

# QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 31 MARCH 2019

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## **Oposura Project**

### **Feasibility Study on track with activities and progress comprising:**

- East Zone infill and extensional drilling completed with Mineral Resource update nearing completion
- Open pit and underground mine planning and scheduling in progress
- Geotechnical study in progress
- Initial hydrological drilling into potential aquifers successfully completed
- Condemnation / sterilisation drilling on plant site and tailings storage facility completed
- Perth company Mintrex Pty Ltd awarded contract for detailed engineering design and costings (Capex and Opex) for Oposura processing plant
- Detailed deposit-wide variability metallurgical testwork continuing
- Potential financiers and concentrate off-take partners undertake site visits and project due diligence

## **Alacrán Project**

- Assays received from Phase 2 diamond drilling program and being collated and assessed
- Testing of porphyry copper potential at Cerro Alacrán was the major focus

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

### **OPOSURA FEASIBILITY STUDY**

The Feasibility Study is continuing and recent activities include:

- Updating the Mineral Resource estimate with East Zone infill drilling - the Mineral Resource update is nearing completion and is expected to be released shortly;
- Geotechnical study for open pit and underground mining is expected to be completed in May 2019;
- Open pit and underground mine design and scheduling is expected to be completed in July 2019;
- Calculation of Ore Reserves for open pit and underground exploitation of the East and West Zones is expected to be completed in Q3 2019;
- First-pass hydrological drilling into potential aquifers located on the Oposura concessions has been successfully completed with groundwater identified;
- Condemnation / sterilisation drilling completed on the proposed sites for the processing plant and tailings storage facility – no significant mineralisation or geotechnical issues encountered;
- Metallurgical samples for deposit-wide physical characterisation and flotation testwork collected and testwork has commenced;
- Evaluation of tenders for detailed engineering design and costings (Capex and Opex) completed and the contract was awarded to Mintrex Pty Ltd – a Perth-based engineering consulting, project management and asset management organisation with extensive Australian and international experience;
- Site visits and Due Diligence studies were undertaken by potential concentrate off-take partners to establish commercial off-take terms and potential project financiers to investigate debt funding.

### **OPOSURA DRILLING**

The Phase 2 drilling program was completed with a total of 58 holes (OPDH-158 to OPDH-215; 4,566.85m) drilled into and adjacent to the East Zone Mineral Resource. Primary objectives were:

- Infill drilling to increase the confidence level of the resources scheduled to be exploited within the first few years of the mine plan by upgrading to JORC Indicated Resource category; and
- Close-spaced extensional 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.

The resource infill drilling confirmed excellent continuity of mineralisation within the East Zone and this is likely to result in upgrading most of the East Zone Mineral Resource to JORC Indicated classification, thereby enabling conversion to JORC Probable Reserves as part of the Feasibility Study.

The close-spaced extensional drilling was successful in delineating a zone of high-grade (>20% Zn+Pb) mineralisation located around Tunnel D within the western part of the East Zone and extending further to the west into the Central Zone. Azure is currently assessing the potential for early development of this high-grade mineralisation as access to this area is immediately available via Tunnel D.

Some of the best high-grade mineralised intersections (refer to ASX announcements dated 24 October and 11 December 2018) included:

Hole No	Intercept Length (m)	Grade			
		Zn (%)	Pb (%)	Zn+Pb (%)	Ag (g/t)
OPDH-166	6.95	33.5	5.2	38.7	365
OPDH-177	4.55	30.8	6.1	36.9	138
OPDH-127	2.50	24.8	2.4	27.2	137
OPDH-163	4.15	21.9	3.8	25.7	148
OPDH-165	2.90	18.8	2.3	21.1	148
OPDH-171	4.40	14.8	5.6	20.4	294

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

### **BACKGROUND**

Azure Minerals earned a 100% interest in the Alacrán Project between 2015 to 2016 from Minera Teck S.A. de C.V. (**Teck**), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited.

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 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.

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 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.

### **CURRENT PROGRAM**

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 epithermal precious metals targets at Cerro San Simon and Cerro Colorado.

The Phase 2 drilling program consisted of 21 holes totalling 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.

Assay results for the drill samples have been received from Teck. Azure is currently undertaking a technical review and significant drill intersections will be released when this process is complete.

**-ENDS-**

**For enquiries, please contact:**

**Tony Rovira**  
Managing Director  
Azure Minerals Limited  
Ph: +61 8 9481 2555

**Media & Investor Relations**  
Michael Weir / Cameron Gilenko  
Citadel-MAGNUS  
Ph: +61 8 6160 4903

or visit [www.azureminerals.com.au](http://www.azureminerals.com.au)

**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](http://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](http://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.*