# Azure Minerals Limited

**ABN 46 106 946 918**

**Interim Financial Statements**

**For the Half-Year Ended 31 December 2018**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Azure Minerals Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# AZURE MINERALS LIMITED

## CORPORATE INFORMATION

**ABN 46 106 346 918**

**Directors**
Peter Anthony John Ingram (Chairman)
Anthony Paul Rovira (Managing Director)
Wolf Gerhard Martinick (Non-Executive Director)

**Company Secretary**
Brett Dickson

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

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

**Bankers**
Commonwealth Bank of Australia Limited

**Share Register**
Computershare Investor Services Pty Ltd
Level 2, 45 St, Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

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

**Website**
www.azureminerals.com.au

**ASX Code**
Shares AZS

# AZURE MINERALS LIMITED

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**Competent Person Statements:**

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

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

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

# AZURE MINERALS LIMITED

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Azure Minerals Limited and the entities it controlled (**"AZS"**, **"Azure" or "the Group"**) at the end of, or during, the half-year ended 31 December 2018.

### 1. General information

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

Peter Ingram
Anthony Rovira
Wolf Martinick

### 2. Project Review

**OPOSURA PROJECT -** *(AZS 100% ownership)*

**SCOPING STUDY**

Azure has defined a body of high grade, massive sulphide-hosted, zinc, lead and silver mineralisation at Oposura, which delivered an initial Mineral Resource Estimate of **2.9Mt @ 5.0% Zn, 2.8% Pb & 17.0g/t Ag** (refer ASX announcement dated 4 July 2018).

The Scoping Study (**Study**) demonstrated that Oposura is an economically and technically robust, high-margin project (refer ASX announcement dated 15 October 2018) and, based upon metals prices of the date of the Mineral Resource Estimate (**MRE**), the project is expected to generate a total positive **EBITDA of A$237 million** and an **$NPV_8$ of A$112 million**, with an **Internal Rate of Return of 76%** and a **payback period of 16 months**.

The Study demonstrated that the optimal mining rate will be approximately 500,000tpa from a combination of open pit and underground mining operations, at Life of Mine (**LOM**) average grades of 4.6% Zn, 2.6% Pb and 15.9g/t Ag, delivering an initial mine life of 5.3 years, and also identified that approximately 95% (by contained metal) of the zinc and lead mineralisation to be mined in the first year is classified in the JORC Indicated Mineral Resource category.

The processing flowsheet comprises two-stage crushing followed by ore sorting utilising Dense Media Separation (**DMS**) to reject waste material and to feed an upgraded product to the milling and flotation circuit at approximately 295,000tpa at LOM average grades of 7.5% Zn, 4.1% Pb and 24.5g/t Ag.

The Study demonstrated both high metal recoveries and clean, commercial-grade concentrates with:
- average zinc concentrate grade of 53% Zn with an average zinc recovery of 87.5%; and
- average lead concentrate grades of 60% Pb and 320 g/t Ag with an average lead recovery of 85% and an average silver recovery of 67%.

The plant will produce approximately 35,000t of zinc concentrate and 16,000t of lead concentrate annually, containing approximately 19,000t of zinc and 10,000t of lead respectively. The annual production of lead concentrate will contain approximately 145,000 ounces of silver.

**FEASIBILITY STUDY**

Work to support the Feasibility Study (**FS**) has commenced and currently includes:

- Updating East Zone mineral resource estimate following completion of infill drilling in December;

- Drilling into potential aquifers located on the Oposura concessions that were identified in the preliminary hydrological study conducted in 2018;
- Condemnation / sterilisation drilling on the proposed sites for the plant and the (dry-stacked) tailings storage facility;
- Commencement of the geotechnical study to enable calculation of Ore Reserves;
- Selection of metallurgical samples for Feasibility Study (**FS**) level physical and flotation testwork;
- Assessment of engineering proposals for major elements (e.g. mining, processing) of the FS; and
- Site visits by potential concentrate offtake parties to establish commercial offtake terms.

**EXPLORATION**

The Phase 2 drilling program was completed in January 2019 with the primary objectives being:

1. Infill drilling within the East Zone mineral resource area to increase the confidence level of resources scheduled to be exploited early in the mine plan; and
2. Close-spaced resource extension drilling within the western part of the East Zone Mineral Resource and extending further to the west into the Central Zone to follow-up very high-grade mineralisation intersected around Tunnel D.

Results have been, and will continue to be announced as they become available.

**ALACRÁN PROJECT -** *(AZS 100% ownership, Teck Resources Limited earning back an initial 51%)*

Teck is currently earning back into the project and is the project operator. Work conducted during 2017 and 2018 represent the first two years of activity in a total four-year program comprising the first Option period 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 totaling US$500,000.

Upon reaching an initial 51% interest in the project, Teck may exercise the second Option to 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 totaling 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.

Teck's Year 2 work program comprised geological, geochemical and geophysical surveys, followed by the Phase 2 diamond drilling campaign. The major focus for Teck was the porphyry copper potential at the Cerro Alacrán prospect, with other targets including Cerro San Simon and Cerro Colorado.

The Phase 2 drilling program consisted of 21 holes totaling 10,537m with two drill rigs operating continuously from August to December 2018.

Sixteen of Teck's holes targeted the Cerro Alacrán prospect where porphyry-style copper mineralisation lies beneath a blanket of copper oxides and chalcocite (an acid-soluble copper sulphide mineral) which was previously drilled by the Mexican Geological Survey in the 1970s and by Grupo Mexico in the 1990s.

The remainder of the holes targeted epithermal-style precious metals mineralisation at Cerro San Simon and Cerro Colorado.

Logging and sampling of the drill core is nearing completion and Teck will release final assay results to Azure when its QA/QC process of the geochemical data has been completed.

**OSO NEGRO PROJECT –** *(AZS 100% ownership)*

The Oso Negro prospect is located 70km north of Azure's Oposura Project. It comprises two concessions covering 1,275ha which host epithermal quartz veining and historical mine workings.

Quartz veins are exposed over lengths of up to 800m and reconnaissance sampling of veins, selvages and dumps by Azure returned many high grades of silver (up to 2,680g/t Ag) and gold (up to 100.5g/t Au) (refer ASX announcement dated 5 September 2018).

**SARA ALICIA PROJECT -** *(AZS 100% ownership)*

The Company has hosted site visits and inspections of the drill core by companies investigating the potential purchase or joint venture of this property.

**PROMONTORIO PROJECT -** *(AZS 100% ownership)*

No work undertaken. Azure continues to seek a partner for further exploration on this project.

## 3. Review of Operations and Results

The operating loss after income tax of the Group for the period was $4,170,945 (2017: $5,015,401). Included in this loss figure is $2,596,433 (2017: $2,949,899) of exploration expenditure written off.

Net cash outflows from operating activities for the period were $3,053,296 (2017: $3,875,812).

## 4. Other items

***Significant Changes in State of Affairs***

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

***Changes in Controlled Entity***

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

## 5. Auditor's Independence Declaration

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

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

**Anthony Rovira**
**Managing Director**
West Perth
27 February 2019

# AZURE MINERALS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2018

| | Note | Consolidated 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 3,437,911 | 6,593,163 |
| Trade and other receivables | 6 | 398,822 | 810,207 |
| **Total Current Assets** | | **3,836,733** | **7,403,370** |
| | | | |
| **Non-Current Assets** | | | |
| Available-for-sale investments | | 948 | 948 |
| Capitalised exploration expenditure | 7 | 8,353,639 | 7,940,514 |
| Plant and equipment | 8 | 172,674 | 174,278 |
| **Total Non-Current Assets** | | **8,527,261** | **8,115,740** |
| | | | |
| **TOTAL ASSETS** | | **12,363,994** | **15,519,110** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 478,862 | 268,193 |
| Provisions | | 179,662 | 154,141 |
| **Total Current Liabilities** | | **658,524** | **422,334** |
| | | | |
| **Non-Current Liabilities** | | | |
| Provisions | | 84,913 | 81,425 |
| **Total Non-Current Liabilities** | | **84,913** | **81,425** |
| | | | |
| **TOTAL LIABILITIES** | | **743,437** | **503,759** |
| | | | |
| **NET ASSETS** | | **11,620,557** | **15,015,351** |
| | | | |
| **Equity** | | | |
| Contributed equity | 9 | 80,732,475 | 80,732,475 |
| Reserves | | 4,175,061 | 3,398,910 |
| Accumulated losses | | (73,286,979) | (69,116,034) |
| **TOTAL EQUITY** | | **11,620,557** | **15,015,351** |

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

# AZURE MINERALS LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

| | Notes | Consolidated<br>31 Dec 2018<br>$ | <br>31 Dec 2017<br>$ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Other income | | 33,903 | 42,914 |
| Depreciation and amortisation | | (27,026) | (27,620) |
| Exploration expenditure | | (2,596,433) | (2,949,899) |
| Capitalised acquisition costs w/o | | (144,795) | - |
| Salaries and wages | | (307,128) | (363,038) |
| Consultants | | (5,281) | (238,346) |
| Director fees | | (47,500) | (47,500) |
| Travel and accommodation | | (153,823) | (191,992) |
| Promotion | | (41,185) | (36,594) |
| Insurance | | (13,466) | (11,316) |
| Other administration expenses | | (83,768) | (91,297) |
| Share based payments | 10 | (226,543) | (646,365) |
| Other expenses | | (557,900) | (454,348) |
| **Loss from continuing operations before income tax** | | **(4,170,945)** | **(5,015,401)** |
| Income tax expense | | - | - |
| **Loss from continuing operations after income tax** | | **(4,170,945)** | **(5,015,401)** |
| **Other comprehensive income** | | | |
| *Items that will not be subsequently reclassified to profit and loss* | | | |
| - | | | |
| *Items that may subsequently be reclassified to profit and loss* | | | |
| Exchange differences on translation of foreign operations | | 549,608 | (915,324) |
| Other comprehensive (income)/loss for the period net of tax | | 549,608 | (915,324) |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | | **(3,621,337)** | **(5,930,725)** |
| **Loss per share from continuing operations attributable to the ordinary equity holders of the company** | | | |
| Basic loss (cents per share) | 11 | (3.76) | (6.00) |

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

# AZURE MINERALS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

**31 December 2018** **Consolidated**

| | Issued Share Capital $ | Share Option Reserve $ | Asset-for Sale-Reserve $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|---|
| **At 1 July 2018** | **80,732,475** | **5,161,768** | **(39,996)** | **(1,722,862)** | **(69,116,034)** | **15,015,351** |
| Loss for period | - | - | - | - | (4,170,945) | (4,170,945) |
| **Other comprehensive income** | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | 549,608 | - | 549,608 |
| **Total other comprehensive income/(loss)** | - | - | - | 549,608 | - | 549,608 |
| **Total comprehensive income/(loss) for the period** | - | - | - | 549,608 | (4,170,945) | (3,621,337) |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Issue of share capital net of transaction costs | - | - | - | - | - | - |
| Share based payments | - | 226,543 | - | - | - | 226,543 |
| Total transaction with owners | - | 226,543 | - | - | - | 226,543 |
| **Balance at 31 December 2018** | **80,732,475** | **5,388,311** | **(39,996)** | **(1,173,254)** | **(73,286,979)** | **11,620,557** |

**31 December 2017** **Consolidated**

| | Issued Share Capital $ | Share Option Reserve $ | Asset-for-Sale Reserve $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|---|
| **At 1 July 2017** | **73,027,947** | **4,515,403** | **(39,996)** | **(1,103,737)** | **(59,895,515)** | **16,504,102** |
| Loss for period | - | - | - | - | (5,015,401) | **(5,015,401)** |
| **Other comprehensive income** | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | (915,324) | - | (915,324) |
| **Total other comprehensive income/(loss)** | - | - | - | **(915,324)** | - | **(915,324)** |
| **Total comprehensive income/(loss) for the period** | - | - | - | **(915,324)** | **(5,015,401)** | **(5,930,725)-** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Share based payments | - | 646,365 | - | - | - | 646,365 |
| Total transaction with owners | - | 646,365 | - | - | - | 646,365 |
| **Balance at 31 December 2017** | **73,027,947** | **5,161,768** | **(39,996)** | **(2,019,061)** | **(64,910,916)** | **11,219,742** |

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

# AZURE MINERALS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

| | Consolidated | |
|---|---|---|
| | **31 Dec 2018** **$** | **31 Dec 2017** **$** |
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | (1,115,616) | (1,492,480) |
| Payments for exploration expenditure | (1,981,651) | (2,410,245) |
| Other income | 351 | - |
| Interest received | 43,620 | 26,913 |
| **Net cash outflow from operating activities** | **(3,053,296)** | **(3,875,812)** |
| **Cash flows from investing activities** | | |
| Payment for plant and equipment | (18,487) | (23,500) |
| Sale/(Acquisition) of mineral properties | (18,025) | (2,069,391) |
| **Net cash outflow from investing activities** | **(36,512)** | **(2,092,891)** |
| **Cash flows from financing activities** | | |
| Proceeds from capital raising (net of costs) | - | - |
| **Net cash inflow from financing activities** | - | - |
| **Net decrease in cash and cash equivalents** | **(3,089,808)** | **(5,968,703)** |
| Cash and cash equivalents at the beginning of the half-year | 6,593,163 | 9,699,949 |
| Effects of exchange rate changes in cash and cash equivalents | (65,444) | (220,894) |
| **Cash and cash equivalents at the end of the half-year** | **3,437,911** | **3,510,352** |

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

**Basis of Preparation of Half-Year Financial Statements**

These general purpose financial statements for the half-year ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and *the Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2018 and public announcements made by Azure Minerals Limited during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 30 June 2018 and the corresponding half year interim reporting period.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New and amended standards adopted by the entity**

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

**Impact of standards issued but not yet applied by the entity**

There were no new standards issued since 30 June 2017 that have been applied by the Group. The 30 June 2017 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2018.

**New and amended standards adopted by the group**

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted

- *AASB 15 Revenue from Contracts with Customers; and*
- *AASB 9 Financial Instruments.*

The new accounting policies are disclosed below. There is no impact on the Group for the period ended 31 December 2018.

**Basis of preparation and changes to the Group's accounting policies**

***AASB 15 Revenue from contracts with Customers***

*AASB 15 Revenue from contracts with Customers* replaces *AASB 118 Revenue.* AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The Group has considered AASB 15 in detail and determined that the impact on the Group's sales revenue from contracts under AASB 15 is insignificant for the year.

The Group's new revenue accounting policy is detailed below:

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**AASB 9 Financial Instruments**

AASB 9 Financial Instruments replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below.

In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

***Classification and measurement***

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

***Impairment***

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract

## NOTE 2 DIVIDENDS

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

## NOTE 3 OPERATING SEGMENTS

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

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

## NOTE 3 OPERATING SEGMENTS (Cont'd)

| | CONSOLIDATED | |
|---|---|---|
| | **31 Dec 2018**<br>**$** | **31 Dec 2017**<br>**$** |
| Other income from external sources | - | - |
| Reportable segment loss | (3,162,960) | (3,820,246) |
| Reportable segment assets | 8,854,135 | 8,276,451 |
| Reportable segment liabilities | (336,428) | (440,042) |

**Reconciliation of reportable segment loss**

| | | |
|---|---|---|
| Reportable segment loss | (3,162,960) | (3,820,246) |
| Other profit | | |
| Unallocated: | | |
| - Salaries and wages | (363,038) | (363,038) |
| - Travel and accommodation | (153,823) | (191,992) |
| - Other corporate expenses | (482,641) | (631,502) |
| - Depreciation | (8,483) | (8,623) |
| **Loss before tax** | **(4,170,945)** | **(5,015,401)** |

## NOTE 4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

| | | |
|---|---|---|
| Exchange differences on translation of foreign operations | 549,608 | (915,324) |

## NOTE 5 CASH AND CASH EQUIVALENTS

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

| | **31 Dec 2018**<br>**$** | **30 Jun 2018**<br>**$** |
|---|---|---|
| Cash at bank and in hand | 140,774 | 139,045 |
| Short term deposits | 3,297,137 | 6,454,118 |
| | **3,437,911** | **6,593,163** |

## NOTE 6 RECEIVABLES

The Group has recorded trade and other receivables of $398,822. Included in this total is an amount of $565,515 attributable to Minera Azure C.A. de C.V. ("MA") a 100% owned, Mexican incorporated subsidiary of the Company which is in dispute with Mexican tax authorities. This amount relates to a claim made by MA for the refund of IVA paid (the Mexican equivalent of GST). Mexican tax authorities initially declined the claim after which MA initiated court proceedings to recover the full amount. The court provided a decision in favour of MA, however, the Mexican tax authority has appealed the decision and won the appeal. The Group has further appealed that decision and a result is expected during 2019. During the December 2017 half year, a provision for the full amount of $565,515 has been made pending the result of the Groups appeal.

## NOTE 7 CAPITALISED EXPLORATION EXPENDITURE

| | CONSOLIDATED | |
|---|---|---|
| | 31 Dec 2018 | 30 Jun 2018 |
| | $ | $ |
| At Cost | 8,353,639 | 7,940,514 |

**Reconciliations**

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

| | | |
|---|---|---|
| Opening net book amount | 7,940,514 | 6,131,024 |
| Foreign exchange adjustment | 537,933 | (393,523) |
| Disposals | (142,833) | - |
| Additions | 18,025 | 2,203,013 |
| Closing net book amount | 8,353,639 | 7,940,514 |

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

## NOTE 8 PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired assets with a cost of $18,487 (30 June 2018: $23,500). No assets were sold during the six months ended 31 December 2018 (six months to 30 June 2018: Nil).

## NOTE 9 ISSUED CAPITAL

| | Shares | $ |
|---|---|---|
| **Balance as at 1 July 2017** | **1,672,653,995** | **73,027,947** |
| Share consolidation (1:20) | (1,589,020,669) | - |
| **Balance as at 31 December 2017** | **83,633,326** | **73,027,947** |
| | | |
| **Balance as at 1 July 2018** | **110,999,992** | **80,732,475** |
| Movements | - | - |
| **Balance as at 31 December 2018** | **110,999,992** | **80,732,475** |

## NOTE 9 ISSUED CAPITAL (Cont'd)

| Options on issue as at 31 December 2017 (after the 1:20 consolidation) | Number |
|---|---|
| Exercisable at $1.20 on or before 30 November 2018 | 1,850,000 |
| Exercisable at $1.10 on or before 11 July 2019 | 9,725,511 |
| Exercisable at $0.94 on or before 30 November 2019 | 2,050,000 |
| Exercisable at $0.58 on or before 30 November 2020 | 2,050,000 |
| | **15,675,511** |

| Options on issue as at 31 December 2018 | Number |
|---|---|
| Exercisable at $1.10 on or before 11 July 2019 | 9,725,511 |
| Exercisable at $0.94 on or before 30 November 2019 | 2,050,000 |
| Exercisable at $0.45 on or before 30 April 2020 | 13,683,339 |
| Exercisable at $0.58 on or before 30 November 2020 | 2,050,000 |
| Exercisable at $0.29 on or before 30 November 2021 | 2,200,000 |
| | **29,708,850** |

## NOTE 10 SHARE BASED PAYMENTS

During the financial period 2,200,000 options exercisable at 29 cents on or before 30 November 2021 were issued to directors and employees as part of their long-term incentive remuneration. The fair value of these options granted was calculated as 10.3 cents each by using the Binomial option valuation methodology and applying the following inputs:

| | |
|---|---|
| Weighted average exercise price (cents) | 29.0 |
| Weighted average life of options (years) | 3.0 |
| Weighted average underlying share price (cents) | 19.0 |
| Expected share price volatility | 100% |
| Risk free interest rate | 2.06% |

Total expenses arising from share-based payment transactions recognized during the period were $226,543 (2017: 646,365)

## NOTE 11 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 110,999,992. Diluted loss per share is not considered dilutive and has therefore not been presented.

## NOTE 12 COMMITMENTS AND CONTINGENCIES

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

### NOTE 13 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2018 financial statements. During the period options exercisable at $0.29 each which expire at 30 November 2021 were issued and short term incentive bonuses were paid as follows:

| **Options Issued** | | | **Bonus Paid** |
|---|---|---|---|
| ***Issued to*** | ***Number Issued*** | ***Fair Value of Options*** | ***$*** |
| Anthony Rovira – Managing Director | 500,000 | $51,487 | - |
| Peter Ingram – Chairman | 250,000 | $25,744 | - |
| Wolf Martinick – Non Executive Director | 250,000 | $25,744 | - |
| Brett Dickson – Company Secretary | 350,000 | $36,041 | - |

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2018.

### NOTE 14 EVENTS AFTER THE REPORTING DATE

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

# AZURE MINERALS LIMITED

## DIRECTORS' DECLARATION
## FOR THE HALF YEAR ENDED 31 DECEMBER 2018

In the Directors' opinion:

(a) The financial statements and notes, as set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) There are reasonable grounds to believe that Azure Minerals Limited will be able to pay its debts as and when they become due and payable.

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

**Anthony Rovira**
**Managing Director**
West Perth
27 February 2019

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Australia

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Azure Minerals Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azure Minerals Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azure Minerals Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**Directors' responsibility for the Half-Year Financial Report**

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

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

BDO

**Dean Just**

**Director**

Perth, 27 February 2019

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**DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AZURE MINERALS LIMITED**

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Dean Just**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 27 February 2019