10 MAY 2018

UPDATE ON ALACRÁN

KEY POINTS:

- **Teck completed a 14-hole first diamond drilling campaign in December 2017**
- **Results suggest potential expansion of the Loma Bonita epithermal gold-silver mineralised system at depth south towards Cerro San Simon**
- **Confirmation of potential for porphyry copper mineralisation at Cerro Colorado**
- **Teck has informed Azure that it will be continuing exploration on Alacrán in 2018**
- **Geological, geochemical and geophysical surveys are being undertaken in the first half of 2018, to be followed by further drilling in the second half of the year**

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") hereby provides an update on results from its 100%-owned Alacrán project ("Alacrán" or the "project") located in Sonora, Mexico.

Project operator Minera Teck S.A. de C.V. ("Teck"), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited, is currently earning back into the project. Work conducted during 2017 represents the initial year of activity in a total four-year program comprising the first Option which will entitle Teck to earn back a 51% share of the project by sole-funding US$10 million of exploration expenditure and making cash payments to Azure totalling US$500,000.

Teck advised Azure in December 2017 that it had completed its first diamond drilling program at Alacrán, comprising 14 holes for 4,907m. Full and complete assays were received in early May and significant mineralised drill intercepts are detailed in Tables 1 - 3.

Furthermore, Teck has informed Azure that it will be continuing its exploration on Alacrán, with the Year 2 work program including additional geological, geochemical and geophysical surveys in the first half of 2018, which will be followed by more drilling in the second half of the year.

The following summarises drilling and geological descriptions completed by Teck.

Overall Summary

Results from the 2017 exploration program suggest the potential expansion of the Loma Bonita epithermal gold-silver mineralised system at depth east and south towards Cerro San Simon (the Loma Bonita – Cerro San Simon Corridor) and confirmation of potential for porphyry copper mineralisation at Cerro Colorado (see Figure 1).

The Loma Bonita – Cerro San Simon Corridor has potential for significant gold and silver mineralisation, given the presence of untested zones of silicification covered by fresh rock and high-resistivity geophysical anomalies extending to depth. Focused efforts to distinguish areas of chalcedony mineralisation within the vuggy silica and silica-flooded units helped define drill targets.

Several blocks on the El Alacrán project area appear to have been faulted and displaced. The identification of these structural blocks has been important for narrowing down porphyry copper drill targets, specifically uplifted/tilted structural blocks, as present to the west of Cerro San Simon and in the area of Cerro Colorado.

First drilling at Cerro Colorado identified the presence of important amounts of secondary magnetite with quartz-magnetite veining and traces of chalcopyrite and molybdenite in pyrite-quartz and quartz veins and breccias. The presence of porphyry-type alteration and veining with trace copper and molybdenum mineralization is encouraging and warrants follow-up.

Loma Bonita – Loma Bonita Extension

At Loma Bonita, ALA-17-001 and ALA-17-001A were drilled to further test the Loma Bonita zone at depth. ALA-17-001 was abandoned at 138m due to stuck rods and re-drilled to a depth of 600.85m as ALA-17-001A, collared one metre to the east with the same azimuth and dip. The hole encountered vuggy silica and strongly silicified tuffaceous andesite, partly stratified, with lapilli and intervals of volcanic breccia in the first 160m. Vuggy and silicified volcanic breccia is dominant to depth of 350m. There are short intervals of oxidized chalcedonic material found throughout the first 450m. At 450m a feldspar-biotite porphyry was intersected with 5-10% disseminated pyrite mineralisation with small amounts of enargite (copper sulphide mineralisation). It continues nearly unchanged to the end of the hole.

Several holes were designed to test the extension of gold mineralised zones towards the east of Loma Bonita (Loma Bonita Extension), targeting geophysical resistivity anomalies under cover. Drill holes ALA-17-007, -008, and -011 were drilled through several tens of metres of mostly fresh porphyritic dacite which crops out at surface to reveal leached vuggy silica and silica flooded brecciated tuffaceous units underlying a short section of clay-altered dacite. The sulphide zone is reached 200-300m downhole through oxidised rock. Continuation of volcanic breccia and feldspar porphyritic intrusive dykes and bodies are more common, containing between 5 and 15% disseminated pyrite with small amounts of copper sulphides.

Cerro San Simon

At Cerro San Simon four holes were drilled to test resistivity anomalies at or below surface, following up on encouraging gold results from previous drilling by Azure.

Hole ALA-17-004 was a 450 metre step out to the north of MDPD-035 and tested the southern continuation of the resistive layer connecting the Loma Bonita Extension and the silicified horizons of Cerro San Simon. The hole intersected vuggy silica zones with chalcedonic overprint near surface and from 203m to 217m, followed by significant pyrite and grey quartz mineralised igneous-hydrothermal breccias. The hole ended in 60m of 5% pyrite mineralised quartz feldspar porphyry.

Hole ALA-17-003 was a 250 metre step-out to the east of MDPD-025 (31.5m @ 0.54ppm Au). A flooded silica zone hosted in a brecciated volcaniclastic was encountered from 53m to 87m depth, but the hole passed into fresh porphyritic andesite and was terminated.

Holes ALA-17-002 and ALA-17-006 were collared from the same pad and tested thick resistivity anomalies on the western side of Cerro San Simon. Both holes intersected zones of vuggy and

chalcedonic silica zones, however hole ALA-17-006 remained in variable massive, vuggy, and chalcedonic silicified rocks with significant oxide mineralisation down to 409m depth.

Cerro Colorado

At Cerro Colorado four holes were drilled during the 2017 program, all of which were reconnaissance holes following mapped targets and geophysical anomalous features that resulted from IP surveys and airborne magnetics.

ALA-17-005 and ALA-17-009 targeted a high magnetic anomaly that straddles the southern property boundary. Additionally, several chargeability anomalies corresponding to disseminated pyrite zones show continuation to depth and were targeted with all Cerro Colorado holes.

ALA-17-005 intersected over 100m of strongly magnetic volcaniclastic to tuffaceous host rock units altered to chlorite and epidote, containing steeply dipping sheeted and banded quartz-magnetite veins with traces of chalcopyrite. All holes intersected disseminated pyrite (5-10%) with clay-illite alteration and pyrite-quartz veining, occasionally seen with anhydrite and as hydrothermal breccia cement.

ALA-17-010 intersected sections of hydrothermal breccia with traces of molybdenite. Visually, the core is considered encouraging, and a detailed review of geophysics, mapping, and drill results will be conducted.

Further Work

Teck has informed Azure that it will be continuing its planned exploration on Alacrán, which will comprise further geological, geochemical and geophysical surveys in the first half of 2018, to be followed by additional, results-driven drilling in the second half of the year. Potential targets to be tested include:

- following up positive results from the Loma Bonita – Cerro San Simon epithermal corridor and the Cerro Colorado porphyry copper target; and
- further epithermal precious metal and porphyry copper targets at La Morita, Santa Barbara and Cerro Alacrán.

Figure 1: Areas targeted in Teck's 2017 work program and other targets

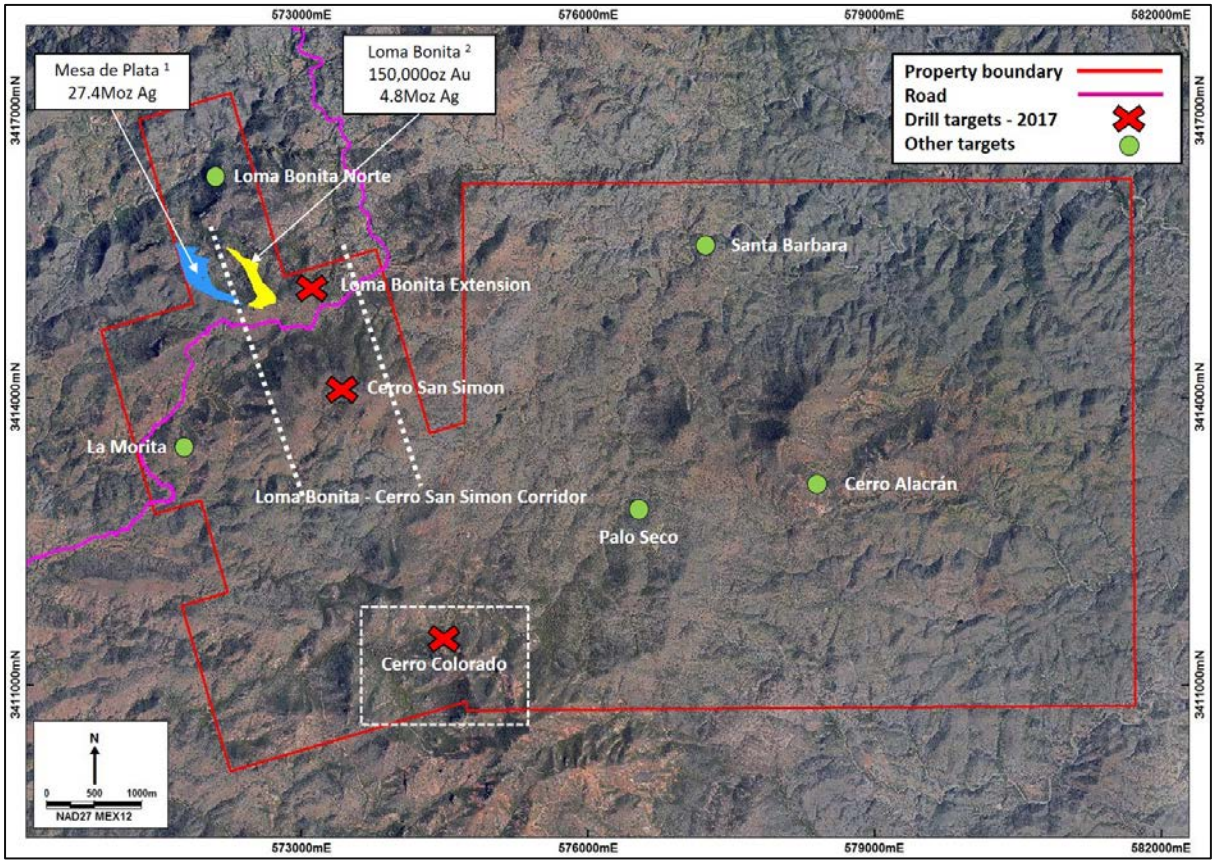

TABLE 1: Significant mineralised drill intercepts – Ag >8ppm

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Ag (g/t)
ALA-17-001	16.50	36.00	19.50	21.4
	42.00	48.00	6.00	11.2
	51.00	75.00	24.00	14.2
	87.00	90.00	3.00	9.1
ALA-17-001A	12.00	15.00	3.00	8.3
	18.00	36.00	18.00	20.7
	42.50	47.50	5.00	11.0
	50.50	77.50	27.00	12.9
	141.00	159.00	18.00	11.8
	162.00	163.50	1.50	12.2
	299.50	301.00	1.50	8.9
	320.50	324.00	3.50	9.8
	344.00	345.50	1.50	17.8
	442.50	456.00	13.50	12.9
	460.50	465.00	4.50	14.1
ALA-17-002	44.50	47.50	3.00	8.4
	53.50	55.00	1.50	13.0
	70.00	86.50	16.50	12.1
	91.00	100.00	9.00	10.7
	106.00	118.90	12.90	11.2
	161.00	173.00	12.00	13.4
	177.20	179.50	2.30	12.8
	286.00	288.50	2.50	14.8
	301.00	302.50	1.50	10.9
	312.50	313.90	1.40	8.5
ALA-17-003	72.00	76.50	4.50	27.0
ALA-17-004	392.00	395.00	3.00	23.6
ALA-17-005	55.00	56.00	1.00	8.0
ALA-17-006	0	14.00	14.00	11.4
	20.00	21.50	1.20	9.9
	36.50	38.00	1.50	21.1
	47.00	65.00	18.00	15.5
	69.50	71.00	1.50	8.5
	95.00	96.30	1.30	9.0
	104.00	132.50	28.50	19.0

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Ag (g/t)
ALA-17-006 (cont)	135.50	164.00	28.50	10.3
	170.00	230.00	60.00	17.3
	236.00	243.50	7.50	14.0
	246.50	266.00	19.50	13.1
	268.50	271.15	2.65	15.0
	294.40	296.00	1.60	10.5
	351.00	352.55	1.55	18.8
	403.30	407.20	3.90	9.9
	429.50	432.50	3.00	10.7
	435.50	443.00	7.50	11.1
	446.00	447.50	1.50	8.1
ALA-17-007	76.50	78.00	1.50	9.0
	81.00	84.00	3.00	8.1
	87.00	88.50	1.50	8.3
	91.50	93.00	1.50	8.3
	96.00	129.00	33.00	14.7
ALA-17-008	69.00	73.50	4.50	8.4
	141.00	159.00	18.00	12.6
ALA-17-009	384.50	386.00	1.50	8.2
ALA-17-010				NSR
ALA-17-011				Not sampled
ALA-17-011A	70.90	73.50	2.60	15.5
	240.00	256.50	16.50	12.5
	280.50	282.00	1.50	8.6
	297.00	300.00	3.00	12.4
	304.50	309.00	4.50	15.8
ALA-17-012	48.00	49.00 (EOH)	1.00	24.0

TABLE 2: Significant mineralised drill intercepts – Au >0.1ppm

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Au (g/t)
ALA-17-001	6.00	10.50	4.50	0.17
	13.50	34.50	21.00	0.54
	40.00	48.00	8.00	0.18
	64.50	72.00	7.50	0.46
	79.50	81.00	1.50	0.16
	84.00	85.50	1.50	0.11
	90.00	93.00	3.00	0.20
ALA-17-001A	6.00	30.00	24.00	0.27
	34.00	36.00	2.00	0.10
	42.50	47.50	5.00	0.17
	52.00	53.50	1.50	0.12
	68.50	71.50	3.00	0.33
	74.50	77.50	3.00	0.34
	80.50	82.00	1.50	0.24
	85.00	86.50	1.50	0.25
	89.50	93.00	3.50	0.23
	241.40	247.50	6.10	0.17
	270.00	271.50	1.50	0.22
	298.00	301.00	3.00	0.71
	305.50	310.00	4.50	0.18
	317.50	319.00	1.50	0.31
	324.00	327.00	3.00	0.11
	338.00	340.00	2.00	0.32
	344.00	345.50	1.50	0.41
	378.00	379.50	1.50	0.55
	385.50	387.00	1.50	0.13
	397.50	399.00	1.50	0.15
	447.00	453.00	6.00	0.17
ALA-17-002	55.00	56.50	1.50	0.38
	77.50	79.00	1.50	0.54
	82.00	85.00	3.00	0.32
	91.00	95.50	4.50	0.30
	112.00	115.00	3.00	0.42
	117.50	121.50	4.00	0.19
	286.00	289.70	3.70	0.10
	315.50	318.00	2.50	0.45
ALA-17-003	73.50	75.10	1.60	0.36

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Au (g/t)
ALA-17-004	2.00	3.00	1.00	0.22
	10.00	14.00	4.00	0.30
	41.00	42.50	1.50	0.12
	51.50	64.50	13.00	0.61
	70.50	80.00	9.50	0.83
	88.00	116.00	28.00	0.50
	130.10	131.10	1.00	0.55
	134.10	137.35	3.25	0.39
	175.00	176.00	1.00	0.37
	178.50	183.00	4.50	0.10
ALA-17-005	21.00	27.90	6.90	0.14
	55.00	56.00	1.00	0.14
	142.50	143.90	1.40	0.10
ALA-17-006	17.00	21.50	4.50	0.72
	27.50	29.00	1.50	0.22
	32.00	33.30	1.30	0.26
	47.00	56.00	9.00	0.15
	60.50	74.00	13.50	0.34
	78.50	86.00	7.50	0.19
	110.00	111.50	1.50	0.11
	113.00	116.00	3.00	0.12
	161.00	171.50	10.50	0.38
	254.00	263.00	9.00	0.13
	268.50	269.50	1.00	0.11
	335.00	336.00	1.00	0.13
	351.00	354.75	3.75	0.28
	357.35	358.70	1.35	0.13
ALA-17-007	37.50	45.00	7.50	0.48
ALA-17-008	69.00	70.50	1.50	0.10
	279.00	280.40	1.40	0.22
ALA-17-009	14.00	16.50	2.50	0.67
ALA-17-010				NSR
ALA-17-011				Not sampled
ALA-17-011A				NSR
ALA-17-011A				NSR
ALA-17-012				NSR

TABLE 3: Significant mineralised drill intercepts – Cu > 0.1%

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Cu (%)
ALA-17-001				NSR
ALA-17-001A	302.50	308.50	6.00	0.35
	379.50	387.00	7.50	0.23
	451.00	465.00	14.00	1.66
ALA-17-002	312.50	313.90	1.40	0.13
ALA-17-003	36.10	38.10	2.00	0.14
ALA-17-004				NSR
ALA-17-005	12.00	13.50	1.50	0.11
	17.50	18.60	1.10	0.15
	21.00	25.50	4.50	0.11
	31.50	43.50	12.00	0.14
	45.80	49.30	3.50	0.16
	54.00	56.00	2.00	0.15
	62.00	67.50	5.50	0.16
	76.50	90.00	13.50	0.13
	94.50	96.00	1.50	0.12
	145.15	149.30	4.15	0.10
ALA-17-006	372.50	375.30	1.30	0.25
	380.00	385.00	5.00	0.43
	390.50	398.00	7.50	0.83
	408.50	413.00	4.50	0.25
ALA-17-007				NSR
ALA-17-008				NSR
ALA-17-009	14.00	16.50	2.50	0.54
	309.00	310.50	1.50	0.10
ALA-17-010				NSR
ALA-17-011				Not sampled
ALA-17-011A				NSR
ALA-17-012				NSR

Table 3: Drill hole information

HOLE No.	EAST (mE)	NORTH (mN)	ELEVATION (mASL)	AZIMUTH	DIP	TOTAL DEPTH (m)	LOCATION
ALA-17-001	572963.2	3415109.2	1603.7	270	-50	138.4	Loma Bonita Extension
ALA-17-001A	572963.3	3415108.6	1603.3	270	-50	600.85	Loma Bonita Extension
ALA-17-002	573263.7	3414270.4	1673.3	320	-75	407.5	Cerro San Simon
ALA-17-003	573905.2	3414150.7	1696.6	037	-75	173.6	Cerro San Simon
ALA-17-004	573620.0	3414579.0	1639.0	170	-70	443.0	Cerro San Simon
ALA-17-005	574404.8	3410886.1	1654.4	090	-65	561.0	Cerro Colorado
ALA-17-006	573269.7	3414270.6	1674.0	290	-60	449.1	Cerro San Simon
ALA-17-007	573181.1	3415200.4	1547.6	270	-80	249.0	Loma Bonita Extension
ALA-17-008	573176.7	3415201.9	1547.7	090	-60	453.0	Loma Bonita extension
ALA-17-009	574112.1	3410837.5	1609.8	110	-55	501.0	Cerro Colorado
ALA-17-010	574948.8	3411604.8	1607.2	180	-50	482.0	Cerro Colorado
ALA-17-011	573415.4	3414969.3	1536.4	310	-55	79.2	Loma Bonita Extension
ALA-17-011A	573417.2	3414968.5	1537.2	310	-55	327.0	Loma Bonita extension
ALA-17-012	574071.3	3411234.8	1550.7	070	-70	49.0	Cerro Colorado

Background to Alacrán Project

Azure earned 100% ownership of the Alacrán project from Teck 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 maximum four-year period for Teck to earn back a 51% share in the project.

Under the back-in agreement, Teck has an option to sole-fund US$10 million of exploration expenditure in accordance with the following schedule, and make cash payments to Azure totalling US$500,000:

On or Before:	Cumulative Aggregate Work Expenditures (US$)		Interest Earned
First anniversary	$2,000,000	(Expenditure met)	0%
Second anniversary	$4,000,000	(Expenditure in progress)	0%
Fourth anniversary	$10,000,000		51%

Upon reaching an initial 51% interest in the project, Teck may further increase its interest to 65% by sole funding an additional US$5 million in expenditures over a further two years and making cash payments to Azure totalling 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 royalty.

-ENDS-

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Appendix

JORC Code, 2012 Edition – Table 1

Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	*Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	Diamond core was undertaken on the Alacrán Project. Initial drill hole collar locations were determined by hand-held GPS. All diamond drill holes were surveyed for down-hole deviation, Drill core was sampled at 0.45m to 14m intervals guided by changes in geology. Samples preparation was undertaken at Acme Laboratories (a Bureau Veritas Group company) in Hermosillo, Sonora,, Mexico. Samples were weighed, assigned a unique bar code and logged into the Acme tracking system. Samples were dried and each sample was fine crushed to a 200 mesh screen. A 250g split was pulverised using a ring and puck system to >85% passing 200 mesh screen. Envelopes containing the sample pulps were sent via courier to the Acme laboratory in Vancouver, Canada for analysis. All elements (other than gold) were digested by a multi-acid digest followed by multi-element ICP-MS analysis. This technique, MA270, is considered a total digest for all relevant minerals (silver and base metals). Fire Assay method FA330 was used for gold. Eight elements, including Ag, were analysed by technique AQ 270, an Aqua Regia digest with ICP-MS analysis.
Drilling techniques	*Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	Diamond drilling was HQ-size (63.5mm diameter) core from surface and three holes were partially drilled by NQ-size core to the bottom of hole. Drill core was not orientated.
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.* *Measures taken to maximise sample recovery and ensure representative nature of the samples.* *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Drill core was reconstructed into continuous runs. Depths were measured from the core barrel and checked against marked depths on the core blocks. Core recoveries were logged and recorded in the database. Sample recoveries from the cored holes were good, with >60% of the drill core having recoveries of >90%. There is no observable relationship between core recovery and grade, and therefore no sample bias.
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* *The total length and percentage of the relevant intersections logged.*	Detailed core logging recorded weathering, lithology, alteration, veining, mineralisation, structure, mineralogy, RQD and core recovery. Drill core was photographed, wet and without flash, in core trays prior to sampling. Each photograph includes an annotated board detailing hole number and depth interval. All holes were logged in full. The geological data would be suitable for inclusion in a Mineral Resource estimate.

Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.* *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Teck sub-sampled drill core by cutting the core in half (with a wet diamond saw blade) along the core axis to prepare a ½-core sample. The second half of core was retained in core trays. The sample collection and preparation for core samples followed industry best practice. Samples were prepared at the Acme laboratories in Hermosillo, Mexico. Samples were weighed, assigned a unique bar code and logged into the Acme tracking system. The sample was dried, crushed and a 250g split was pulverised using a ring and puck system to >85% passing 200 mesh screen. Envelopes containing the 250g pulps were sent via courier to the Acme laboratory in Vancouver. Certified Reference Standards, core duplicate samples, pulp duplicate samples, coarse duplicate samples and blank samples were inserted to provide assay quality checks. For sub sampling and assay quality control monitoring: • Submission of ½ core "core duplicate" samples anonymously to the laboratory in order to monitor the precision of this sub sample type. • Instructs the laboratory to collect and assay replicates of pulp samples and coarse reject samples in order to monitor the precision of the preparation of samples dispatched for assay. • Submits known grade value pulp references anonymously to the laboratory in order to monitor the accuracy of grades reported. • Submits a nominal barren 'blank' samples anonymously to the laboratory in order to monitor potential cross contamination between samples during sample preparation. The sample sizes are considered appropriate to the grain size of the material being sampled.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	All elements (other than gold were digested by a multi-acid digest followed by multi-element ICP-MS analysis. This technique, MA270, is considered a total digest for all relevant minerals (silver and base metals). Fire Assay method FA330 was used for gold. Eight elements, including Ag, were analysed by technique AQ 270, an Aqua Regia digest with ICP-MS analysis. Teck implemented industry standard QAQC protocols to monitor levels of accuracy and precision. Internal laboratory control procedures comprised duplicate sampling of randomly selected assay pulps, as well as internal laboratory standards and blanks. Teck routinely inserted Certified Reference Standards, replicate samples, duplicate samples, and blank samples to provide assay quality checks. Review of the standards, duplicates and blanks are within acceptable limits. No geophysical or portable analysis tools were used to determine assay values.
Verification of sampling and assaying	The verification of significant intersections by either independent or alternative company personnel.	Senior technical personnel from Teck inspected the drilling, sampling procedures and significant intersections.

	The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data.	Primary data was collected by employees of Teck at the project site. All measurements and observations were entered into Teck's digital database. Digital data storage, verification and validation is managed by an independent data management company. No adjustments or calibrations have been made to any assay data.
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* *Specification of the grid system used.* *Quality and adequacy of topographic control.*	Drill hole collar locations were determined by hand-held GPS. All drill holes were surveyed for down-hole deviation. The grid system used is NAD27 Mexico UTM Zone 12 for easting, northing and RL.
Data spacing and distribution	*Data spacing for reporting of Exploration Results.* *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* *Whether sample compositing has been applied.*	Due to the reconnaissance nature of the drilling, drill hole spacing is variable. At this time, data spacing and distribution are not sufficient to establish the degree of geological and grade continuity appropriate for a Mineral Resource estimation procedure. No composite samples were collected.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	Geological controls and orientations of the mineralised zone are unknown at this time and therefore all mineralised intersections are reported as "intercept length" and may not reflect true width. No sampling bias is believed to have been introduced.
Sample security	*The measures taken to ensure sample security.*	Assay samples were placed in poly sample bags, each with a uniquely numbered ticket stub from a sample ticket book. Sample bags were marked with the same sample number and sealed with a plastic cable tie. Samples were placed in woven polypropylene "rice bags" and a numbered tamper-proof plastic cable tie was used to close each bag. The rice bags were delivered by company personnel directly to the Acme laboratory for sample preparation. The numbers on the seals were recorded for each shipment. ACME audited the arriving samples and reported any discrepancies back to the Company. No such discrepancies occurred.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	All digital data is subject to audit by the independent database manager.

Section 2: Reporting of Exploration Results

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Mineral tenement and land tenure status</td><td>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.

The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</td><td>The Alacrán Project comprises 22 mineral concessions 100% owned by Minera Teck SA de CV, a subsidiary of Teck Resources Limited.

Azure acquired 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 completed US$5 million aggregate expenditure on the Alacrán Project and delivered notice to Teck (ASX: 31 October 2016) that it had achieved this milestone (“Notice”), thereby earning a 100% legal and beneficial interest in the project, pursuant to the terms of the Agreement.

Teck notified Azure (ASX: 19 December 2016) that it had exercised its back-in right, by which it can re-acquire a 51% interest by sole funding US$10 million of expenditure over a four year period. This includes a US$0.5 million cash reimbursement to Azure.

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.

<table>
<tr><th>CLAIM</th><th>FILE</th><th>TITTLE</th><th>HECTARES</th></tr>
<tr><td>Hidalgo</td><td>1794</td><td>166374</td><td>99.00</td></tr>
<tr><td>Hidalgo 2</td><td>1796</td><td>166369</td><td>99.00</td></tr>
<tr><td>Hidalgo 3</td><td>1797</td><td>166368</td><td>99.00</td></tr>
<tr><td>Hidalgo 4</td><td>1798</td><td>166366</td><td>99.00</td></tr>
<tr><td>Hidalgo 5</td><td>1799</td><td>166370</td><td>99.00</td></tr>
<tr><td>Hidalgo 6</td><td>1800</td><td>166371</td><td>99.00</td></tr>
<tr><td>Hidalgo 7</td><td>1801</td><td>166373</td><td>99.00</td></tr>
<tr><td>Hidalgo 8</td><td>1802</td><td>166372</td><td>99.00</td></tr>
<tr><td>Hidalgo 9</td><td>1803</td><td>166375</td><td>99.00</td></tr>
<tr><td>Kino 2</td><td>1886</td><td>166313</td><td>100.00</td></tr>
<tr><td>Kino 3</td><td>1887</td><td>166312</td><td>100.00</td></tr>
<tr><td>Kino 4</td><td>1888</td><td>166314</td><td>100.00</td></tr>
<tr><td>Kino 8</td><td>1892</td><td>166315</td><td>100.00</td></tr>
<tr><td>Kino 9</td><td>1893</td><td>166316</td><td>100.00</td></tr>
<tr><td>Kino 10</td><td>1894</td><td>166317</td><td>100.00</td></tr>
<tr><td>Kino 11</td><td>1895</td><td>166318</td><td>100.00</td></tr>
<tr><td>Kino 15</td><td>1899</td><td>166365</td><td>100.00</td></tr>
<tr><td>Kino 16</td><td>1800</td><td>166367</td><td>100.00</td></tr>
<tr><td>San Simón</td><td>1894</td><td>166376</td><td>100.00</td></tr>
<tr><td>San Simón 2</td><td>1895</td><td>166377</td><td>100.00</td></tr>
<tr><td>El Alacrán</td><td>E.4.1.3/1182</td><td>201817</td><td>3,442.36</td></tr>
<tr><td>TOTAL SURFACE</td><td></td><td></td><td>5,433.36</td></tr>
</table>

The tenements are secure and are in good standing. There are no known impediments to obtaining a licence to operate in the area.</td></tr>
<tr><td>Exploration done by other parties</td><td>Acknowledgment and appraisal of exploration by other parties.</td><td>The project area has a short history of industrial-scale commercial mining and small-scale artisanal mining dating back to the early 20th century, which ended shortly after the start of the Mexican Revolution in 1910. After the Revolution ended in the 1920’s, the property was explored intermittently.</td></tr>
</table>

		The Anaconda Copper Mining Company is known to have done some exploration, including drilling, on the property prior to the late 1960's. Data relating to this work has been located but has yet to be reviewed. Between 1969 and the early 1980's, the Consejo de Recursos Minerales (Mexican Geological Survey) carried out occasional exploration programs, including drilling 6 holes in 1970 and undertaking geophysical surveys over the Palo Seco and La Morita prospects in 1981. Grupo Mexico acquired the project after the CRM completed their drilling. Grupo Mexico drilled an additional 26 holes on the project in two phases. The first phase was done in 1991 (24 holes) and the second phase was done in 1997 and 1998 (two holes). Minera Teck S.A. de C.V., a Mexican subsidiary of Teck Resources Limited acquired the property in 2013 and undertook limited surface exploration. Azure Minerals acquired the rights to the project in December 2014 through its fully owned Mexican subsidiary company Minera Piedra Azul SA de CV. Minera Teck exercised its back-in right in December 2016 and is the project operator.
Geology	*Deposit type, geological setting and style of mineralisation.*	Various styles of mineralisation occur on the property. Epithermal zones, veins, breccias and stockworks host silver, lead, zinc, copper and gold in volcaniclastic rocks (Mesa de Plata, Loma Bonita, Cerro San Simon, Cerro de Enmedio and Palo Seco). Secondary copper oxide and chalcocite mineralisation occur in volcanic rocks (La Morita and Cerro Alacrán). Primary copper mineralization is hosted in porphyry rocks (Cerro Alacrán).
Drill hole information	*A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* • *easting and northing of the drill hole collar* • *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* • *dip and azimuth of the hole* • *down hole length and interception depth* • *hole length.* *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	Refer to figures and tables in the report which provide all relevant details.
Data aggregation methods	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	All reported mineralised intervals have been length-weighted. No top cuts have been applied. Overall mineralised intervals were calculated using a lower grade cut-off of 0.1g/t Au for gold intercepts, 8g/t Ag for silver intercepts and 0.1% Cu for copper intercepts. No metal equivalencies are reported.
Relationship between	*These relationships are particularly important in the reporting of Exploration Results. If the geometry of the*	Geological controls and orientations of the mineralised zones are unknown at this time and therefore all

mineralisation widths and intercept lengths	*mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	mineralised intersections are reported as "intercept length" and may not reflect true width.
Diagrams	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Refer to Figures in the accompanying report.
Balanced reporting	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	The Company believes that the ASX announcement is a balanced report with all material results reported.
Other substantive exploration data	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	This announcement refers to previous exploration results including geophysics, geochemistry and geology.
Further work	*The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive*	Further work to better understand the mineralisation systems in the project area will be determined upon a full analysis and interpretation of results.