

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 31 DECEMBER 2017

Sara Alicia Gold-Cobalt Project

- Maiden drilling program completed with 6 holes drilled for 480m
- Spectacular high-grade gold and cobalt intersected, including:
 - DSA-03: 26.2m @ 9.5g/t Au including 12.6m @ 16.8g/t Au, and 1.26% Co including 6.35m @ 3.57% Co from 0.60m depth
- Numerous individual drill samples returned high-grade assays including:
 - Gold: 66.2g/t, 33.9g/t, 30.5g/t, 28.1g/t & 25.7g/t
 - Cobalt: 6.62%, 4.24%, 4.04% & 3.06%
- Further exploration of high-grade gold-cobalt zone is continuing

Oposura Zinc-Lead Project

- Resource drill-out in progress with a maiden mineral resource aimed for April, development studies are continuing
- Early diamond drill results intersected extensive near-surface, high-grade zinc and lead mineralisation, including:
 - OPDH-004 6.9m @ 13.2% Zn+Pb from 42.2m
 - OPDH-008 16.6m @ 22.2% Zn+Pb from 21.2m
 - OPDH-012 5.4m @ 16.6% Zn+Pb from 2.6m
 - OPDH-015 6.4m @ 22.2% Zn+Pb from 1.5m
 - OPDH-036 2.0m @ 42.6% Zn+Pb from 37.5m
- Positive preliminary metallurgical test results with zinc recoveries exceeding 70% (at concentrate grades >55% Zn) and lead recoveries exceeding 80% (at concentrate grades >55% Pb & >300g/t Ag).

Alacrán Silver-Gold-Copper Project

- Exploration by earning-in partner Teck Resources is continuing
- Teck completed 11 drill holes for 4,905m, with epithermal precious metal and porphyry copper targets tested at Loma Bonita-Cerro San Simon Corridor and Cerro Colorado
- Assay results from drilling program expected to be received and reported in February

Corporate

- Annual General Meeting was held on 20th November 2017 with all resolutions passed
- The consolidation of Company's securities was completed, reducing the current shares on issue from 1,672,653,595 to 83,623,680
- Cash balance at end of the December quarter is \$3.5 million

SARA ALICIA GOLD-COBALT PROJECT

(AZS 100% ownership)

Azure's maiden drilling program at Sara Alicia was completed in November 2017, with 6 holes drilled for 480m. Assay results from this program delivered wide zones of near-surface, high-grade gold and cobalt mineralisation, with the mineralised zone remaining open in all directions.

The longest intersection and highest gold and cobalt grades were returned from hole DSA-03:

- **26.2m @ 9.5g/t Au and 1.26% Co from 0.60m depth, including
12.6m @ 16.8g/t Au and 6.35m @ 3.57% Co**

The many significant gold and cobalt intersections returned from this drilling are detailed below:

TABLE 1: Significant gold intersections from Sara Alicia

HOLE No	DEPTH (m)		INTERSECTION LENGTH (m)	GRADE
	FROM	TO		Au (g/t)
DSA-01	32.40	43.80	11.40	3.26
Including	35.55	37.90	2.35	10.55
DSA-02	44.20	49.70	5.50	5.09
Including	45.15	48.00	2.85	7.59
DSA-03	0.60	26.80	26.20	9.50
Including	13.20	25.80	12.60	16.80
DSA-04	14.85	34.50	19.65	4.95
Including	28.35	32.15	3.80	15.40
DSA-05	12.00	17.05	5.05	1.40
And	25.15	33.60	8.45	1.24
DSA-06	12.20	25.90	13.70	3.57
including	13.80	16.80	3.00	6.38
Mineralised drill intersections reported to ASX on 27 November & 7 December 2017.				
Reported mineralised intersections are based on intersections using a lower grade cut-off of 0.5g/t Au for the overall mineralised zones and 5.0g/t Au for the included high grade mineralised zones.				

TABLE 2: Significant cobalt intersections from Sara Alicia

HOLE No	DEPTH (m)		INTERSECTION LENGTH (m)	GRADE	
	FROM	TO		Co (ppm)	Co (%)
DSA-01	32.40	43.80	11.40	683	0.068
including	32.40	37.90	5.50	1,258	0.126
DSA-02	45.15	48.00	2.85	589	0.059
including	46.00	47.00	1.00	1,389	0.139
DSA-03	0.60	26.80	26.20	12,610	1.26
including	0.6	3.1	2.5	14,429	1.44
and	15.50	21.85	6.35	35,744	3.57
DSA-04	20.00	34.50	14.50	887	0.089
including	20.00	24.70	4.70	1,137	0.114
DSA-05*	0.70	17.05	16.35	743	0.074
including*	8.95	14.30	5.35	1,612	0.162
<i>*The DSA-05 intersection includes a 2.75m wide mining void from 9.25m depth which is included in the intersection calculation at zero grade</i>					
DSA-06	3.9	24.5	20.6	1,319	0.132
including	8	9.9	1.9	11,169	1.117
Mineralised drill intersections reported to ASX on 27 November & 7 December 2017.					
Reported mineralised intersections in holes DSA-01, 02, 04, 05 & 06 are based on intersections using a lower grade cut-off of 100ppm (0.01%) Co for the overall mineralised zones and 1,000ppm (0.1%) Co for the included high grade mineralised zones.					
Reported mineralised intersections in hole DSA-03 are based on intersections using a lower grade cut-off of 1,000ppm (0.1%) Co for the overall mineralised zone and included high grade zone, and 10,000ppm (1.0%) Co for the included ultra-high grade mineralised zone.					

The Sara Alicia gold-cobalt mineralised zone contains abundant magnetite, causing a strong and identifiable magnetic signature to the body, and the Company has now completed a ground magnetic survey covering the project area.

Additionally, the presence of significant quantities of disseminated sulphides within the mineralised zone suggests that Induced Polarisation (IP) may present a valuable exploration technique and the Company is planning to undertake an IP survey in the March quarter.

These physical properties of the Sara Alicia mineralisation provide Azure with the opportunity to explore for extensions of the mineralised body by utilising geophysical techniques. The magnetic and IP data is expected to provide valuable assistance with planning of future drilling to further assess the high-grade gold and cobalt zone and to identify additional zones of mineralisation.

Bulk samples of mineralised drill core have been despatched to laboratories in Canada for preliminary mineralogical studies and metallurgical testwork. Results are expected to be delivered in the March quarter.

OPOSURA ZINC-LEAD PROJECT

(AZS 100% ownership)

The Company began its first drilling program at its flagship Oposura Project in the December quarter with the aim of completing a Mineral Resource estimate by April 2018.

The resource drill-out program covers an area of known mineralisation identified by historical exploration. Based upon this historical data, the Company announced an Exploration Target for Oposura of:

2.5 - 3.0 million tonnes grading 10.0% - 12.0% Zn+Pb*

**This Exploration Target (refer ASX announcement of 18 September 2017) is conceptual in nature, but is based on reasonable grounds and assumptions. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

By the conclusion of 2017, Azure had completed 72 diamond drill holes for 4,424m of the planned 7,000m program. To date, assays have been received for 36 holes and have confirmed the presence of extensive zones of near-surface, high-grade zinc and lead mineralisation (refer ASX announcements dated 13 December 2017 & 16 January 2018 for full intersection details, plans and sections). Some of the better drill intersections include:

- **OPDH-004 6.9m @ 13.2% Zn+Pb from 42.2m**
- **OPDH-008 16.6m @ 22.2% Zn+Pb from 21.2m**
- **OPDH-012 5.4m @ 16.6% Zn+Pb from 2.6m**
- **OPDH-015 6.4m @ 22.2% Zn+Pb from 1.5m**
- **OPDH-036 2.0m @ 42.6% Zn+Pb from 37.5m**

Importantly, most of the holes along the eastern part of the deposit have intersected fresh, unoxidized, massive sulphides within 10m of surface. This is consistent with sampling of near surface mineralisation in the historical underground workings and augurs well for an initial open pit mining operation in this area.

Historically, more than 100 diamond core holes were drilled by previous explorers at Oposura, with the majority intersecting significant zinc and lead mineralisation. Azure's resource drill-out coincides with the previously drilled mineralised zone, and many of the Company's holes are either "twinning" or are being drilled close to historical holes. To date, Azure has observed that its drill holes closely replicate the sulphide intersections achieved in the historical holes, which provides confidence that a substantial resource will be confirmed.

Azure is aiming to conclude the resource drill-out in February 2018 and to complete the Company's maiden mineral resource estimate by April 2018. Once the current resource drill-out program is complete, drilling will continue to expand the area of currently defined mineralisation and, ultimately, the resource, and to explore for repetitions and extensions of the mineralised zones elsewhere within the property.

Metallurgical testwork

Positive results from preliminary metallurgical testwork highlighted excellent recoveries of commercial-grade concentrates (refer ASX announcement dated 20 November 2017).

Flotation tests demonstrated consistent zinc recoveries exceeding 70% producing zinc concentrates grading 55% Zn, and lead recoveries exceeding 80% with lead-silver concentrates grading in excess of 55% Pb and >300g/t Ag.

Furthermore, and of great importance, Dense Media Separation (DMS) testwork demonstrated excellent potential by increasing run-of-mine grade by 174% prior to milling and flotation.

Dense media separation (DMS) is a low-cost beneficiation technology that is widely used in the mining and mineral processing industry. It utilises differences in density between liberated particles of mineralisation and waste by rejecting low density waste and concentrating high density mineralisation.

At Oposura, the overall mineralised horizon comprises high-grade massive and banded sulphides intermixed with zones of low grade to barren limestone and volcanic tuff (host rock). Specific gravity (SG) measurements confirmed a significant difference in densities between the mineralisation (SG averaging 3.5) and waste rock (SG averaging 2.7).

On the basis of this bimodal distribution of mineralisation (more dense) and waste rock (less dense), DMS processing was considered to be a viable option for the pre-concentration of run-of-mine ore ahead of downstream processing by flotation.

The DMS product graded 19.7% zinc, 16.2% lead, 0.4% copper and 119g/t silver, representing a 174% upgrade in Zn+Pb grade (from 13.1% Zn+Pb to 35.9% Zn+Pb).

Table 3: DMS Testwork Summary

SAMPLE	Mass (%)	GRADE			
		Zn (%)	Pb (%)	Cu (%)	Ag (g/t)
Composite Feed	100	7.2	5.9	0.2	43.9
Fines	12.4	8.2	7.6	0.2	50.1
DMS Feed	87.6	7.1	5.6	0.2	43.1
DMS Product	23.1	25.9	20.8	0.5	156.1
FINAL DMS PRODUCT (MILL FEED) GRADE					
DMS Product + Fines	35.5	19.7	16.2	0.4	119.0
METAL RECOVERY					
Contained Metal Recovery		96.6	97.4	83.3	96.0

These results demonstrate that the Oposura composite sample was amenable to DMS pre-concentration. The feed grade to a milling and flotation circuit could be considerably enhanced compared to a run-of mine feed grade with minimal loss of contained metal. This has positive implications for metallurgical recovery, concentrate grade, and capital and operating costs.

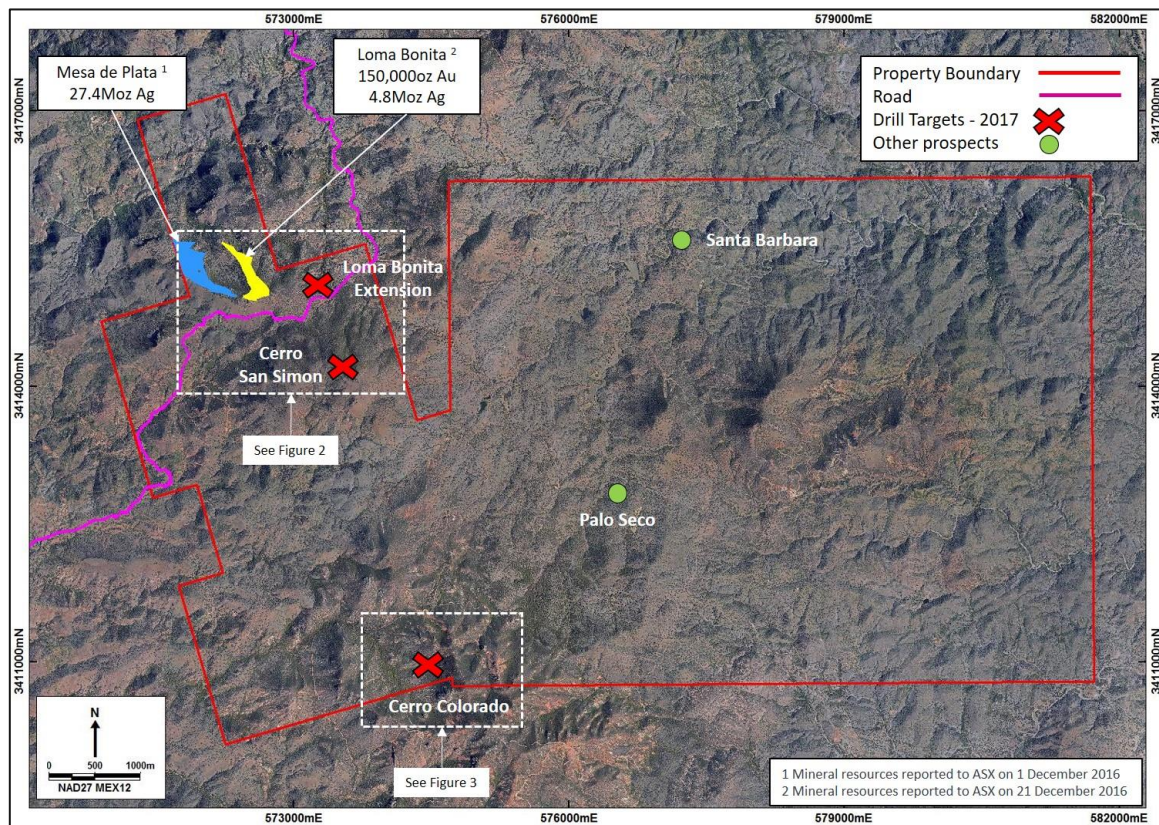
ALACRÁN SILVER-GOLD-COPPER PROJECT

(AZS 100% ownership, Teck Resources earning 51%)

Project operator Minera Teck S.A. de C.V. (“Teck”), a 100% owned subsidiary of Canada’s largest diversified resource company, Teck Resources Limited, has completed its first drilling campaign on the Alacrán project (refer ASX announcement dated 4th January 2018).

During the year following the December 2016 decision to exercise its right to earn back an ownership interest in the Alacrán project, Teck carried out exploration comprising geological mapping, surface geochemical sampling and geophysical surveys, with most activities focused in the western half of the property. This work confirmed two high priority targets (see Figure 1) which were tested by diamond drilling, with three rigs completing 11 holes totalling 4,905m.

Figure 1: Drill targets for Teck’s 2017 work program



The southern extension of the Loma Bonita epithermal silver-gold deposit towards Cerro San Simon (see Figure 2) was one area considered high priority. This 1km long corridor was initially identified by Azure’s 2015-2016 exploration programs, and then refined by Teck’s exploration to define specific targets considered prospective for additional epithermal mineralisation.

The second area targeted was Cerro Colorado (see Figure 3) where an IP survey completed by Teck identified strong geophysical anomalies coincident with anomalous geochemistry in soil and rock chip samples, indicating potential for porphyry copper mineralisation.

Logging and sampling of these drill holes is nearing completion and Teck is expected to report results to Azure in February 2018. Teck has indicated that it will be continuing its exploration and will advise of its intended 2018 exploration program following evaluation of all results.

Figure 2: Drill hole locations in the Loma Bonita-Cerro San Simon Corridor

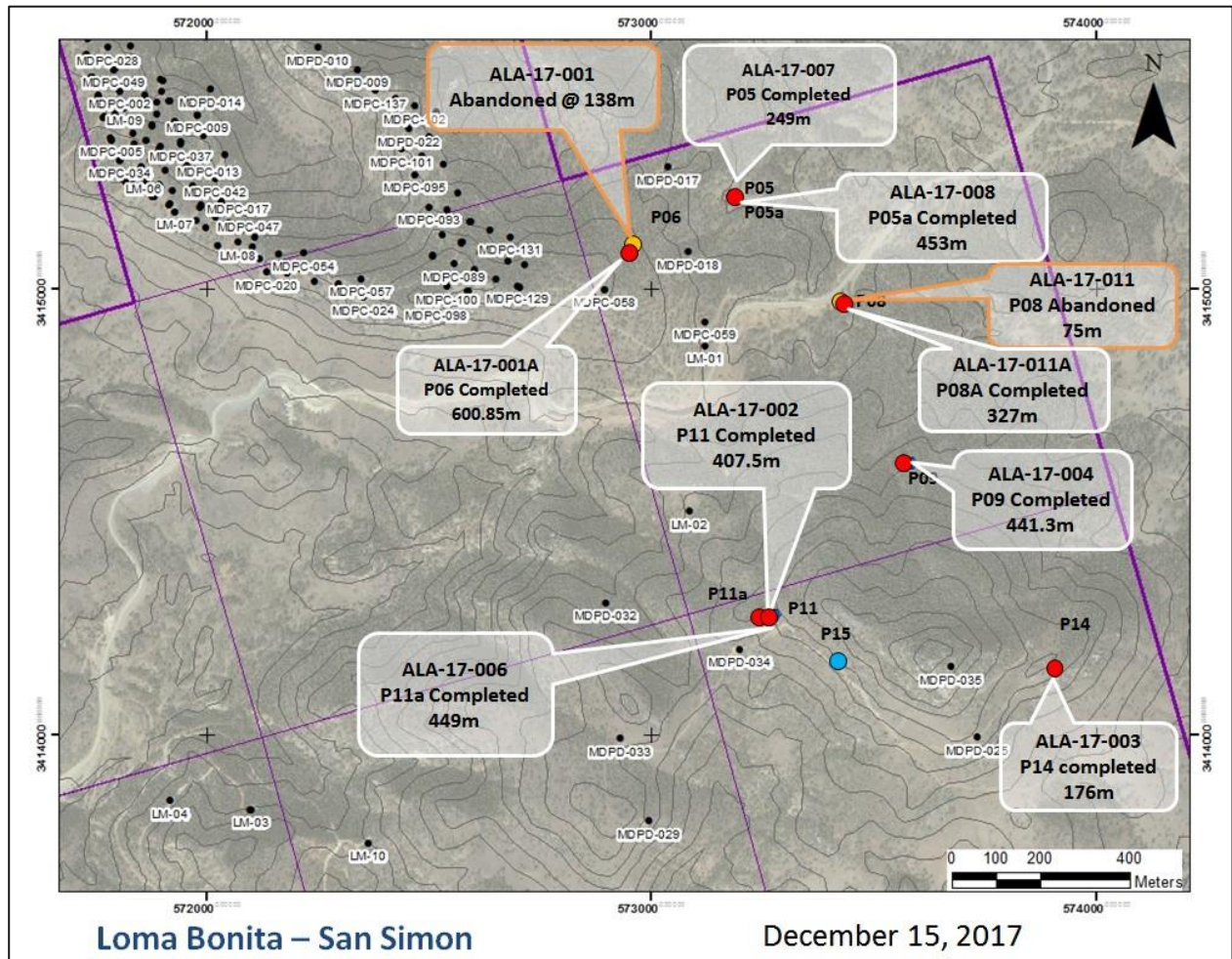
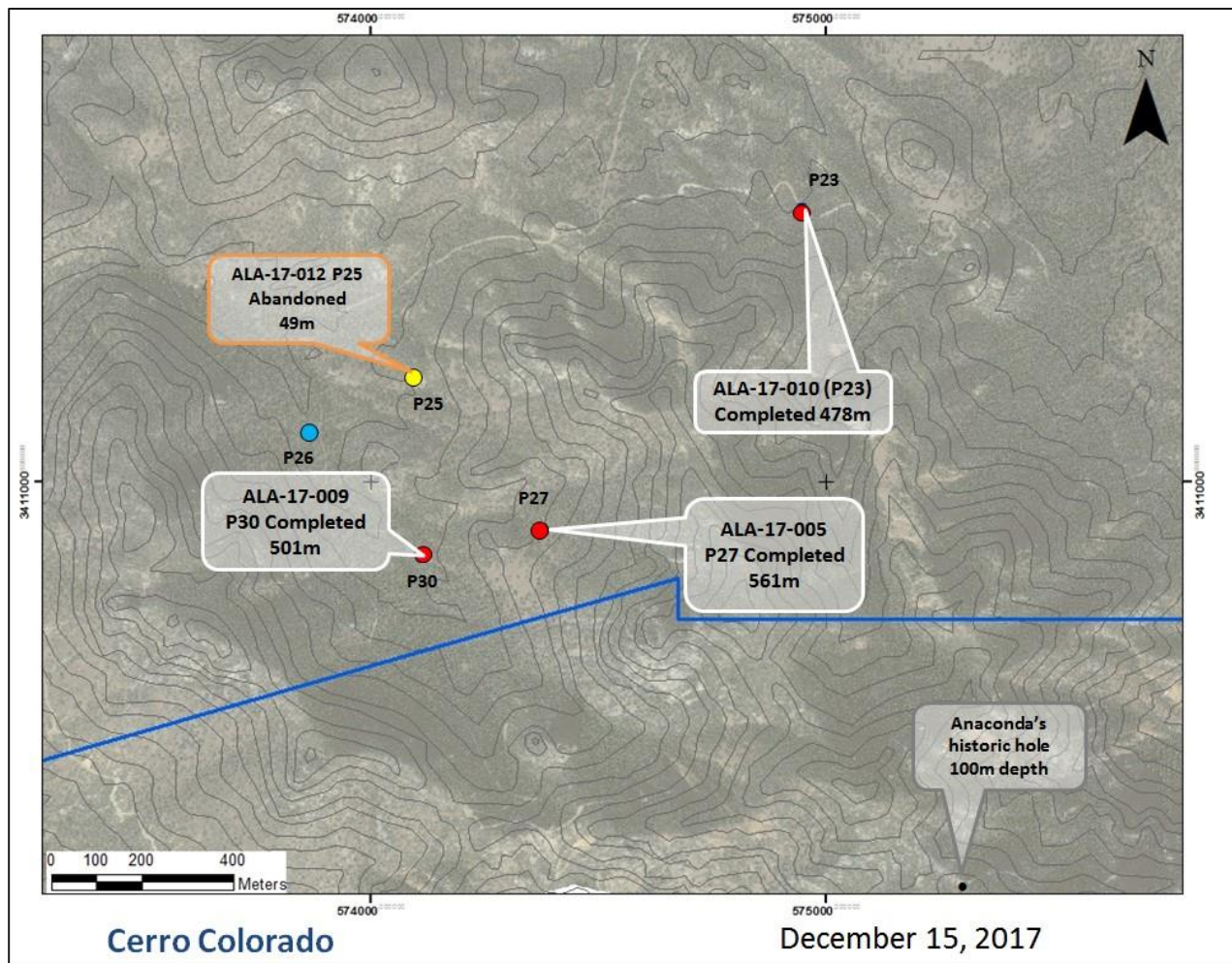


Figure 3: Drill hole locations at Cerro Colorado



Background

Azure earned 100% ownership of the Alacrán project in October 2016. In December 2016 Teck elected to exercise its right to earn back an ownership interest in the Alacrán project.

Work conducted during 2017 represents the first year of activity in a total four year, US\$10 million program which will entitle Teck to earn back a 51% share in the project.

Upon reaching an initial 51% interest in the project, Teck may further increase its interest to 65% by sole funding a further US\$5 million in expenditures on the project and making cash payments to Azure of an additional US\$1.5 million. In this case, Azure will retain a contributing 35% interest in the Alacrán project. Grupo Mexico retains a 2% NSR.

PROMONTORIO COPPER-GOLD-SILVER PROJECT

(AZS 100% ownership)

No significant work undertaken. Azure is seeking a partner to continue exploration of this project.

CORPORATE

At the Company's Annual General Meeting, held 20th November 2017, shareholders approved the consolidation of the Company's securities on the basis that every 20 pre-consolidation securities would be consolidated into 1 post-consolidation security.

The Company now has the following Securities on issue:

Security	Number
Fully Paid Ordinary Shares	83,633,326
Options exercisable at \$1.20, expire 30 November 2018	1,850,000
Options exercisable at \$1.10, expire 11 July 2019	9,725,511
Options exercisable at \$0.94, expire 30 November 2019	2,050,000
Options exercisable at \$0.58, expire 30 November 2020	2,050,000

At the end of the December Quarter, Azure had approximately \$3.5 million in cash.

-ENDS-

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

Appendix 5B

Name of entity

AZURE MINERALS LIMITED

ABN

46 106 346 918

Quarter ended ("current quarter")

31-Dec-17

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for	-	-
(a) exploration & evaluation	(1,508)	(2,410)
(b) development	-	-
(c) production	-	-
(d) staff costs	(229)	(363)
(e) administration and corporate costs	(584)	(1,130)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	27
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(2,313)	(3,876)

2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(23)
(b) tenements (see item 10)	(5)	(2,069)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(11)	(2,092)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
3 Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,975	9,700
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,313)	(3,876)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(2,092)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(141)	(222)
4.6 Cash and cash equivalents at end of period	3,510	3,510

5 Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,452	5,917
5.2 Call deposits	58	58
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,510	5,975

6 Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	134
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Includes salaries and superannuation for executive directors and fees and superannuation for non-executive directors		

7 Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8	Financing facilities available	Total facility amount at quarter end	Amount drawn at quarter end
	<i>Add notes as necessary for an understanding of the position</i>	\$A'000	\$A'000
	8.1 Loan facilities	-	-
	8.2 Credit standby arrangements	-	-
	8.3 Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	1,373
9.2	Development	-
9.3	Production	-
9.4	Staff costs	395
9.5	Administration and corporate costs	404
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	2,172

10	Changes in tenements (items 2.1(b) & 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Refer Annexure 1			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer Annexure 1			

Refer to Annexure 1 for full list of mining tenements

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 25 January 2018

Print name: Brett Dickson

Annexure 1
Schedule of Interests in Mining Tenements

Project	Common Name		Tenement	Percentage held
Oposura	El Monstruo De Plomo	All Minerals	180473	100%
	Don Genaro	All Minerals	180474	100%
	El Crestón De Plomo	All Minerals	180475	100%
	Candelaria	All Minerals	180476	100%
	El Hueco	All Minerals	180477	100%
	Campo De Plomo	All Minerals	180602	100%
	Oposura Número 2	All Minerals	180603	100%
	Oposura Número 4	All Minerals	180604	100%
	Oposura Número 6	All Minerals	180605	100%
	El Encinal	All Minerals	223473	100%
Sara Alicia	Sara Alicia	All Minerals	165539	100%
El Tecolote	El Tecolote	All Minerals	243923	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio	Hidalgo	All Minerals	235270	100%
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio 1	All Minerals	245495	100%
	Promontorio 2	All Minerals	245496	100%
	Promontorio 3	All Minerals	245497	100%
	Promontorio 4	All Minerals	245505	100%
	Promontorio 5	All Minerals	245500	100%
	Promontorio 6	All Minerals	245498	100%
	Promontorio 7	All Minerals	245506	100%
	Promontorio 8	All Minerals	245507	100%
	Promontorio 9	All Minerals	245501	100%
	Promontorio 10	All Minerals	245499	100%
Panchita	Promontorio 11	All Minerals	245502	100%
	Promontorio 12	All Minerals	245503	100%
	Promontorio 13	All Minerals	245504	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%
San Agustin	San Agustin 1	All Minerals	238325	100%
Alacran ¹	Kino 3	All Minerals	166312	100%
	Kino 2	All Minerals	166313	100%
	Kino 4	All Minerals	166314	100%
	Kino 8	All Minerals	166315	100%
	Kino 9	All Minerals	166316	100%
	Kino 10	All Minerals	166317	100%
	Kino 11	All Minerals	166318	100%
	Kino 15	All Minerals	166365	100%
	Hidalgo No. 4	All Minerals	166366	100%
	Kino 16	All Minerals	166367	100%
	Hidalgo No. 3	All Minerals	166368	100%
	Hidalgo No. 2	All Minerals	166369	100%
	Hidalgo No. 5	All Minerals	166370	100%
	Hidalgo No. 6	All Minerals	166371	100%
	Hidalgo No. 8	All Minerals	166372	100%
	Hidalgo No. 7	All Minerals	166373	100%
	Hidalgo	All Minerals	166374	100%
	Hidalgo No. 9	All Minerals	166375	100%
	San Simon	All Minerals	166376	100%
	San Simon No. 2	All Minerals	166377	100%
	El Alacran	All Minerals	201817	100%

1 Teck Resources Limited ("Teck") has advised it intends to exercise its back-in right to earn-back a 51% interest in these concessions.