1 DECEMBER 2016

SILVER RESOURCE UPGRADED AT MESA DE PLATA

Highlights:

- **Silver grade of High Grade Zone increased by 25% to 275 g/t Ag**
- **Overall contained silver increased by 1.5Moz to 27.4Moz**
- **85% of the total silver ounces upgraded to Measured Mineral Resource**
- **Maiden Mineral Resource Estimate for Loma Bonita due in December**

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to announce a substantial upgrade of the Mineral Resource Estimate for the Mesa de Plata silver deposit at its flagship Alacrán gold, silver and copper project located in Sonora, Mexico.

The resource upgrade follows the completion of an additional 3,000m of Reverse Circulation (RC) infill drilling and 500m of PQ diamond drilling since the maiden resource estimate was announced in May 2016. Results from this drilling program has allowed the upgrading of Indicated Resources to the Measured category in accordance with the JORC Code. The upgraded resources show more than 85% of the total contained silver ounces is now classified as Measured Mineral Resource (refer Table 1 below).

Table 1: New Mesa de Plata Mineral Resource (in accordance with the JORC Code)

Zone	Measured Mineral Resource			Indicated Mineral Resource			Total Mineral Resource		
	Tonnes	Silver		Tonnes	Silver		Tonnes	Silver	
	(Mt)	(g/t Ag)	(Moz)	(Mt)	(g/t Ag)	(Moz)	(Mt)	(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

Notes:
- Reported using a block model cut-off grade of ≥20 g/t Ag using capped silver grade estimates
- Numbers in this table have been rounded to one decimal for silver grade and two decimals for tonnage

Azure's Managing Director, Mr Tony Rovira, commented: "*This resource drill-out has been a tremendous success confirming the high quality of the Mesa de Plata silver deposit. Not only have we delivered a substantial 1.5Moz increase in the overall contained silver in the deposit, we have also increased the silver grade of the High Grade Zone by 25% to 275g/t Ag. Particularly pleasing, and important to the projects economics, is the impressive silver grade of 307g/t Ag in the Measured Resource portion of the High Grade Zone.*

"The upgrading of the majority of the Mineral Resource to Measured category has significantly increased the confidence level from the previously released maiden estimate. This, together with the high value High Grade Zone being significantly enhanced and when considering a possible combined production scenario with the adjacent Loma Bonita gold-silver deposit, is

very exciting for the development options currently under consideration and provides investors with increased confidence regarding the quality of the project."

Figure 1: Location Plan - Alacrán Project

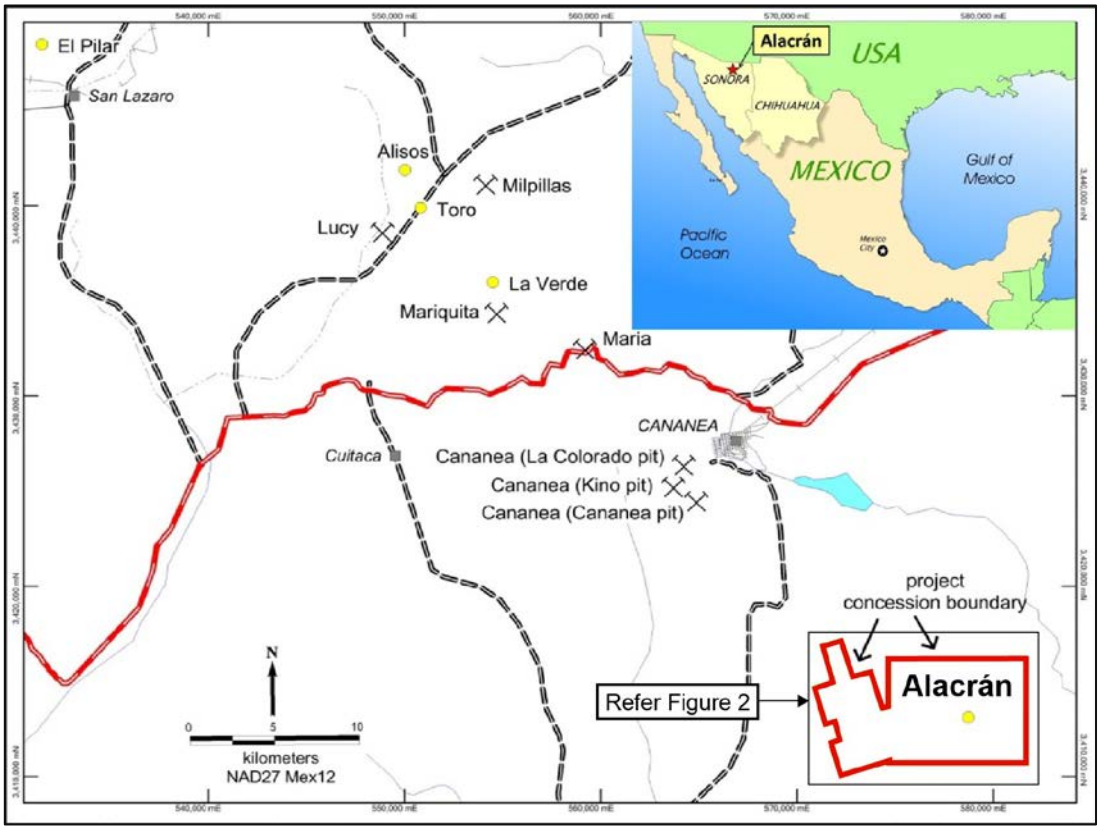
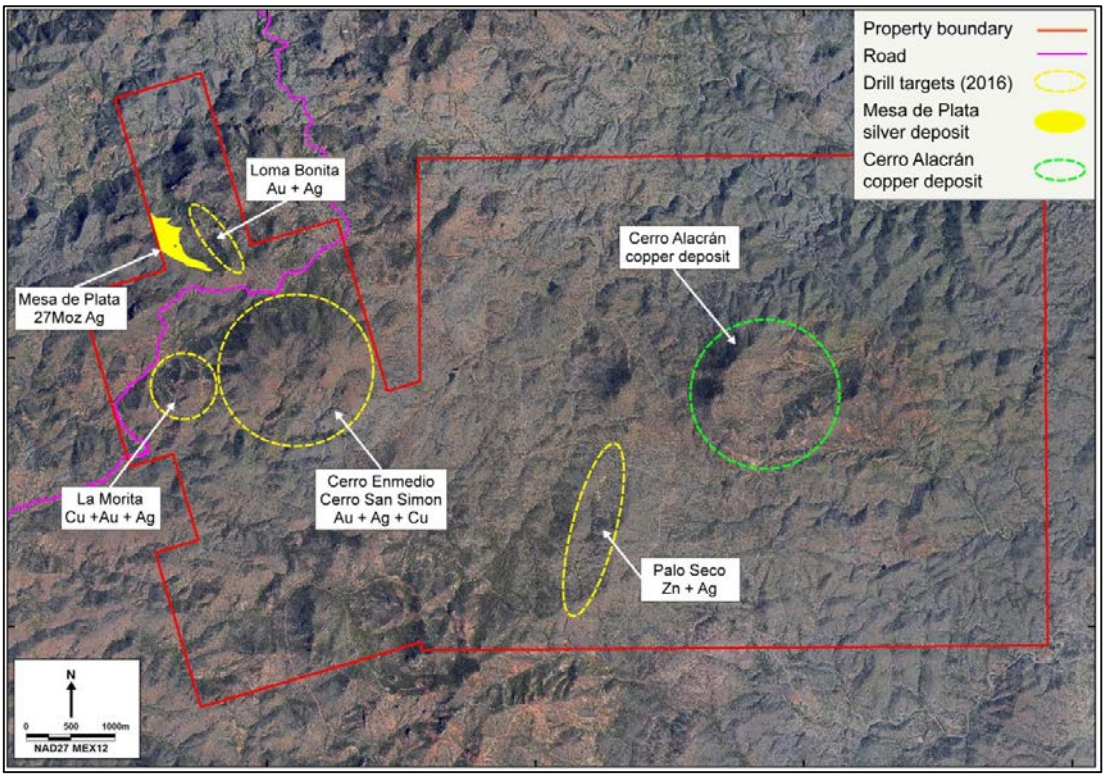


Figure 2: Location Plan – Mesa de Plata Silver Deposit



MESA DE PLATA MINERAL RESOURCE ESTIMATE

The Mesa de Plata Mineral Resource Estimate has been prepared in accordance with the requirements and guidelines of the JORC Code (2012) and is detailed in the JORC Code summary tables appended to this release.

Mr Mark P. Murphy, Technical Director of Mining and Geology of Amec Foster Wheeler of Perth, Western Australia, has prepared the Mineral Resource Estimate. Mr Murphy qualifies as a Competent Person, as defined under the JORC Code.

Geological Setting

Silver mineralisation at Mesa de Plata is hosted in a unit of sub-horizontal to gently northeast dipping volcanic strata which forms a prominent ridge.

The deposit was formed through high-sulphidation epithermal processes which preferentially altered and mineralised a favourable horizon, resulting in the mineralisation being hosted in a unit of volcanic rocks, now silicified and altered to residual quartz (vuggy silica). The contact zone between the mineralised siliceous zone and the underlying footwall andesite, which can be up to 5m wide, comprises weakly mineralised andesite which gradationally changes to a barren andesite.

Dimensions and Geometry

Mineral Resource definition drilling has confirmed that silver mineralisation within the Mesa de Plata deposit extends along the full length and width of the Mesa de Plata ridge, which in places is up to 320m wide and has a strike length approaching 1,000m (refer to Figure 3).

Silver mineralisation commences at or close to surface and the overall mineralised zone has a true vertical thickness of up to 70m (refer to Figure 4). The mineralisation extends throughout Mesa de Plata with good internal continuity of silver grades.

The High Grade Zone also commences at or close to surface, and extends over a surface area of approximately 400m × 150m, with a true vertical thickness ranging from 20m to 50m. The High Grade Zone is encapsulated within the larger Mid-Grade Zone of silver mineralisation.

Sampling Details

The initial Mineral Resource definition drilling (Phase 1) involved two RC programs and one diamond core (HQ size) drill program, totalling 61 RC holes (for 5,504.5m of sampling) and seven diamond holes (for 852.2m of sampling – refer to Figure 3 for a drill hole collar plan).

Infill drilling to upgrade the resource from JORC Code Indicated to Measured Mineral Resource classification included RC and large diameter (PQ size) diamond core drill programs, totalling 55 RC holes (for 2929.1m of sampling) and 8 PQ holes (for 506.35m of sampling) respectively. Two additional HQ diamond holes (for 93m of sampling) were included from drilling to extend the resource to the northeast. Only three HQ diamond holes have been used for the Mineral Resource estimate to avoid clustering issues in the estimation process, but core measurements from all diamond holes have been used to estimate the rock density. All PQ diamond holes are included in the estimation data set. There are 6,966 assays representing a total of 9883.7m of drill hole sampling in the Mineral Resource database provided for the Mineral Resource update.

The initial Mineral Resource definition RC drill hole spacing was on a 50m × 50m pattern covering a northwest-southeast extent of 1,000m and a width, in an east-west direction, ranging from 50m to 320m. All Phase 1 RC holes were drilled vertically to depths of up to 90m. Samples of RC cuttings were collected over 1.5m intervals and passed through a Jones riffle splitter to produce 1/4 split sub-samples with an average mass of 6kg. All samples were collected in dry ground conditions.

The Phase 2, infill RC drill hole spacing is approximately on a 25m × 50m pattern covering the central portion of the High Grade Zone. The RC holes ranged in dip from 45° to vertical and were drilled to depths ranging between 25.9m and 88.4m. All infill RC holes were surveyed for deviation with surveys taken at 10m down-hole intervals. Samples of RC cuttings were collected over 1.524m (5ft) intervals and passed through a Jones riffle splitter to produce 1/4 split sub-samples with an average mass of 6kg. All samples were collected in dry ground conditions.

In Phase 1 drilling, four HQ diamond holes twinned RC holes and one diamond hole was inserted into the 50m x 50m pattern. A further two HQ diamond holes were terminated early due to difficult drilling conditions. All HQ diamond holes were drilled vertically to depths of between 75m and 203m, and all holes were surveyed for down-hole deviation with surveys taken at 30m intervals and at the bottom of hole. Drill core was diamond saw-cut longitudinally and quarter core samples were collected for assay. Sample lengths for assay purposes were guided by changes in geology and varied from 0.15m to 1.5m.

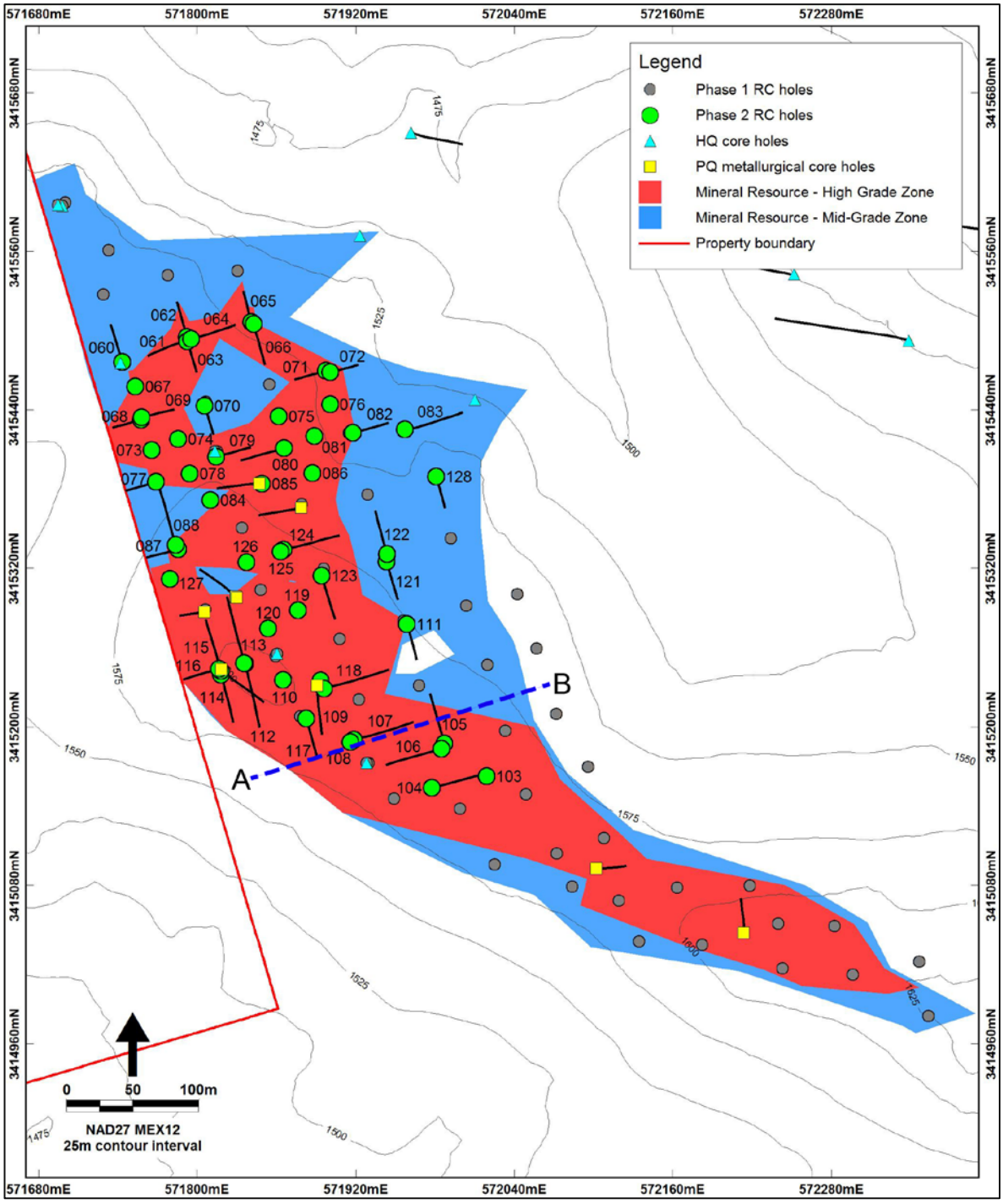
The Phase 2 PQ diamond holes were drilled throughout the High Grade Zone with varying azimuths but all with a dip angle of -60°. One PQ diamond hole was terminated early due to difficult drilling conditions. Drill core was diamond saw-cut longitudinally and “fillet” core samples were collected for assay using sample lengths consistent with the other half and quarter core sampling. The remaining PQ core was dispatched for metallurgical test work.

Sample Preparation and Assaying

Bureau Veritas Mineral Laboratories prepared all the samples from Mesa de Plata in both Phase 1 and Phase 2 drilling programs at their sample preparation facilities in Hermosillo, Sonora, Mexico. Samples were weighed, assigned a unique bar code and logged into the Acme tracking system. Samples were then dried and each sample was crushed to sub 2mm before a 250g sub-sample was collected for pulverising to sub 75 microns. The 250g sample pulps were then dispatched via courier to Bureau Veritas Mineral Laboratories in Vancouver, Canada for silver analysis.

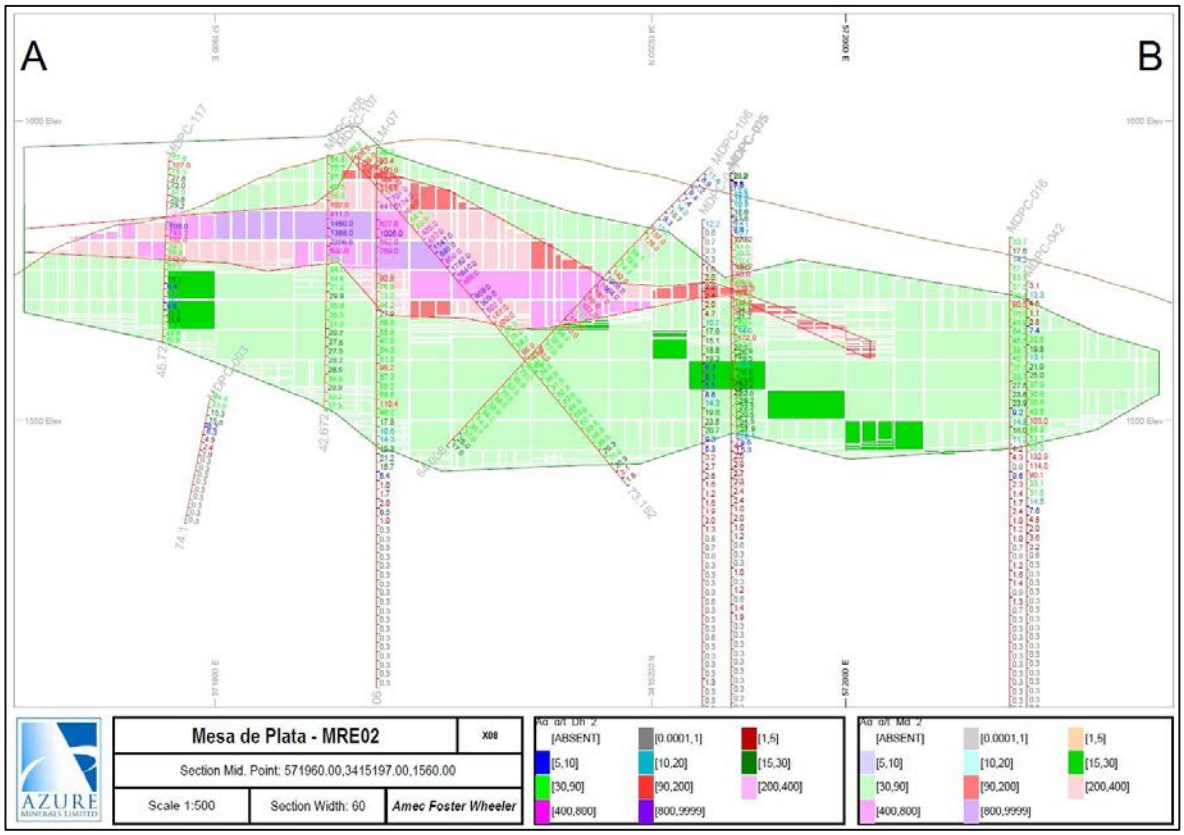
The analytical technique used for silver grade determination is a four-acid digest followed by multi-element ICP-MS analysis. This technique is considered a total digest for silver. Following the four-acid digest, the analytical method used was MA300 which is an ICP-MS method with a maximum detection limit for silver of 200g/t Ag. All ICP-MS results of >90g/t Ag were re-analysed by assay method FA530, which is a 30g charge fire assay with gravimetric finish.

Figure 3: Plan of Mineral Resource outlines, drill collars and "A-B" cross section



Note: Refer to Appendix A, JORC Table 1, Section 3, for definitions of High Grade Zone and Mid-Grade Zone of the Mineral Resource.

Figure 4: Cross Section "A-B" through Mesa de Plata Block Model



Notes: Oblique section (see Figure 3 for location) looking north-northwest with a 60m wide (-30m / +30m) view window. The red outline is the section plane intersection of the High Grade Zone wireframe and the dark green outline is the Mid-Grade Zone wireframe section plane intersection. The drill hole paths are coded by silver grade according to the 'Ag g/t Dh 2' legend, with assay values (uncapped) plotted on the right side of each drill hole path. The Mineral Resource blocks are the estimated silver grades (by ordinary block kriging) colour coded according to the 'Ag g/t Md 2' legend, which represents the capped block grade estimates. Note that the parent blocks are 12.5m wide and 5m high but are plotted with gaps to reveal the block shapes. Grid coordinates are in metres in the NAD27 MEX12 projection and datum.

Metallurgical Test Results

A composite metallurgical sample was prepared from the RC drilling cuttings, and shipped to Xstrata Process Support for preliminary mineralogical evaluation using QEMSCAN and EPMA techniques. The sample was found to be predominantly quartz (80% by mass), with alunite and various iron oxides making up a further 14% of the sample mass. Two silver-bearing species were identified, namely:

- Bromian Chlorargyrite – (BrCl)Ag – containing up to 70% of the silver metal
- Sb-Pb-Fe oxides, containing up to 30% of the silver.

Preliminary test results indicate, for a cyanide leach in plant process, silver recoveries of 62% to 76% (refer to ASX release on 17 December 2015). Heap leach processing, albeit with lower and as yet undetermined recoveries, is an option that is currently under investigation.

Density

Azure collected a total of 161 density measurements from drill core samples from eight diamond holes. The volume of each core piece was measured using a 3D scanner. The scans are extremely accurate and provide an accurate volume for the scanned material. Azure calculated density for these core samples by dividing the dry weight of the sample by the scanned volume.

Geological Estimation Domains

For the updated Mineral Resource estimation control, two estimation domains were identified, based upon grade-boundary analysis and silver grade thresholds. The volumes of the domains were modelled using conventional sectional interpretation followed by digital wireframing methods. The wireframe models were reviewed and accepted by Azure and then used to code a digital block model as follows:

- High Grade Zone – defined using a nominal >90g/t Ag grade cut-off and identified by an abrupt spike in silver grades. This is a distinct zone of high grade silver in the central and upper parts of the deposit in some areas, and presents as a narrow flat lying sheet in other areas. There are three separate High Grade Zone bodies, and each has been estimated independently using the data contained in each volume.
- Mid-Grade Zone – defined as being between a lower grade cut-off of 20g/t Ag and an upper grade cut-off of 90g/t Ag. This zone forms a halo generally surrounding the High Grade Zone. The Mid-Grade Zone has been estimated using only the data within this volume.

Sub blocks were included in the block model to closely match the estimation domain boundaries and the topographic surface.

Reporting Cut-off Grade

The 20g/t Ag Mineral Resource reporting block cut-off was selected based upon order of magnitude cost estimates from current silver mining and heap leach processing operations in northern Mexico, heap leach recovery inferred from current metallurgical tests, and assumed mining and metal pricing parameters. More details are given in the JORC Table 1 Section 3 appended to this ASX release.

Grade Caps

To reduce the spatial influence of extremely high sample grades (some of which exceed several 1,000's of g/t Ag), and based on decile analysis and probability plots, 1.5m long estimation composite grades were capped to the following maximum values prior to block grade estimation:

- High Grade Zone – 2,211g/t Ag (7 out of 697 composites capped, maximum 6,846 g/t Ag)
- Mid-Grade Zone – 116g/t Ag (26 out of 2525 composites capped)

The caps selected, that were applied to the estimation-sample composites, are the 99th percentile respective domain composite populations, both of which do not have extreme outlier values apart from the maximum value in each data set.

Criteria used for classification

The criteria used for JORC Code classification included data quality, geological understanding, data spacing, estimation methodology and validation, with data spacing being the primary consideration along with assessment of local geological continuity and complexity. Nearly all of the Mid-Grade Zone has been classified as Measured Mineral Resource because of the thickness of zone and demonstrated continuity in the infill Phase 2 drilling. One area has been classified as Indicated Mineral Resource due to the wider average drill spacing at the deposit margin in the north east.

Only the more closely sampled, thicker and less geologically complex parts of the High Grade Zone have been classified as Measured Mineral Resource. The thinner areas, and more geological complex parts of the High Grade Zone have been classified as Indicated Mineral Resource. A small near surface pod of High Grade has also been classified as Indicated Mineral Resource.

Refer to the Table 1 summaries in the appendix for full details.

Estimation and Validation Methodology

Using the estimation-domain coded block model, the capped silver grades were estimated from the capped composites (1.5m long) using ordinary block kriging into a parent block sizes of 12.5mE × 12.5mN × 5m in elevation, with sub block grades estimated using parent block assumptions. The composite search routine for each block estimate was set to search to match the trends identified in grade continuity analyses and find up to 24 composites from the nearest drill holes with a maximum of four composites from any one drill hole. As such, most block estimates reflect the kriging weighted average of up to 24 capped composites, with a minimum acceptance of eight samples for a block to be estimated. A multi-pass search strategy with an expanding search after each pass was used to ensure estimates were made for all blocks. For the final pass the minimum samples required for an estimate was reduced to four samples. The average number of samples used in the final model was 23.9 samples per estimate.

The model was validated by on-screen visual inspection and statistical comparisons of (composite) input and (block estimate) output mean grades on a global and local basis. The block model grade validation results were deemed to be acceptable by the Competent Person.

Modifying Factor Assumptions

In terms of key modifying factors, it has been assumed that the deposit could be exploited by conventional truck and shovel open pit mining with ore processed either by heap leach methods or by cyanide leach in plant processes, with the metallurgical recoveries indicated by preliminary metallurgical test results. Using these assumptions and reasonable public forecast ranges of future silver prices, a block reporting cut-off grade of 20g/t Ag was selected as a reasonable optimistic basis for reporting the Mineral Resource. Azure has further assumed that given the long history of mining in the Sonora region of Mexico that there are reasonable expectations that a mine and process operation could be developed at Mesa de Plata should (or when) future studies result in the definition of an Ore Reserve

BACKGROUND

Azure acquired the rights to the Alacrán Project in December 2014 through its fully owned Mexican subsidiary Minera Piedra Azul S.A. de C.V. Azure signed an Option/Shareholders agreement ("Agreement") with Minera Teck S.A. de C.V. ("Teck"), the Mexican subsidiary of Teck Resources Limited to acquire 100% of the property, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico. Teck Resources Limited is Canada's largest diversified resource company. Grupo Mexico is Mexico's largest and one of the world's largest copper producers.

Azure has completed US$5 million aggregate expenditure on the Alacrán Project and has delivered notice to Teck (ASX: 31 October 2016) that it has achieved this milestone ("Notice"). Pursuant to the terms of the Agreement, Azure has now earned a 100% legal and beneficial interest in the project.

Teck retains a back-in right to re-acquire a 51% interest by sole funding US$10 million of expenditure over a four year period, including a US$0.5 million cash reimbursement to Azure. Teck has 60 days from the date of the Notice in which it can elect to exercise its back-in right.

Additionally, upon reaching its 51% interest, Teck may further increase its interest to 65% by sole funding an additional US$5 million of expenditure, including a US$1.5 million cash reimbursement to Azure.

-ENDS-

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Competent Person Statements:

Information in this document that relates to the Mesa de Plata Mineral Resource is based on information compiled by Mr Mark P Murphy, who is a Registered Professional Geoscientist and Member of the Australian Institute of Geoscientists. Mr Murphy is Technical Director of Mining and Geology in Amec Foster Wheeler's Perth Office in Western Australia. Mr Murphy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Murphy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix A: JORC Table 1

This appendix contains JORC Table 1 prepared by the Competent Person to supporting Public Reporting of the Mesa de Plata MRE.

Section 1 – Sampling Techniques and Data

This section of Table 1 applies to all succeeding sections

Item	Comments
Sampling techniques	• The main sampling technique Azure Minerals Limited (Azure) has used to collect data for the Mesa de Plata Mineral Resource Estimate (MRE) is reverse circulation percussion (RC) drilling and sub-sampling of the RC chips. Azure has also used diamond core drilling (DC) to collect core samples for in-situ density estimation as a cross-check method on the RC sampling, and to collect samples for metallurgical testing. The full details of the drilling and associated sub-sampling and assayed are described in relevant sub-sections of this table further below. • The primary measures taken to ensure sample representativity has been the use of face sampling bits in RC drilling and DC drilling to cross check the RC results. Dry ground conditions have assisted the RC chip recovery. • The Competent Person for this Public Report considers that there are no other material aspects of the mineralisation that are not discussed in the following relevant sections of this JORC Table
Drilling techniques	• The MRE drill hole database used for silver grade estimation includes 116 RC drill holes (total of 8,438.6 m of sampling) and 18 DC holes (having 1,450.55 m of sampling). For the MRE work the Competent Person excluded five DC holes, which were either twin-holes to RC holes and or abandoned holes that did not test the full thickness of mineralisation. As such the estimation database includes 13 DC holes for 875.35 m of drilling and the 116 RC holes discussed previously. • The DC drill hole database, which was used as the basis for in situ density estimates, contains eight DC holes. The density measurements includes 161 volume and mass measurements of ≈ 10 cm lengths of half core. A total of 97 of the measurements are within the Mineral Resource volume with 70 in the Mid-Grade Zone and 27 in the High Grade Zone. • The RC drilling was completed using a 133 mm (5 ¼") diameter face-sampling bit with holes collared on a ≈ 25m to 50 m × 50 m square grid. The drill grid is oriented along strike (bearing ≈ 160°) and across the strike (bearing ≈ 70°) of the zone of mineralisation. All RC drilling has been completed in dry ground conditions. Drilling is both vertical and inclined along drill grid line orientations. • The core diameter for the DC holes is 63.5 mm (HQ size) for nine holes and nine 85 mm (PQ size) holes that were used to collect metallurgical samples.
Logging	• Azure's RC and DC logging is qualitative in nature with key geological features captured such as rock type, textures, key minerals, oxidation, colour and so on. • Azure has taken photographic records of all drill core. • Azure has quantitatively logged rock quality designation and core recovery in DC holes. • The total lengths of all drill holes relevant to this Public Report have been logged. • The Competent Person reporting the MRE in this Public Report considers that all drill holes relevant to the MRE have been logged geologically to a level of detail that is appropriate to support MRE work, and any future metallurgical and mining studies.

Item	Comments
Drill sample recovery	• For DC drilling, Azure has estimated core recovery as the recovered core length divided by drill run length, with core blocks in the core trays used as the records of run length. The mean DC core recovery is 88% for all core holes drilled with only ≈ 15% of core intervals having core recovery of less than 70% • Sample recovery for RC MRE drilling is logged qualitatively as being good, fair or poor. Generally the qualitative RC recovery was logged as good. • The MRE Competent Person found that Azure's designated sample preparation laboratory captures the masses of RC samples received, with the average mass received 6.5kg with a standard deviation of 2kg. The mean mass-received is consistent with expectations for a quarter-split from a 1.5m long sample from a 133mm diameter drill hole and average deposit density of 2.3t/m^3. • Sample mass received for DC samples was 1.45kg with a standard deviation of 0.85kg. • The Competent Person found that there is no correlation between silver grade and recovery in the RC or DC drilling.
Sub-sampling techniques and sample preparation	• Azure sub-sampled the RC drill hole cuttings over 1.5m intervals. The primary 1.5m lot mass is ≈ 48kg and is reduced to a ≈ 6kg sub-sample using three successive passes through a single tiered Jones riffle splitter. • As ground conditions are dry, all RC chips were split dry. • For DC holes Azure targeted a core sampling interval of 1.5m, but samples of longer or shorter length were collected as necessary to terminate the sample on geological features of interest. • Azure sub-sampled DC core by cutting the core in half (with a wet diamond saw blade) along the core axis to prepare a ½-core sample. The ½-core sub-sample was then wet cut along the core axis to prepare a ¼-core sub-sample for laboratory dispatch. The second half of core and residual ¼ core is retained in core trays and may be used for density measurements. • For the metallurgical PQ holes Azure collected a fillet sample for assay purposes for the Mineral Resource Estimate, so as to retain the bulk of the sample for metallurgical testing. The fillet sample was cut longitudinally along the core axis with a thickness of approximately 25mm. • The Competent Person considers that the methods of sub-sampling employed by Azure are consistent with good industry standards for the style of mineralisation under consideration, albeit the sub-sampling of diamond core is problematic when fine grained valuable minerals could be washed from the core by diamond drilling fluids during drilling or by water in the core cutting processes. • For sub-sampling and assay quality control monitoring Azure: o Submitted replicate DC ¼-cores anonymously to the laboratory in order to monitor the precision of this sub-sample type. o Instructed the sample preparation laboratory to collect replicate riffles splits of samples received, in order to monitor the precision of samples prior to crushing. o Instructed the laboratory to collect and assay replicates of pulp samples in order to monitor the precision of the pulp material dispatched for assay. o Submitted known grade value pulp references anonymously to the laboratory in order to monitor the accuracy of grades reported.

Item	Comments
	○ Submitted nominal barren 'blank' samples anonymously to the laboratory in order to monitor potential cross contamination between samples during sample preparation. • Azure did not complete any heterogeneity tests to estimate the theoretical sampling precision of the sub-sample sizes relative to the grain sizes of the materials being sampled at each sub-sampling stage. However the MRE Competent Person considers that sub-sample sizes collected by Azure are appropriate to support MRE work given replicate monitoring results demonstrate acceptable levels of repeat sampling precision.
Quality of assay data and laboratory tests	• Azure dispatched all field samples in batches of 60 to 70 samples to a Bureau Veritas Laboratory in Hermosillo (BVL-H), Mexico, which is accredited with an ISO 9001:2008 registered Quality Management System. • BVL-H dried, weighed and then crushed the whole sample received so that at least 70% of the particles in the lot (by mass) had a particle diameter smaller than 2 mm. BVL-H then collected a 250g sub-sample (using a riffle splitter or rotary splitter) from each sample. This sub-sample was then pulverised so that at least 85% of the particles in the lot (by mass) had a particle diameter less than 75µm. The pulp sample was then stored in a bar-coded paper packet for assay dispatch. • BVL-H dispatched the 250g pulps described above to Bureau Veritas Laboratory in Vancouver (BVL-V), Canada for final analysis. This analysis involved a four-acid digestion of an aliquot from the pulp (collected by spatula) then analysis of the re-dissolved digestion salts using inductively coupled mass spectroscopy (ICP-MS) – method MA300. The lower detection limit of the MA300 method for silver is 0.5ppm and the upper precision limit 200ppm. • Where results from MA300 analyses were found to exceed 90ppm, BVL-V collected a second aliquot from the pulp to be analysed using method FA530-Ag, which is a 30g charge fire assay method that has a 50ppm detection limit followed by gravimetric analysis of the silver in the FA prills. • The Competent Person considers that all the assay analysis methods described above can be considered to achieve total extraction of silver. • Quality control samples (as described in the previous section of this table) confirm that acceptable levels of precision and accuracy for silver grades have been demonstrated.
Verification of sampling and assaying	• For the MRE DC twin-holes, Azure found that the core silver assays were biased negatively when comparing the twin RC holes. ○ Specifically, comparison of the silver grade in DC holes to the twinned RC holes revealed on average that the DC grades were 17% lower than the RC grades over similar mineralised intervals. ○ This bias is hypothesised to be due to the washing of fine silver-bearing minerals from vuggy and/or porous core during DC drilling or core cutting. ○ More work is needed to test and confirm this DC bias phenomena. • Zones of significant silver mineralisation have been inspected and reviewed by Senior Azure Geological Staff and also by two USA-based Amec Foster Wheeler geologists , one who visited site in April 2016 during the Phase 1 drilling and the second visited site during the Phase 2 drilling – refer to the section below regarding site visits. • The MRE Competent Person also supervised hand-held XRF analyses of a selection of core specimens from the Mesa de Plata deposit and found that the cores contained

Item	Comments
	silver concentrations with the same order of magnitude as those determined from assays of the other core half or quarter samples. • Geoscientific data capture on site was via hard copy logging templates for geology, sample numbers, recovery and so on. The data were then entered on site into an industry recognised geoscientific data management system (DataShed). All digital data are stored on Azure's company servers and backed-up off-site to a cloud provider. • For MRE purposes, Azure set below detection limit values of silver grades to half detection limit, which is a routine industry practice for MRE work.
Location of data points	• Locations of all drill hole collars were initially recorded by hand-held GPS. • All MRE database drill collars were then located in three dimensions by a licensed surveyor using differential GPS equipment. The surveyor downloaded the results into MS Excel files for loading into the central database. The survey accuracy is considered better than 10cm in three dimensions. • No down hole path surveys were completed on vertical RC drill holes, as the RC hole path deviation for relatively short holes (<100 m) was assumed by Azure to be negligible. The MRE Competent Person agrees with this assumption. • DC holes and inclined RC did have down hole path surveys, which were captured at 10m to 30m down hole intervals using industry standard down hole survey tools (Reflex). The Competent Person noted that the deviations in DC and inclined RC holes were minor. • The grid system of the data and the MRE is datum NAD27 and projection UTM Zone 12N (EPSG: 26712) for easting and northing, which is also known as MEX12. • Azure engaged a reputable contractor to prepare a LiDAR based digital terrain model (DTM) of Azure's tenement holdings. The resulting DTM has, in theory, centimetre-scale precision in three dimensions. The Competent Person found that the MRE drill hole collar surveys agreed with the DTM model and the DTM was used to model the topography over the MRE area. • The MRE Competent Person made no adjustments to the survey database provided, as the level of survey precision is considered more than acceptable to support estimation of Indicated and Measured Mineral Resources.
Data spacing and distribution	• The MRE drill holes were collared on a 25 m to 50m × 50m square grid, with the grid oriented approximately along and across strike of the zone of mineralisation – refer to the collar map in the main body of this Public Report. • Vertical sample intervals are nearly all 1.5m long, with shorter samples collected in the DC drill holes. In Phase 2 drilling 10ft rods were used, resulting in 5ft samples which are close to 1.5m in length. • The Competent Person reporting the MRE considers that data spacing for the MRE drill hole data set is sufficient to establish the degree of geological and grade continuity for MRE work. • Sample compositing to 1.5m has been applied to the MRE dataset within estimation domains to ensure constant sample support for the few cases of shorter sample intervals found in the DC hole.
Orientation of data in relation to	• The general trend of the geology and mineralisation is flat-lying and, as such, vertical drill holes give robust estimates of the true mineralised thicknesses.

Item	Comments
geological structure	• The Competent Person considers that there is low likelihood of a sampling biases occurring due the relationship between sampling orientation and geological structure for the style of deposit under consideration.
Sample security	• At the drill sites, Azure's sampling teams collected RC riffle split samples into labelled calico sample bags, with the ticket-book method used to track samples and ensure the calico-bag samples were correctly labelled. • The team then placed the RC sub-samples into larger polywoven plastic bags and these bags were tied with a numbered tamper-proof seal which were then used to track sample dispatches. • The polywoven bags were then transported by Azure's sampling teams to an interim storage facility (core yard) in the nearby town of Cananea, where BVL-H personnel regularly collected the samples for transport to BVL-H in Hermosillo. • DC cores were collected into plastic sample trays, which were labelled for drill hole name and intervals, then secured with a core tray lid and ties before transport to the Cananea core-yard for cutting and sample dispatch. Once cut, cores underwent the same sample transport and security protocols as the RC samples. • BVL-H and Azure cross checked sample dispatch information to ensure all samples were received as expected (according to dispatch sheets) before assay preparation commenced. • Core is stored at Cananea in a fenced and secured core yard. Crusher reject and pulp reject samples are stored in the core yard facility in a well organised manner on under-cover shelving and racks. • The Competent Person considers that Azure implemented robust security controls to ensure that samples were tracked, and not lost either accidentally or deliberately. • BVL-H has a robust sample management system based on bar coding, LIMS and other controls expected for an ISO certified laboratory. Pulp sample from BVL-H to BVL-V were transported by a reputable commercial courier.
Audits and reviews	• Azure's senior geological staff regularly visited site during drilling programs to ensure correct sampling protocols were followed. • A USA-based Amec Foster Wheeler geologist visited site during the Phase 1 drilling April 2016 to independently review the site geology, geomorphology, sampling protocols and data systems in order to provide the MRE Competent Person with an independent review of the key aspects of sampling and data. A second visit was completed in August 2016 during the Phase 2 drilling by a second Amec Foster Wheeler geologist. The key findings of these reviews are that sampling and geological control was in good order. • For the MRE report, the Competent Person completed a number of reviews as part of the MRE process, including conversations and Q&A with Azure's senior geological staff in Perth, email communications with Azure's site personnel, review of quality data and original data records. Teck Resources Limited ("Teck"), Azure's JV partner, has also reviewed the Competent Person's findings regarding sampling and data.

Section 2 – Reporting Exploration Results

Item	Comments
Mineral tenement and land tenure status	• The MRE for Mesa de Plata deposit is located wholly within the mining concessions of Kino 10 (Title No. 166317) and Kino 15 (Title No. 166365). These tenements are included in a parcel of 22 tenements making up the 'Alacrán' project, with all tenements 100% owned by a Mexican entity named Minera Teck SA de CV, which is a subsidiary of Teck. • On 15 December 2014, Azure entered into an agreement with Teck whereby: o Azure agreed to acquire 100% ownership of the Alacrán concessions by spending USD 5 million on exploration over four years. o Azure has completed the USD 5 million aggregate expenditure on the Alacrán Project and delivered notice to Teck on 31st October 2016 that it has achieved this milestone ("Notice"). Pursuant to the terms of the agreement, Azure has now earned a 100% legal and beneficial interest in the project, and Teck has initiated the transfer process. o Teck retains a back-in right to re-acquire a 51% interest by sole funding USD 10 million of expenditure over a four year period, including a USD 0.5 million cash reimbursement to Azure. Teck has 60 days from the date of the Notice in which it can elect to exercise its back-in right. o Additionally, upon achieving the 51% interest, Teck may further increase its interest to 65% by sole funding a further USD 5 million of expenditure within another two years, including a USD 1.5 million cash reimbursement to Azure. • A 2% Net Smelter Royalty (for all minerals) is held by a prior tenement holder named Grupo Mexico. • At the time of the preparation of this Table 1, Azure provided the MRE Competent Person, written confirmation that, as at 22 Nov 2016, all obligations in relation to statutory reporting requirements and statutory payments have been met and are current for Kino 10 and Kino 15. • As such, the MRE Competent Person considers that the tenement is in good standing and no known impediments exist to obtaining a licence to operate on Kino 10 and Kino 15 , or to develop and progress to the grant of mining approvals should an Ore Reserve be defined in the future.
Exploration done by other parties	• The Alacrán project area has a history of industrial-scale commercial mining and small-scale artisanal mining dating back to the early 20th century. However activity ceased during the Mexican Revolution, which spanned the decade from 1910 to 1920, and did not recommence. • Several companies carried out exploration over the Alacrán property between the 1930's and 2013 (Anaconda 1930s-1960s, Consejo de Recursos Minerales [Mexican Geological Survey] 1960s-1970s, Grupo Mexico 1970s-1990s, Teck 2010s). In every case, exploration was focused on copper with little exploration undertaken for silver. No work was carried out over the Mesa de Plata deposit. In 2013, Minera Teck S.A. de C.V., a Mexican subsidiary of Teck Resources Limited acquired the property and undertook preliminary surface exploration. • In 2014, Azure acquired the rights to the project under the terms and conditions described in the previous section of this summary table.
Geology	• Mesa de Plata is located in the north of Sonora State in northern Mexico, ≈ 50km south of USA border. The region is within the western Mexican Basin and Range

Item	Comments
	tectonic zone, which is characterised by northwest trending mountain ranges consisting of Paleozoic to Mesozoic meta-sedimentary rocks, which are overlain by Mesozoic to Cenozioic volcanic rocks. North-trending, elongate plutons of Laramide-age intrude the volcanic rocks. The valleys between mountain ranges are filled with Tertiary conglomerates, volcanics, and Quaternary gravels. • The giant Cananea porphyry copper style deposit (7Bt grading 0.4% Cu) is 15km to the northwest of the Alacrán project area. • Mesa de Plata is hosted by the Cretaceous-age Mesa Formation, which consists of an upper dacite member that extends from Cananea to the Sonora River in northern Mexico. Below the base of the Mesa Formation dacite is a crystal tuff unit up to 100m thick, which is interpreted as the outfall from a caldera that was active around 66 Ma ago. • On a local scale the silver mineralisation at Mesa de Plata is hosted by a zone of intense, but variable, silicification that has formed within the tuff unit below the Mesa Formation dacite. The silicified zone which hosts the silver mineralisation varies in texture from massive silica to vuggy silica, and is underlain by a basal unit of andesite. Overall, the local stratigraphy is sub-horizontal to gently north to north easterly dipping. • The siliceous alteration zone has been resistant to weathering and the geomorphology of the deposit presents as a distinct mesa with 10 to 15m high cliff faces along the edges of the mesa. • QEMSCAN analyses on composites of chip samples and on one polished section have identified that the silver in the Mesa de Plata mineralisation is present as several minerals, with bromian chlorargyrite – Ag (Br,Cl) and Sb-Pb-Fe oxides containing the bulk of the silver metal. • Based on alteration mineralogy, Mesa de Plata fits the characteristics of a high-sulphidation ('HS') epithermal style deposit. Vuggy quartz, a common quartz texture in high sulphidation systems is observed and inferred to be the product of alteration by low-pH hydrothermal fluids, whereby only quartz remains immobile. Pervasive quartz-alunite alteration is also a characteristic alteration assemblage in these systems and the presence of alunite has been confirmed by the QEMSCAN analyses. The inferred source for low-pH hydrothermal fluids in high-sulphidation epithermal systems is from the condensation of magmatic volatiles to produce low-pH hydrothermal fluids at relatively shallow levels. Zones of relatively high permeability resulting from the acidic alteration event may become sites for subsequent fluid flow and deposition of mineralisation. • The high grade silver mineralisation is weakly correlated with elevated lead and antimony concentrations in the order of 0.2 to 0.5 wt%.
Drill hole information	• The drill hole information supporting the MRE reported in this Public Report is not listed. Investors should refer to previous Public Reports by Azure for examples of significant intercept results relating to the MRE.
Data aggregation methods	• No data aggregation criteria are relevant for the drill holes included in the MRE. • No metal equivalent values are reported for the MRE or exploration results.
Relationships between mineralisation widths and	• The Competent Person has found no relationships between the thickness of mineralisation in Mesa de Plata and the intercept lengths. Both thick and thin zones can contain very high silver grades, albeit the high grades are generally found within the thicker High Grade Zone domain of the deposit.

Item	Comments
intercept lengths	
Diagrams	• The body of this Public Report includes a plan of the drill holes used for the MRE. The report body also includes an example cross section of the deposit MRE model.
Balanced Reporting	• The MRE includes all available drilling information and as such the MRE Competent Person considers the report is balanced in this respect.
Other substantive exploration data	• Azure have completed preliminary metallurgical tests to demonstrate the metallurgical amenability and potential recovery methods of Mesa de Plata silver mineralisation. More detail is given further below relating to assumptions for metallurgical modifying factors for the MRE.
Further work	• The MRE Competent Person has made no recommendations regarding exploration and further work.

Section 3 – Estimation and Reporting of Mineral Resources

Item	Comments
Database Integrity	• Azure's geological teams logged the drill hole information onto paper templates, with the geological data and sample number data subsequently entered into the central digital database on site. Refer to the previous relevant section regarding the logging information captured. • The assay results from the laboratory were then merged with the previously entered information using a unique sample number as the matching key. The database import routines captured all the important metadata, such as assay method, detection limit, date of assay and so on, into the database tables. • The MRE Competent Person carried out a check of the assay data in the database provided by comparing the database results to the results in the original laboratory files, and found perfect correspondence for silver assays between the database provided for the MRE work and the original laboratory data files. • During the Phase 1 site visit (see below), Amec Foster Wheeler's geologist reviewed the data entry system and database interface and found the processes used to be in good order. Collar locations of 12 of the MRE RC collars and DC hole MDPD-005 were also checked during the site visit, with a hand-held GPS and all were found to be within a few metres of the database coordinates. During the Phase 2 site visit, 10 collars were check and found to agree with the database records within acceptable limits of accuracy. • The MRE Competent Person is satisfied that the database accuracy is acceptable for MRE estimation purposes.
Site visits	• The MRE Competent Person did not visit site in order to expedite the MRE work to meet Azure's project schedule. • However, to verify and accept Azure's field work records, the Competent Person arranged for a USA-based Amec Foster Wheeler geologist to carry out a site visit to independently review the site geology and geomorphology, as well as prepare a report detailing the sampling and dispatch protocols, data capture and data entry methods, survey control methods and sample storage protocols. The outcome of this site visit was that the independent geological reviewer found that Azure's processes and procedures relating to geoscientific data collection, were consistent with good industry practices.

Item	Comments
	• A site visit by a second a USA-based Amec Foster Wheeler geologist was completed August 2016. The findings of this visit confirmed the findings and procedures observed in the first visit were of a good industry standard.
Geological interpretation	• The geological controls on the mineralisation are not fully understood, other than that the mineralisation is almost entirely hosted by a tuffaceous unit altered during the HS epithermal event to massive and vuggy silica. The exception is a narrow zone (<5m) of low grade mineralisation hosted in the uppermost part of the underlying andesite footwall. One of the major controls on vuggy quartz development in HS epithermal systems is primary lithology. The volcanic facies within the Mesa de Plata tuffaceous unit are not well enough understood to determine whether there is a strong facies control on silver distribution. • An important feature of the deposit is extreme non-stationarity (rapid grade changes) of silver grades in that there are clearly zones of steps in silver grade resulting in a zoned 'onion-skin' distribution of silver grades, with significant changes in silver grades over short distances at thresholds of ≈ 5g/t Ag, ≈ 20g/t Ag and ≈ 90g/t Ag. • In particular: o The lower 5g/t Ag threshold marks the approximate onset of mineralisation at depth in the contact zone between the basal andesite and the siliceous mineralised zone. It also demarcates a zone of waste near surface on the northern flanks of the mesa. o The 20g/t Ag threshold is consistent with the reporting cut-off grade discussed further below. o The 90g/t Ag outlines High Grade Zones, which are mostly flat-lying to gently north and east dipping. o Below the 5g/t Ag threshold the material is considered waste. • The MRE Competent Person interpreted closed digital volumes using conventional sectional interpretation and wireframing methods, for the three thresholds described above, nesting the higher grade zones inside the lower grade zones. • A key assumption of this modelling approach is approximate horizontal connectivity of high and medium grade zones between drill holes. The MRE Competent Person has high confidence in the connectivity of the medium grade domain throughout the deposit. For the high grade zone the connectivity confidence is good in some areas of the deposit and more tenuous in thinner areas. In the thicker parts of the High Grade Zone, recent angled drilling confirmed the geological continuity in these areas. • Grade continuity analyses (variography) indicate that the infill drilling has confirmed the ranges of continuity for the High Grade and Mid-Grade zones, with ranges of silver grade continuity approaching 50m to 100m in the horizontal plane. • The effect of not having a domain encapsulating extreme silver grades would be that the extreme silver grades (one in the current data 6,967g/t Ag) would potentially be spread over larger volumes, giving an estimate with an over-smoothed view of the grade tonnage distribution of the deposit. • The main factors affecting grade and continuity appear to be some form of small-scale horizontal geological control, possibly related to fluid pathways and vuggier silicification due to variations in the primary volcanic facies. However the MRE Competent Person has found that silver grade distribution is the best guide to silver grade connectivity.

Item	Comments
Dimensions	• The MRE dimensions are: o ≈ 1,000m along strike (approximately north west trend). o ≈ 50m to 320m wide with the narrower widths in the south-eastern tail of the deposit and in the extreme north. o ≈ 30m to 50m thick in terms of the Mid-Grade Zone encapsulating the High Grade Zone o ≈ 3m to 30m thick in terms of the High Grade Zone. • The mineralisation is shallow extending from surface in places to depths of >50m. Some zones are covered by up to 20m of low grade (5g/t Ag to 20g/t Ag) or waste (<5g/t Ag) material. • The silver mineralisation is closed-off at depth by drilling and thins to the north and south. • The mineralisation is open to the east and west in the northern half of the MRE area, and more drilling is required to close-off (or extend) these artificial limits. • Importantly, high and medium grade mineralisation abuts the tenement boundary to the west over a distance of 485m.
Estimation and modelling techniques	• The MRE Competent Person prepared a digital block model and estimated block grades for silver using the ordinary block kriging algorithms implemented in Datamine Studio RM geoscientific software (Version 1.1.20.0). • Grades have been estimated into blocks of target dimensions of 12.5mE × 12.5mN in the horizontal (approximately ¼ of the collar spacing) and 5m in the vertical (the anticipated mining bench height). Estimation boundaries have been treated as hard boundaries during the estimation. • Smaller sub-blocks were prepared to match the estimation contacts and volume with sub block dimensions set to 2.5m in the horizontal and 0.1m in the vertical. • Sample search controls were set to select four 1.5m long composites from the nearest four drill holes for each block estimate (24 composites in total), using a horizontally oriented ellipsoidal search. • The silver grades in each estimation domain (High-Grade and Mid-grade) were capped to limit the influence of extreme values. The caps applied are at the 99th percentile of the respective estimation domain silver grade distributions. • The updated estimate has been compared to the previous estimate, with the main finding that the tonnage of the High Grade Zone has decreased by ≈ 25% but the silver grade has increased by ≈ 25% so the contained metal is about the same. • A check estimate run with uncapped grades revealed that there was only a minor increase in grade using uncapped grades and, as such, the geological modelling and capping approach has suitably controlled the influence of extreme values. • At this time, no by-products or potentially deleterious elements related to the anticipated metallurgical processing methods that could be applied to the deposit under consideration have been confirmed. Further metallurgical test work is required to determine whether the presence of elevated levels of antimony and lead may be a factor to consider. • As only one variable (silver) was estimated for Public Reporting, consideration of any correlations between variables is unnecessary. • The MRE Competent Person validated the block grade estimates by:

Item	Comments
	○ Completing on-screen inspections of the MRE model in section and plan to visually compare the model inputs (drill hole composite silver grades) to model outputs (block silver grades) – all results were found to be as expected. ○ Comparing the mean grades of the input and output silver grades for each estimation domain – the mean comparisons of the outputs were found to be within ± 3% relative to the inputs. ○ Comparing input and output means on moving window trend plots (swath plots) – the input data trends were reproduced in the model blocks. • The MRE Competent Person found the MRE validation results acceptable for the level of JORC Code classification being applied and for style of mineralisation under consideration.
Moisture	• Moisture has not been estimated. • Estimates reported are for dry tonnage.
Cut-off Parameters	• The MRE Competent Person's methodology used to select the reporting cut-off for the MRE is as follows: ○ The deposit under consideration is relatively shallow with grade declining with depth and as such, a pit optimisation limit of the MRE is not necessary – this is the purpose of an Ore Reserve study. ○ All potentially economically viable Mineral Resources should be included in the reported MRE so as to be included in an Ore Reserve study. ○ The cost of heap leach processing should be considered as the control on break-even grade, with heap leach silver producers in Mexico reporting cash costs (inclusive of process costs) in the range 6 USD/t to 12 USD/t. ○ Preliminary metallurgical tests indicate silver recoveries in the range 55% to 65% of in-situ silver grade, and that the mineralisation should be amenable to heap leach processing. ○ Public forecasts of silver price range from 17 USD/tr.oz to 19 USD/tr.oz ○ Combining the assumptions above the Competent Person found that a ≥20g/t Ag block cut-off grade for MRE reporting was consistent with the assumptions of potential future: ▪ Silver metal prices of 18 USD/tr.oz. ▪ Dump leach costs of ≈7.5 USD/t, and ▪ Metallurgical recoveries of 55%.
Mining factors and assumptions	• Given the style of the deposit under consideration, the MRE Competent Person has assumed that mining of Mesa de Plata would be by conventional truck and backhoe shovel, with drill and blast over 5m high benches and possible flitch mining of half the blast height. • The MRE Competent Person has assumed the sub-block MRE model will be regularised to a 12.5mE × 12.5mN by 5m in elevation block in order to model the estimation domain boundary dilution effects that will occur during mining. The current Mineral Resource model incorporates allowances for internal dilution, but not contact dilution. • The MRE abuts a tenement boundary, but the Competent Person considers that Azure has reasonable expectations that this boundary will not limit exploitation of the MRE assuming ground access could be negotiated or, if not, a mining/geotechnical study needs to be completed to assess the effect of this

Item	Comments
	boundary on expectations for mining. These are Ore Reserve estimation consideration.
Metallurgical factors or assumptions	• Azure has completed preliminary laboratory scale metallurgical tests on composite samples of RC chips. Results indicate metallurgical recovery in the order of 65% for high grade material, and 55% for lower grade material for dump heap leach and possibly 62% to 76% for cyanide leach methods. • The assumption of a 55% metallurgical recovery has been applied in assessing a reasonable break-even cut-off grade for MRE reporting on the basis of a dump leach process method.
Environmental factors or assumptions	• The determination of potential environmental impacts is at an early stage and Azure is yet to carry out a detailed environmental assessment. However given the region has a long history of mining, the MRE Competent Person accepts Azure's assurances that there are reasonable expectations that approvals for a mine development would be given if Azure follows all statutory processes regarding permitting.
Bulk Density	• Azure has measured the density of 161 ≈ 10cm long DC ½ and ¼ core specimens using a laser scanning method to determine the core volume and then weighing the dry core to determine the specimen mass. From these two measures the in situ density can be calculated as mass on volume. The scanning method accounts for possible voids in the specimen volume. • For MRE work there are 70 results available within the Mid-Grade Zone and 27 results available in the High Grade Zone. • The MRE Competent Person found that the mean density for the low grade domain average 2.34 t/m^3 and the mean for the high grade domain was 2.50 t/m^3. The density mean values are estimated following capping the lower and upper 2.5% of results, effectively giving the 90% confidence interval density estimate. • Both density estimates have increased marginally since the previous MRE.
Classification	• The MRE Competent Person has classified the entire MRE as Measured and Indicated Mineral Resources based on: o Assessment of the data quality – in that the base data has quantified an acceptable levels of precision accuracy and lack of cross-contamination. o Geological control, complexity and continuity – there is confident geological control, low silver nugget effects and while ranges of silver continuity in variography are currently only partially confirmed the results support the JORC Code requirement that continuity can be reasonable assumed between data points for Indicated Mineral Resources. o Data spacing and extrapolation – no part of the reported MRE is considered to be excessively extrapolated within the Mid-Grade Zone wireframe, which bounds the High Grade Zone extended ≈ 25m at most from the end of each drill fence. o Quality of estimation and validation of block model estimation results – all validations confirmed good correspondence of inputs and outputs. o Reasonable (no overly optimistic) assumptions as to eventual potential economic extraction for a 20g/t Ag block cut-off grade – refer to the cut-off grade discussion above. o The maximum extrapolation of grades away from data is in the order of 25 m to 50 m and as such, the Competent Person considers that no Inferred Resources occur within the estimate.

Item	Comments
	• The MRE Competent Person considers all relevant factors have been considered and the estimate reflects the MRE Competent Person's view regarding controls and confidence in the MRE.
Audits and reviews	• The MRE that is the subject of the Public Report has been reviewed internally by Amec Foster Wheeler's independent reviewer and by Azure's senior geological staff.
Discussion of relative confidence	• No specific geostatistical studies have been completed to estimate the local accuracy or degree of grade smoothing in the MRE. • No production data is available to reconcile the MRE. • The Competent Person considers the MRE has good global accuracy and a level of local accuracy that is sufficient to support mine planning studies aimed at preparing Proved and/or Probable Ore Reserve Estimates. • Infill drilling, further metallurgical testing, collection of additional density data, and an update the MRE will be required to support estimation of Proved Ore Reserves.