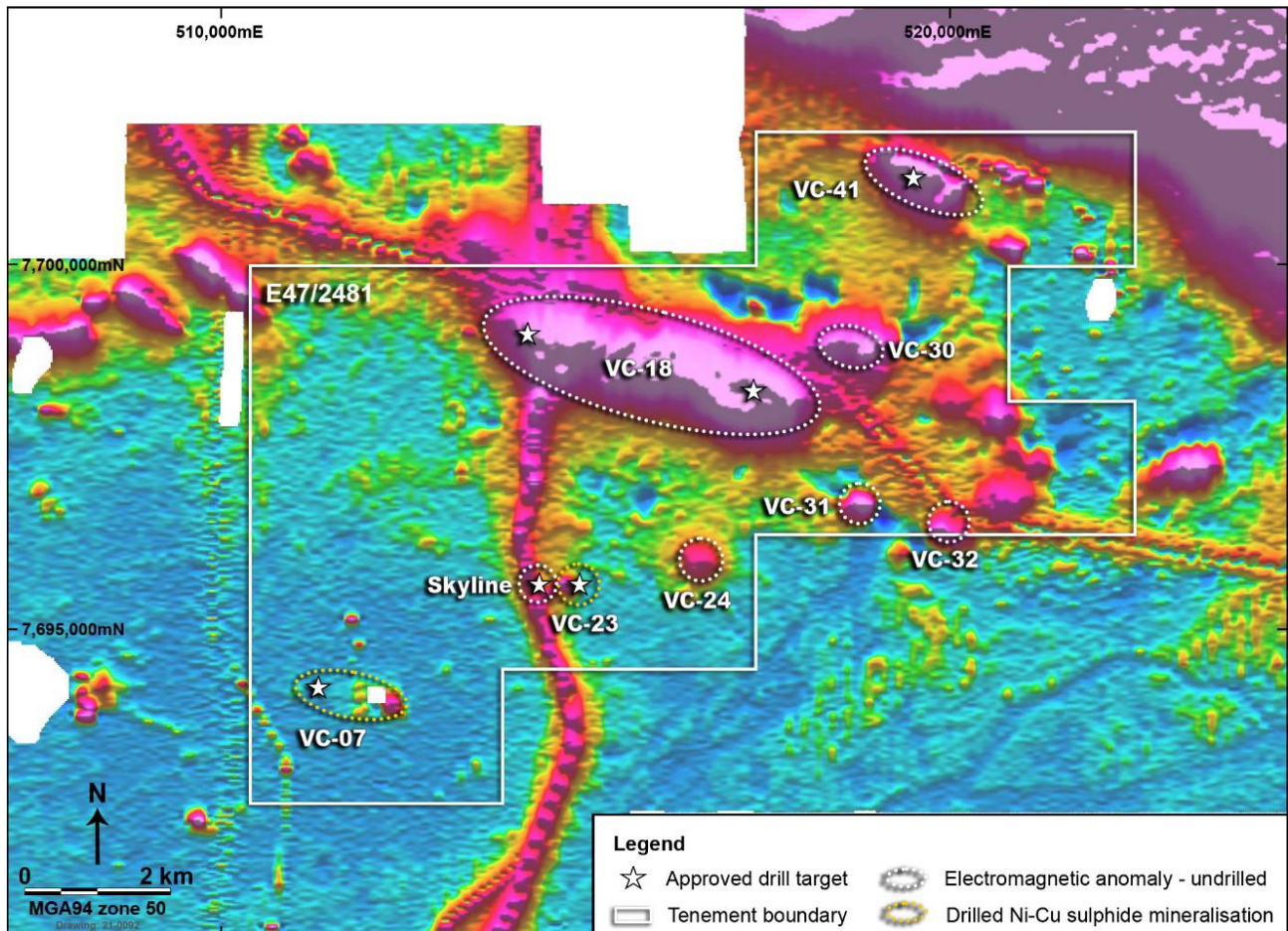


Figure 4: Andover project showing airborne electromagnetic image with drill targets

BARTON GOLD PROJECT (Azure 100%)

Azure now holds a very large, strategically-situated portfolio of tenements within the gold-rich Kookynie district and covering potential extensions to the south (see **Figure 5**), comprising:

- One granted Exploration Licence (E40/393: 198km²);
- Six ELA's (totaling 483km²) with Azure as the sole applicant; and
- Four ELA's (totaling 336km²) where Azure is a competing applicant, and which will go into a Mining Warden's Court ballot to decide ownership.

This sizeable land package now covers a contiguous 88km of strike length of the main Kookynie geological trend. It hosts numerous under-explored mineralised trends covering greenstone belts, adjacent granite margins and favourable structural settings that are considered prospective for hosting significant gold and base metals mineralisation.

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Several growing gold deposits and significant gold development projects are located close to Azure's projects, including:

- Genesis Minerals Ltd (ASX: GMD): Ulysses Gold Project (1,608,000oz gold resource);
- Saturn Metals Ltd (ASX: STN): Apollo Hill Gold Project (944,000oz gold resource);
- Recent high-grade gold discoveries at Kookynie by Metalicity Ltd (ASX:MCT) and other companies; and
- Genesis' Puzzle North gold discovery which adjoins the southern boundary of Azure's E40/393.

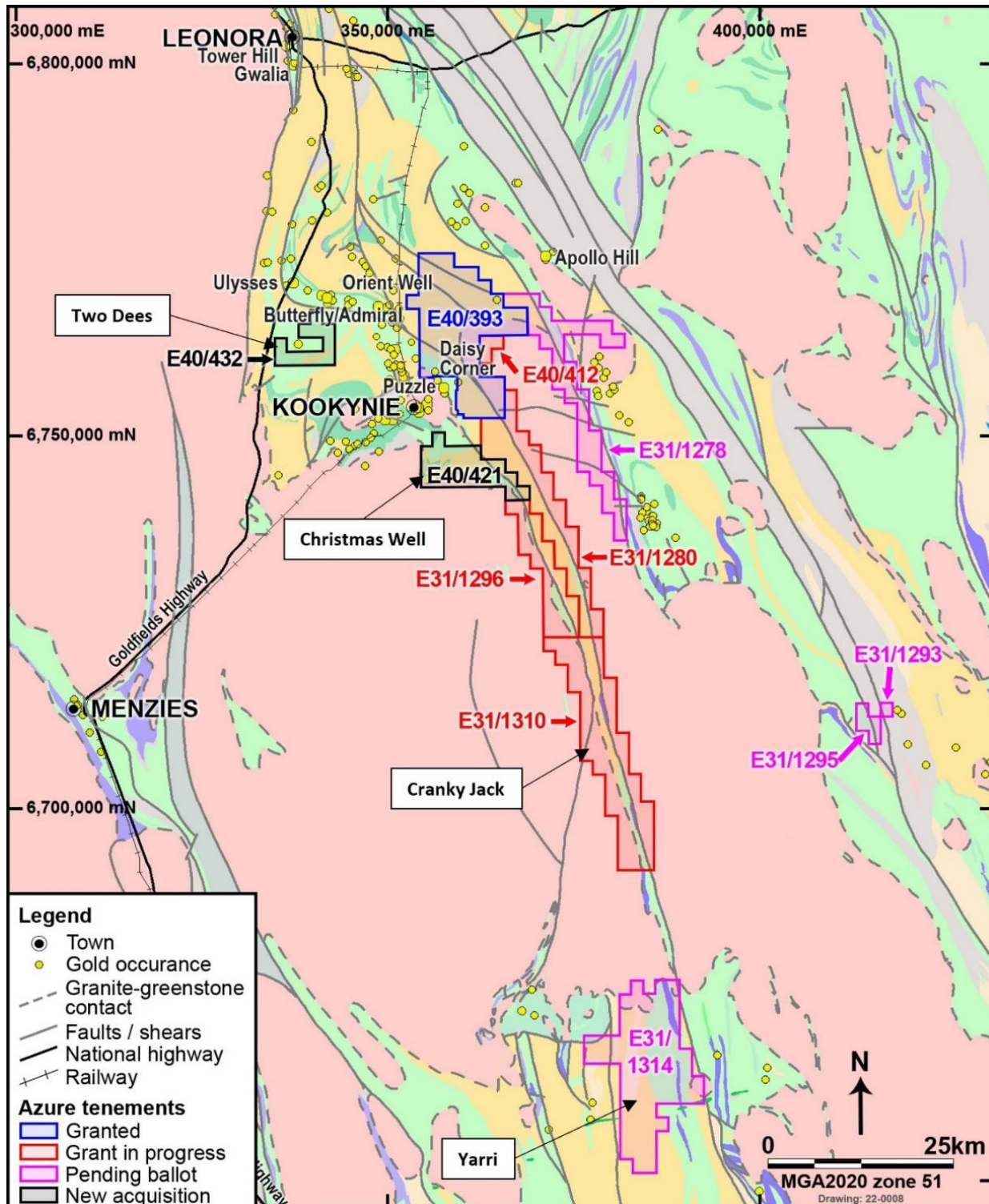


Figure 5: Barton Projects

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This sizeable land package hosts numerous prospective, yet under-explored mineralised trends covering greenstone belts, adjacent granite margins and favourable structural settings that are considered highly prospective for hosting significant gold mineralisation (see **Figure 6**).

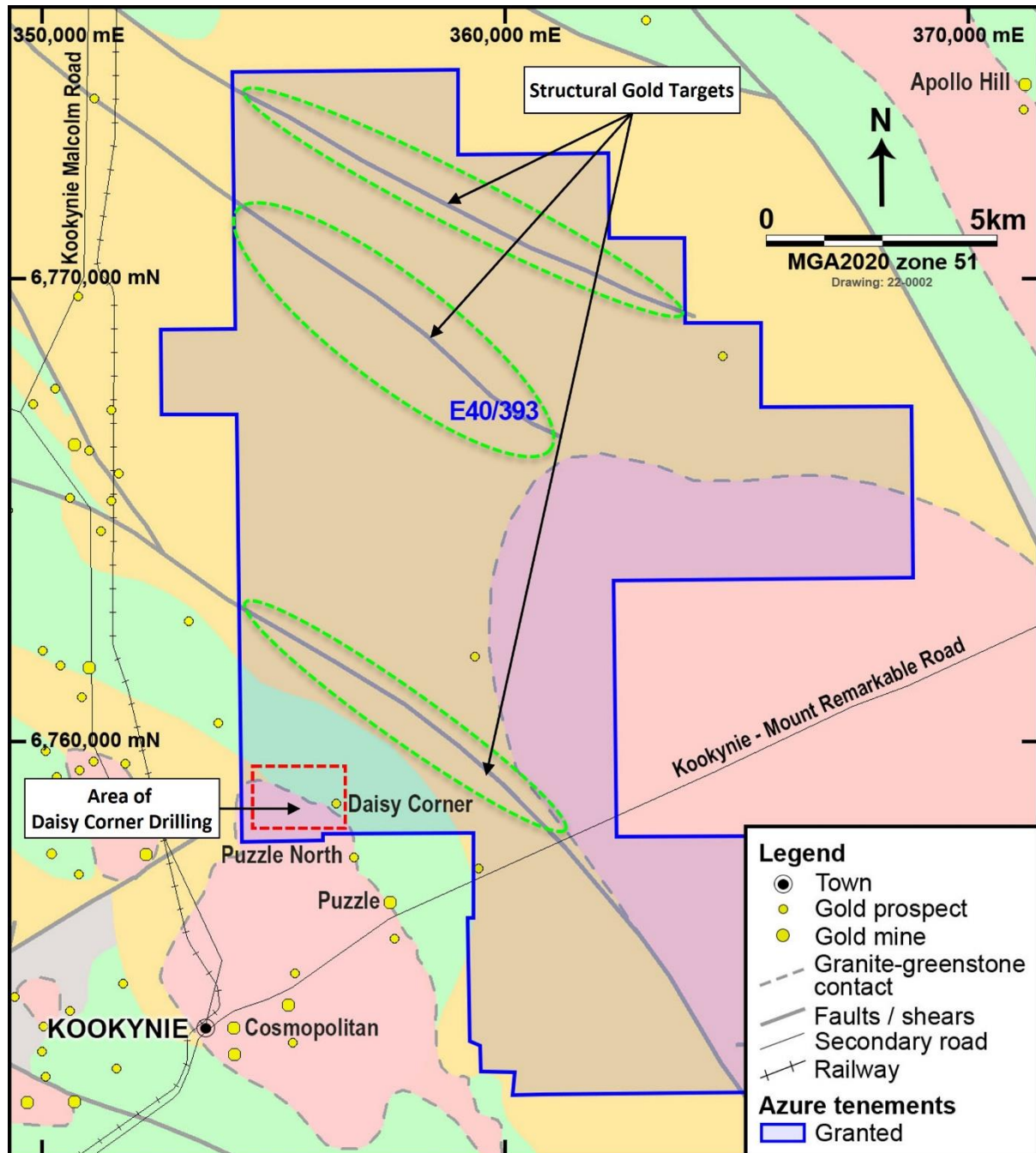


Figure 6: Barton Project showing areas of gold prospectivity on E40/393

Subsequent to the period, Azure commenced its maiden drill program with 3,000m of RC drilling planned to follow-up historical gold intersections at Daisy Corner and test for northern extensions of the gold mineralisation drilled by Genesis Minerals at Puzzle North (see **Figure 6**).

TURNER RIVER GOLD PROJECT (Azure 70% / Creasy Group 30%)

Two Exploration Licence applications are awaiting grant.

COONGAN (Azure 70% / Creasy Group 30%)

No activity.

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MEENTHEEA (Azure 70% / Creasy Group 30%)

No activity.

MEXICO

Led by Argonaut PCF, the Company continues to review the way forward for its Mexican assets.

Review of Operations and Results

The operating loss after income tax of the Group for the period was \$11,029,690 (2020: \$8,732,609). Included in this loss figure is \$9,369,221 (2020: \$2,242,042) of exploration expenditure.

Net cash outflows from operating activities for the period were \$11,508,173 (2020: \$3,245,129).

Other items

Significant Changes in State of Affairs

No other significant change in the Group's state of affairs occurred during the reporting period.

Events after the reporting date

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 2022 financial year.

No matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Changes in Controlled Entity

There have been no changes in controlled entities during the half-year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 21.

This report is made in accordance with a resolution of the Board of Directors:



Anthony Rovira
Managing Director
West Perth
14 March 2022

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	19,082,819	30,267,222
Trade and other receivables		843,128	876,900
Total Current Assets		19,925,947	31,144,122
Non-Current Assets			
Investments		948	948
Security Deposit		4,500	4,500
Office right of use		438,137	492,904
Plant and equipment		320,739	369,594
Capitalised exploration expenditure	5	15,576,687	15,216,335
Total Non-Current Assets		16,341,011	16,084,281
TOTAL ASSETS		36,266,958	47,228,403
LIABILITIES			
Current Liabilities			
Trade and other payables		1,020,979	1,641,257
Provisions		218,404	120,558
Lease Liability		118,027	198,983
Total Current Liabilities		1,357,410	1,960,798
Non-Current Liabilities			
Provisions		125,119	121,623
Lease Liability		324,955	382,791
Total Non-Current Liabilities		450,074	504,414
TOTAL LIABILITIES		1,807,484	2,465,212
NET ASSETS		34,459,474	44,763,191
Equity			
Contributed equity	6	143,016,012	142,324,512
Reserves		3,896,146	3,861,673
Accumulated losses		(112,452,684)	(101,422,994)
TOTAL EQUITY		34,459,474	44,763,191

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Continuing Operations			
Other income		1,230	251,220
Depreciation and amortisation		(71,050)	(17,394)
Exploration expenditure		(9,369,221)	(2,242,042)
Production Expenses		-	(170)
Finance costs		-	(120,512)
Salaries and wages		(544,539)	(350,973)
Consultants		(122,378)	(42,680)
Director fees		(77,500)	(62,636)
Travel and accommodation		(7,629)	(9,480)
Promotion		(107,510)	(77,147)
Insurance		(42,731)	(34,766)
Lease interest		(19,587)	(2,087)
Lease amortisation		(54,767)	(67,655)
Other administration expenses		(379,483)	(53,053)
Fair Value Adjustment on convertible notes	6	-	(5,517,242)
Other expenses		(234,525)	(385,992)
Loss from continuing operations before		(11,029,690)	(8,732,609)
Income tax expense		-	-
Loss from continuing operations after income tax		(11,029,690)	(8,732,609)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit and loss</i>			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations		34,473	264,280
Other comprehensive (income)/loss for the period net of tax		34,473	264,280
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(10,995,217)	(8,468,329)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (cents)	7	(3.56)	(3.79)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2021

31 December 2021

	Issued Share Capital \$	Share Option Reserve \$	Financial Asset Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2021	142,324,512	5,729,318	(39,996)	(1,827,649)	(101,422,994)	44,763,191
Loss for period	-	-	-	-	(11,029,690)	(11,029,690)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	34,473	-	34,473
Total comprehensive income/(loss) for the period	-	-	-	34,473	(11,029,690)	(10,995,217)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	691,500	-	-	-	-	691,500
Share based payments	-	-	-	-	-	-
Total transaction with owners	691,500	-	-	-	-	691,500
Balance at 31 December 2021	143,016,012	5,729,318	(39,996)	(1,793,176)	(112,452,684)	34,459,474

31 December 2020

	Issued Share Capital \$	Share Option Reserve \$	Financial Asset Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2020	87,760,331	5,642,711	(39,996)	(2,348,008)	(84,522,816)	6,492,222
Loss for period	-	-	-	-	(8,732,609)	(8,732,609)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	264,280	-	264,280
Total comprehensive income/(loss) for the period	-	-	-	264,280	(8,732,609)	(8,468,329)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	54,564,180	-	-	-	-	54,564,180
Share based payments	-	-	-	-	-	-
Total transaction with owners	54,564,180	-	-	-	-	54,564,180
Balance at 31 December 2020	142,324,511	5,642,711	(39,996)	(2,083,728)	(93,255,425)	52,588,073

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,561,564)	(807,713)
Payments for exploration feasibility expenditure	(9,952,037)	(2,484,696)
Payments for production expenses	-	(170)
Security Deposit	-	(4,500)
Other income	3,397	50,000
Interest received	2,031	1,950
	<u>(11,508,173)</u>	<u>(3,245,129)</u>
Cash flows from investing activities		
Sale of plant and equipment	-	4,559
Payment for plant and equipment	(22,081)	(41,038)
Sale of mineral properties	99,989	37,846
Acquisition of mineral properties	(30,623)	(228,559)
	<u>47,285</u>	<u>(227,192)</u>
Cash flows from financing activities		
Proceeds from capital raising (net of costs)	392,500	40,446,939
Interest Expense	-	(232,534)
Lease payments	(118,096)	(123,869)
	<u>274,404</u>	<u>40,090,536</u>
Net increase/decrease in cash and cash equivalents	(11,186,484)	36,618,215
Cash and cash equivalents at the beginning of the half-year	30,267,222	849,549
Effects of exchange rate changes in cash and cash equivalents	2,081	(34,663)
Cash and cash equivalents at the end of the half-year	<u>19,082,819</u>	<u>37,433,101</u>

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

1.1 Basis of Preparation

These general-purpose financial statements for the half-year ended 31 December 2021 have been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2021 and public announcements made by Azure Minerals Limited during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 30 June 2021 and the corresponding half year interim reporting period, with the exception of those items discussed in Note 1.2 below.

1.2 New or amended Accounting Standards and interpretations adopted

The Group has adopted all of the new, revised or amended 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.

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

1.3 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.

1.4 Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half-year.

NOTE 3 OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into two operating segments, being exploration in Mexico and Australia. This is based on the internal reports that are being reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 3 OPERATING SEGMENTS (Continued)

Geographical information

During the period the Company carried out exploration activities across two geographic locations, being Australia and Mexico.

31 Dec 2021	Australia	Mexico	Total
	\$	\$	\$
Other income	1,230	-	1,230
Profit/(Loss)	(10,343,469)	(686,221)	(11,029,690)
Non-current assets	7,890,097	8,450,914	16,341,011
Total assets	27,367,845	8,899,113	36,266,958
Total liabilities	(1,752,260)	(55,224)	(1,807,484)
31 Dec 2020	Australia	Mexico	Total
	\$	\$	\$
Other income	66,567	184,653	251,220
Profit/(Loss)	(8,306,891)	(425,718)	(8,732,609)
Non-current assets	7,456,148	8,193,603	15,649,751
Total assets	45,172,150	8,723,624	53,895,774
Total liabilities	(1,216,345)	(91,356)	(1,307,701)

NOTE 4 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents are comprised the following:

	CONSOLIDATED	
	31 Dec 2021	30 Jun 2021
	\$	\$
Cash at bank and in hand	19,024,272	30,206,278
Short term deposits	58,547	60,944
	<u>19,082,819</u>	<u>30,267,222</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 5 CAPITALISED EXPLORATION EXPENDITURE

	31 Dec 2021 \$	30 Jun 2021 \$
At Cost	15,576,687	15,216,335

Reconciliations

Movements in the carrying amounts of capitalised expenditure between the beginning and end of the current financial period.

Opening net book amount	15,216,335	7,889,184
Foreign exchange adjustment	30,729	541,913
Additions – acquisition of Western Australia projects (a)	329,623	6,828,559
Disposals - sale of Oso Negro project	-	(43,321)
Closing net book amount	15,576,687	15,216,335

- a) During the period ending 31 December 2021 the Company issued 1,150,000 shares at \$0.26 each for a total value of \$299,000 for the acquisition of the Barton Gold Project. During the year ended 30 June 2021 the Company issued 40,000,000 shares at \$0.165 for a total value of \$6,600,000 for the acquisition of the Western Australian Projects. Western Australian stamp duty of \$228,559 was also capitalised as acquisition costs

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

NOTE 6 ISSUED CAPITAL

	Shares	\$
Balance as at 1 July 2020	162,192,617	87,760,332
Issue at \$0.10 per share	40,000,000	4,000,000
Issue at \$0.74 per share	50,000,000	37,000,000
Options exercised	2,100,000	958,000
Issue for projects	40,000,000	6,600,000
Conversion of Convertible Notes (a)	13,793,104	7,517,241
Share issue expenses	-	(1,511,061)
Balance as at 31 December 2020	308,085,721	142,324,512
Balance as at 1 July 2021	308,085,721	142,324,512
Issue for projects	1,150,000	299,000
Options exercised at \$0.205	500,000	102,500
Options exercised at \$0.29	1,000,000	290,000
Balance as at 31 December 2021	310,735,721	143,016,012

- (a) The convertible notes were issued with a face value of \$2,000,000. The convertible notes converted to 13,793,104 shares and at the time of conversion the Company's share price was \$0.545. This resulted in the \$5,517,241 difference between the face value of the convertible notes and the value of the shares issued on conversion being recognised as a finance costs in the profit and loss.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

NOTE 6 ISSUED CAPITAL (Continued)

Options on Issue

	1 Jul 2020	Exercised	Lapsed	Issued	31 Dec 2020
Exercisable at \$0.58 on or before 30 November 2020	2,050,000	(1,350,000)	(700,000)	-	-
Exercisable at \$0.29 on or before 30 November 2021	2,200,000	(250,000)	(700,000)	-	1,250,000
Exercisable at \$0.205 on or before 30 November 2022	4,400,000	(500,000)	(1,400,000)	-	2,500,000
	8,650,000	(2,100,000)	(2,800,000)	-	3,750,000
	1 Jul 2021	Exercised	Lapsed	Issued	31 Dec 2021
Exercisable at \$0.29 on or before 30 November 2021	1,250,000	(1,000,000)	(250,000)	-	0
Exercisable at \$0.205 on or before 30 November 2022	2,500,000	(500,000)	-	-	2,000,000
Exercisable at \$0.49 on or before 30 June 2024	500,000	-	-	-	500,000
Exercisable at \$0.57 on or before 30 June 2024	1,000,000	-	-	-	1,000,000
Exercisable at \$0.65 on or before 30 June 2024	1,500,000	-	-	-	1,500,000
	6,750,000	(1,750,000)	-	-	5,000,000

NOTE 7 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 309,676,978. Diluted loss per share is not considered dilutive and has therefore not been presented.

NOTE 8 COMMITMENTS AND CONTINGENCIES

There has been no significant change in the Group's commitments and contingent liabilities since the end of the last reporting period.

NOTE 9 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2021 financial statements.

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2021.

NOTE 10 EVENTS AFTER THE REPORTING DATE

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 2022 financial year.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

AZURE MINERALS LIMITED

DIRECTOR'S DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2021

In the Director's opinion:

- (a) The financial statements and notes, as set out on pages 10 to 17 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Azure Minerals Limited will be able to pay its debts as and when they become due and payable.

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



Anthony Rovira
Managing Director
West Perth
14 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Azure Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 14 March 2022

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

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Perth, 14 March 2022