6 MAY 2019

DRILLING UPDATE ON ALACRÁN

HIGHLIGHTS:

- **Teck completes 21-hole Phase 2 diamond drilling campaign for 10,540.4m**
- **Confirmation of porphyry copper mineralisation at Cerro Alacrán with broad zones of visible chalcopyrite intersected**

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to provide 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 2018 represents the second year of activity in a total four-year program which entitles Teck to earn back a 51% share of the project by sole-funding US$10 million of exploration expenditures and making cash payments to Azure totalling US$500,000. 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.

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

At Cerro Alacrán, several drill holes intersected broad zones (greater than 100m drill width) of porphyry-style copper mineralisation containing low to moderate copper grades. Better drill intercepts include:

- **ALA-18-001 118.0m @ 0.17% Cu from 164.5m**
- **ALA-18-003 131.7m @ 0.25% Cu from 42.3m**
- **ALA-18-011 137.0m @ 0.19% Cu from 418.9m**
- **ALA-18-014 177.3m @ 0.21% Cu from 587.2m**

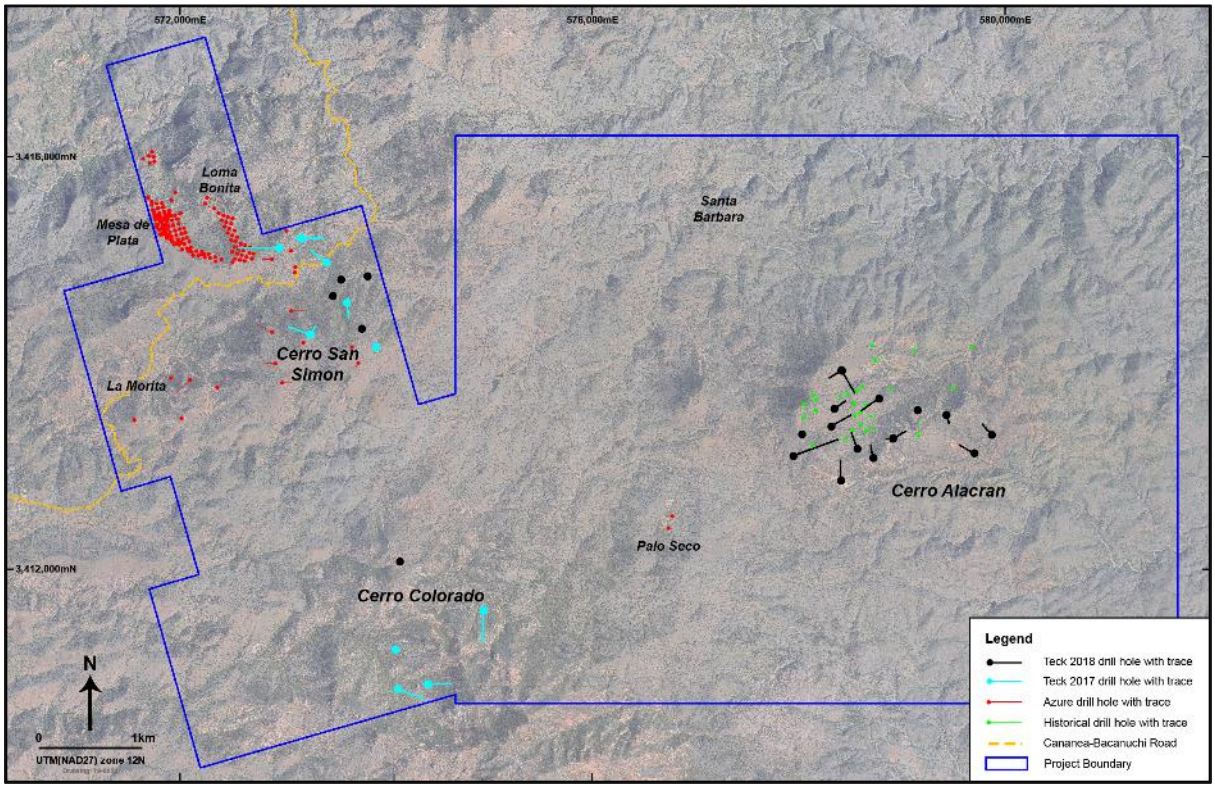
The Phase 2 drilling program comprised 21 holes for 10,540.4m and the two programs completed in 2017 and 2018 total 35 holes for 15,455.1m. Full and complete assays from the Phase 2 program have been received and mineralised drill intersections are detailed in Tables 2 & 3.

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 remaining five holes targeted epithermal-style precious metals mineralisation at Cerro San Simon and Cerro Colorado.

2018 Drill Program

The 2018 drilling program was designed to test the overall mineral potential in the property, focusing in three areas, Cerro Alacrán, Cerro San Simon and Cerro Colorado (see Figure 1).

Figure 1: Areas targeted in Teck's 2018 work program and other prospects



Twenty-one diamond drill holes were completed, totalling 10,540.4m, distributed as follow:

a) 16 holes for 9,147.5m in Cerro Alacrán;

b) 4 holes for 988.4m in San Simon; and

c) 1 hole for 404.5m in Cerro Colorado.

Collar location data for the 2018 drill holes is provided in Table 1.

Assay results for the 2018 drill program have been received and mineralised intersections are listed in Tables 2 & 3. Intersections were calculated using lower grade cut-offs of 0.1g/t for gold and 0.1% for copper respectively. All mineralised intersections quoted have a minimum thickness of ten meters and include a maximum of three meters of internal dilution.

Cerro Alacrán:

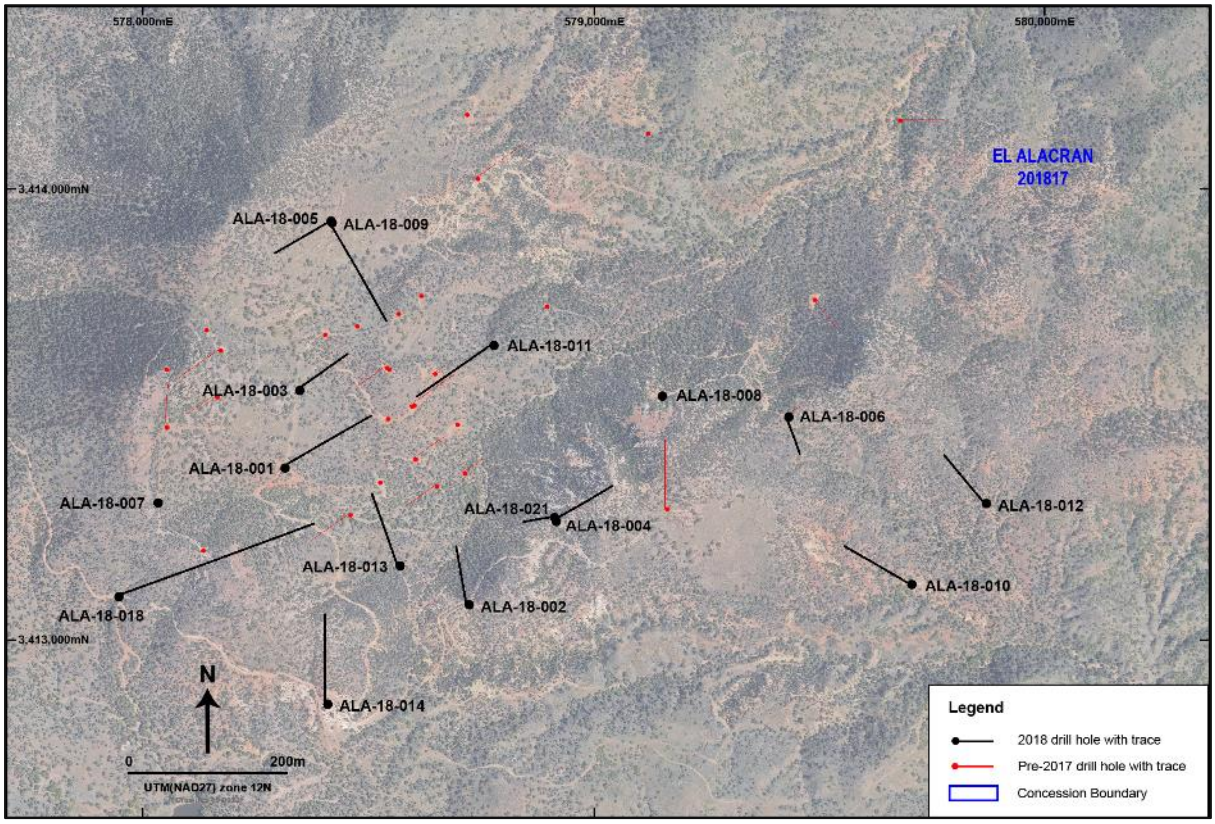
The primary focus of the 2018 drill program was to test the potential of Cerro Alacrán to host a large porphyry copper±molybdenum±gold deposit. This program was the first modern drilling since historical drilling undertaken in the 1970s and 1990s intersected wide zones of low-grade copper oxides and chalcocite mineralisation in the supergene zone.

Drilling has confirmed that copper mineralisation is contained within an area covering at least 2km x 1.5km (see Figure 2), with room for expansion.

Copper mineralisation within the oxide zone (turquoise) and sulphide transition zone (chalcocite) was intersected in many drill holes, returning broad intercepts of low-grade copper and gold (for example: **131.7m @ 0.25% Cu & 0.11ppm Au from 42.3m in ALA-18-003**). Mineralisation is hosted in strongly altered breccias extending from surface to depths of around 200m.

Deeper drilling within the sulphide zone extended the previously known extents of strongly altered porphyry intrusions. Broad intercepts of disseminated chalcopyrite and porphyry-style veins containing chalcopyrite and molybdenite mineralisation. As with the overlying oxide and transition zones, drilling within the primary sulphide zone intersected wide zones of low to moderate-grade copper mineralisation, including: **137.0m @ 0.19% Cu from 418.9m in ALA-18-011 and 177.3m @ 0.21% Cu from 587.2m in ALA-18-014**.

Figure 2: Drill holes at the Cerro Alacrán porphyry copper target



Cerro San Simon:
San Simon is a high-sulfidation epithermal gold-silver target associated with a stratigraphic horizon of vuggy silica. this was previously drill tested by Teck in 2017 and Azure in 2016, and gold and silver intersections included:

- MDPD-025: 31.5m @ 0.54ppm Au (ASX: 25 August 2016)
- MDPD-035: 17.0m @ 0.32 ppm Au (ASX: 15 November 2016)
- ALA-17-004: 63.0m @ 0.47 ppm Au (ASX: 10 May 2018)).

The objective of the 2018 San Simon drill campaign was to test the continuity of the gold and silver-bearing horizon that extends from the San Simon hill north towards the Loma Bonita gold-silver deposit. A total of 988.4m of drilling was completed in four drill holes. The holes drilled through the target horizon however no significant gold or silver mineralisation was intersected.

Cerro Colorado:
Cerro Colorado is a high-sulfidation epithermal gold-silver target with potential for underlying porphyry-style copper-molybdenum-gold mineralisation at depth.

The only hole drilled at Cerro Colorado in the 2018 campaign (ALA-18-020) intersected a porphyry for most of the drill hole with alteration and a finely disseminated pyrite-silica hydrothermal brecciation from 120m to 300m (6% average pyrite content over this interval). The hole ended at 404.5m with no significant precious or base metal mineralisation intersected.

Summary
Results from the 2018 exploration and drill program confirm the prospectivity of the Alacrán property to host porphyry-associated copper-molybdenum-gold mineralisation, specifically at Cerro Alacrán.

The overall copper grades contained within the broad intersections are of low to moderate grade, in the range of 0.15% to 0.30% Cu, however the presence of extensive mineralisation over several square kilometres and the broad intercepts of disseminated chalcopyrite and porphyry-style veining supports the concept of a large mineralised system.

Drilling has not closed off the mineralised body at Cerro Alacrán either laterally or at depth. Further drilling will be required to define both the overall size of the body and to test for higher grade zones.

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 2018 represents the second 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 met)	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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Competent Person Statements:

Information in this report that relates to Exploration Results for the Oposura Project is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy and fairly represents this information. Mr Rovira has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Rovira is a full-time employee and Managing Director of Azure Minerals Limited and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

Table 1: Drill hole information

HOLE No.	EAST	NORTH	ELEVATION	AZIMUTH	DIP	TOTAL DEPTH
	(m)E	(m)N	(m)ASL			(m)
ALA-18-001	578317	3413380	1550	060	-65	539.7
ALA-18-002	578725	3413077	1471	350	-75	500.5
ALA-18-003	578349	3413551	1553	055	-70	404.3
ALA-18-004	578918	3413262	1538	060	-75	584.3
ALA-18-005	578421	3413923	1634	240	-70	407.4
ALA-18-006	579434	3413493	1493	160	-80	518.5
ALA-18-007	578036	3413303	1635	360	-90	576.4
ALA-18-008	579154	3413539	1514	360	-90	602.4
ALA-18-009	578419	3413926	1634	150	-65	611.4
ALA-18-010	579707	3413121	1429	300	-70	488.3
ALA-18-011	578780	3413651	1507	235	-70	587.4
ALA-18-012	579873	3413301	1443	320	-70	401.4
ALA-18-013	578572	3413163	1486	340	-70	488.4
ALA-18-014	578412	3412856	1520	360	-75	764.5
ALA-18-015	573566	3414804	1591	360	-90	266.6
ALA-18-016	573485	3414646	1616	240	-80	188.6
ALA-18-017	573821	3414837	1542	000	-90	281.5
ALA-18-018	577948	3413094	1564	070	-60	935.2
ALA-18-019	573768	3414327	1715	000	-90	251.7
ALA-18-020	574134	3412071	1663	000	-90	404.5
ALA-18-021	578915	3413269	1518	260	-85	737.4

TABLE 2: Gold mineralised drill intercepts of >10.0m @ >0.1g/t Au

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Au (g/t)
ALA-18-001	18.00	72.30	54.30	0.19
	122.50	143.10	19.00	0.20
	163.00	258.50	95.50	0.18
	305.00	315.50	10.50	0.11
High grade interval:	418.70	422.80	4.10	2.24
Including:	418.70	419.85	1.15	7.53
ALA-18-002	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-003	31.00	51.00	20.00	0.12
	76.00	95.50	19.50	0.16
	100.00	162.00	62.00	0.12
ALA-18-004	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-005	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-006	0.00	10.00	10.00	0.22
ALA-18-007	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-008	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-009	520.50	532.50	12.00	0.13
	596.40	608.40	12.00	0.15
ALA-18-010	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-011	45.00	73.50	28.50	0.12
	94.50	109.50	15.00	0.13
	540.00	554.40	14.40	0.22
ALA-18-012	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-013	63.50	71.00	7.50	0.14
	77.00	90.70	13.70	0.12
	148.50	157.50	9.00	0.11
	180.30	199.50	19.20	0.15
	204.00	243.00	39.00	0.12
	339.40	366.80	27.40	0.14
	370.60	408.50	37.90	0.15
ALA-18-014	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-015	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-016	No significant gold mineralised intersections greater than 10.0m in length			

ALA-18-017	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-018	814.00	830.50	16.50	0.15
	864.60	880.50	15.90	0.39
	915.00	928.50	13.50	0.10
ALA-18-019	76.00	83.70	7.70	0.43
ALA-18-020	No significant gold mineralised intersections greater than 10.0m in length			
ALA-18-021	No significant gold mineralised intersections greater than 10.0m in length			

TABLE 3: Significant copper mineralised drill intercepts of >10.0m @ > 0.1% Cu

Hole No	Depth (m)		Intercept Length (m)	Grade
	From	To		Cu (%)
ALA-18-001	45.00	61.00	16.00	0.31
	122.50	143.10	20.60	0.15
	164.50	282.50	118.00	0.17
	305.00	323.00	18.00	0.13
ALA-18-002	27.00	39.70	12.70	0.17
	85.00	97.00	12.00	0.11
	361.00	372.50	11.50	0.12
	452.50	500.50 #EOH	48.00	0.13
ALA-18-003	42.30	174.00	131.70	0.25
ALA-18-004	74.00	94.50	20.50	0.13
ALA-18-005	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-006	0.00	29.30	29.30	0.13
ALA-18-007	541.90	558.50	16.60	0.12
ALA-18-008	51.50	70.00	18.50	0.15
ALA-18-009	118.00	128.50	10.50	0.10
	461.00	478.80	17.80	0.14
	487.80	559.50	71.70	0.17
	564.00	585.65	21.65	0.13
	596.40	611.40 #EOH	15.00	0.18
ALA-18-010	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-011	13.50	39.00	25.50	0.12
	45.00	79.50	34.50	0.15
	84.00	109.50	25.50	0.14

	115.50	144.00	28.50	0.12
	148.50	169.50	21.00	0.13
	190.50	310.50	120.00	0.14
	316.50	373.00	56.50	0.15
	388.10	406.20	18.10	0.13
	418.90	555.90	137.00	0.19
	563.40	585.90	22.50	0.11
ALA-18-012	19.90	34.90	15.00	0.12
ALA-18-013	52.00	198.00	146.00	0.15
	204.00	254.00	50.00	0.12
	339.40	426.50	87.10	0.19
ALA-18-014	37.00	50.50	13.50	0.18
	420.30	453.30	33.00	0.11
	476.10	491.10	15.00	0.13
	495.60	535.90	40.30	0.18
	544.50	562.50	18.00	0.14
	567.00	582.70	15.70	0.12
	587.20	764.50 #EOH	177.30	0.21
ALA-18-015	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-016	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-017	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-018	551.00	564.50	13.50	0.12
	599.50	682.80	83.30	0.14
	739.00	783.70	44.70	0.16
	812.50	845.70	33.20	0.16
	849.70	935.20 #EOH	85.50	0.16
ALA-18-019	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-020	No significant copper mineralised intersections greater than 10.0m in length			
ALA-18-021	56.00	89.00	33.00	0.14
	307.00	321.50	14.50	0.15
	440.10	451.20	11.10	0.12
	693.70	706.20	12.50	0.12

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 0.60m to 4.5m intervals guided by changes in geology. Sample preparation was undertaken at Bureau Veritas in Hermosillo, Sonora, Mexico. Samples were weighed, assigned a unique bar code and logged into the Bureau Veritas tracking system. Samples were dried and each sample was fine crushed to 2mm. A 1kg 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 Bureau Veritas 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, MA250, is considered a total digest for all relevant minerals (silver and base metals). Fire Assay method FA330 was used for gold. Ten elements, including Au, 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 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 >90% 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 twice, dry then again wet and without flash, in core trays prior to sampling. Each photograph includes various markers including hole identifier, box number identifier start and end depths, and a scale and colour marker, as well as tickets indicating where each of the samples were taken from and the sample ID. 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 Bureau Veritas laboratories in Hermosillo, Mexico. Samples were weighed, assigned a unique bar code and logged into the Bureau Veritas tracking system. The sample was dried, crushed to 2mm and a 1kg split was pulverised using a ring and puck system to >85% passing 200 mesh screen. Envelopes containing 250g pulps were sent via courier to the Bureau Veritas 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. • Submission of known grade value pulp references (Certified Reference Standards) anonymously to the laboratory in order to monitor the accuracy of grades reported. • Submission of 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, MA250, is considered a total digest for all relevant minerals (silver and base metals). Fire Assay method FA330 was used for gold. Ten elements, including Au, were analysed by technique AQ250, an Aqua Regia digest with ICP-MS analysis. The technique MA370, using a multielement digest with ICP-MS analysis, was used to analyse overlimit Cu (>0.3%), Pb (>1%) and Zn (>1%). 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. 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.	Senior technical personnel from Teck inspected the drilling, sampling procedures and significant intersections. 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 Bureau Veritas laboratory for sample preparation. The numbers on the seals were recorded for each shipment. Bureau Veritas 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 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.