

# MINING UNDERWAY AT OPOSURA

## HIGHLIGHTS:

- Open pit mining of high-grade zinc and lead ore has commenced at Oposura
- Approximately 1,200 tonnes of massive sulphide ore mined and stockpiled with an estimated mine head grade of 10%-15% combined zinc and lead
- Mining is continuing with expected monthly production of 1,500t to 3,000t
- Toll treatment scheduled to start in September
- Development funded by non-dilutive financing from Azure's major shareholder

Azure Minerals Limited ("**Azure**" or the "**Company**") (ASX: AZS) is pleased to announce that mining has commenced at its 100%-owned Oposura zinc-lead-silver project, located in Sonora, Mexico.

This mining operation is exploiting easily-accessible, high-grade mineralised material with monthly production of between 1,500t to 3,000t at grades between 10% to 15% combined zinc and lead. All mineralisation to be mined is classified as Indicated Mineral Resources (ASX: 8 May & 5 June 2019).

Processing of this ore is expected to commence in September under a toll treatment agreement with a third-party sulphide flotation processing plant.

Delivery of positive cash flow to the Company will support the ongoing Feasibility Study into a full-scale mining and on-site processing operation and provide general working capital.

Commenting on the milestone Azure Managing Director Tony Rovira said: *"I would like to thank the entire Azure team for all their hard work over the past two years. We acquired Oposura in August 2017, and to be commencing an early-stage, low-cost, high-grade mining operation within 24 months is a great achievement."*

*"This operation allows Azure to realise early cash-flow that will help fund the ongoing Feasibility Study, which will ultimately see Oposura in full-scale production."*

## OPERATIONAL DETAILS

The small-scale mining operation is focused on exploiting easily accessible, high-grade, massive sulphide mineralisation from the East Zone Mineral Resource (see Figure 1). Mining will be carried out in two phases, initially by open pit (currently in progress) and followed by underground extraction.

During July, Azure mobilised an open pit mining contractor to the Oposura site. Work completed to date includes refurbishing the access road between the main highway and the mine site (~6km), pre-stripping overburden from above the massive sulphide horizon, grade control drilling, and mining and stockpiling of ore.

Phase 1 mining is exploiting, by open pit, fresh massive sulphide mineralisation situated on the eastern side of the East Zone mineral resource (see Figure 2). Mineralisation in this area occurs within five metres of surface and in some places is already fully exposed. Overburden consists of weathered rock which is being stripped by bulldozer with no drilling and blasting required, ensuring low mining costs.

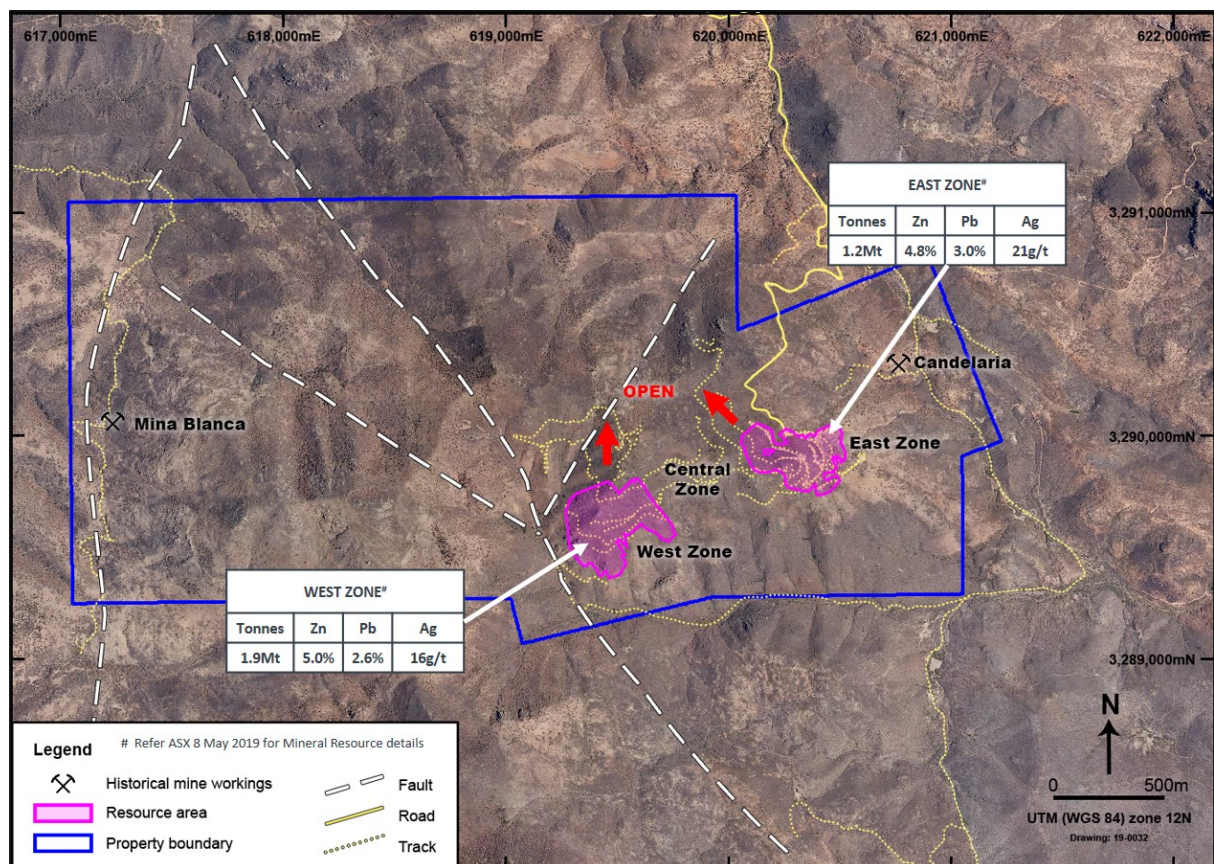
Since mining started, over 1,200 tonnes of ore have been excavated and stockpiled. Based on mineral resource drilling within the mined area, where hole spacing is approximately 25m x 25m, the grade of this material is estimated to be between 10% and 15% combined zinc and lead (ASX: 8 May & 5 June 2019). The mineralised horizon of massive sulphides ranges in true thickness between 1.0 and 4.0m.

Open pit mining will continue throughout July and August with several thousand tonnes of high-grade ore expected to be produced. The western wall of the open pit will be cut back to enable access directly into the historical Tunnel D drive.

The underground mining contractor will mobilise to site in August to commence Phase 2 mining. Initially, a portal will be established in the western wall of the open pit to access the Tunnel D drive which will then be side-stripped to provide 3m x 3m mechanised access to the western high-grade zone (see Figure 2). Underground mining will be carried out by the room and pillar method to ensure maximum ore recovery while minimising dilution. Further information on the Phase 2 underground mining operation will be provided nearer to its commencement.

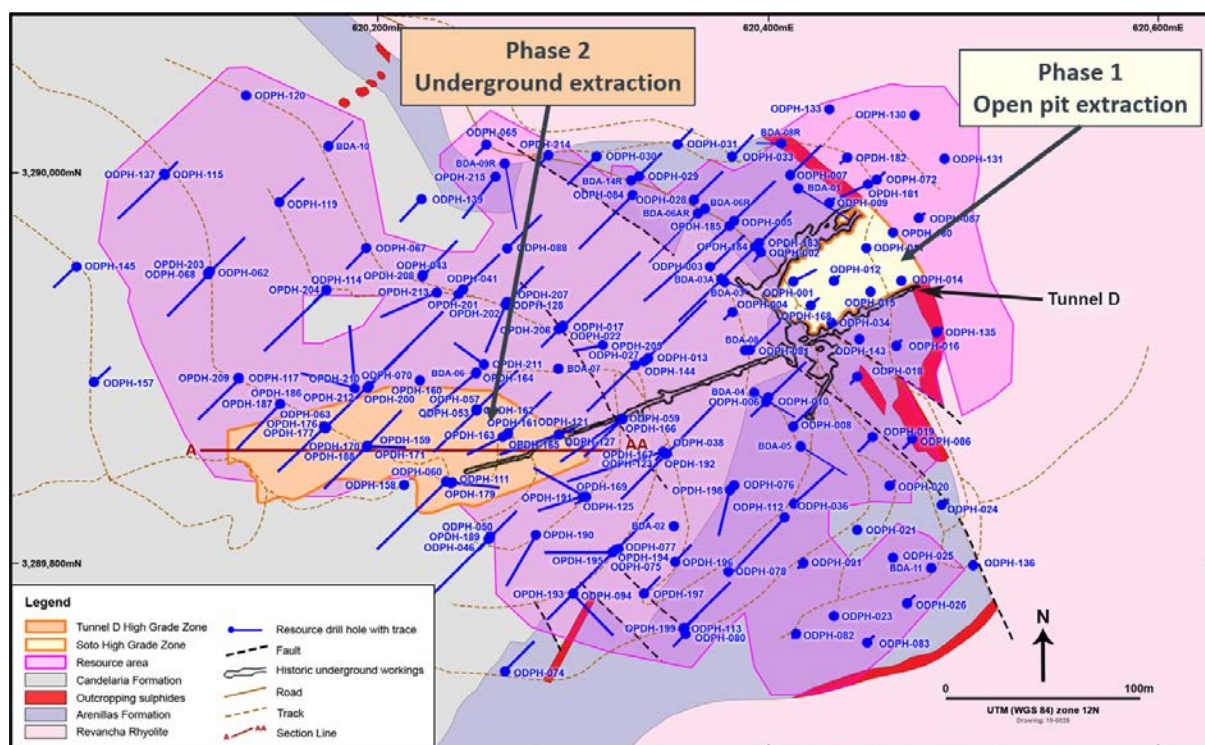
Ore transport to the San Javier flotation plant will start in August and processing under the toll treatment arrangement is expected to commence in September.

**Figure 1: Oposura Project with East Zone & West Zone Mineral Resources**





**Figure 2: East Zone showing Mineral Resource and small-scale mining locations**



**Figure 3: Open pit mining operations in the East Zone**





**Figure 4: Reverse circulation grade control drilling in the East Zone open pit**



**Figure 4: Loading high-grade ore in the East Zone open pit**



## **PERSONNEL**

The mining operation at Oposura is led by Azure's Chief Operating Officer, Mr. Glenn Jardine who has been closely involved with Azure's project and business development activities in Mexico for the past four years. Mr. Jardine is a senior mining executive with significant experience in feasibility studies, project development and operations management. This experience covers mining and processing of precious metals, base metals and bulk commodities across underground and open pit operations.

To provide on-site management of the mining, geology and processing functions, the Company has employed several highly experienced local mining professionals who have worked in the Mexican mining industry for many years. These include a senior mining project manager who will manage the open pit and underground mining operations and senior geologists with relevant mining and grade control experience. To supervise toll treatment of Oposura ore through the San Javier processing plant, Azure has appointed a metallurgist who specialises in sulphide flotation and mineral processing. (For further details on personnel, refer presentation released to the ASX on 19 July 2019).

## **FUNDING**

Azure secured financing for the mining and processing operation from its major shareholder, Deutsche Balaton, by way of convertible notes totalling A\$2,000,000. This funding will enable the Company to meet start-up costs and ensure adequate working capital.

**-ENDS-**

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### **Competent Person Statements:**

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

### **Cautionary Statement - Production Targets:**

*The proposed mining and processing operation referred to in this announcement is based on lower-level technical and economic assessments of the Trial Mining Study (ASX: 5 June 2019), which is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions will be realised. Furthermore, the Company cautions that there is no certainty that the forecast production targets will be realised. Production targets referred to in this Report are underpinned by Mineral Resource estimates which have been prepared by competent persons in accordance with the requirements of the JORC Code. The production targets in this report are sourced 100% from resources classified in the Indicated Mineral Resource category. The stated production targets are based on the Company's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions.*

### **Caution Regarding Forward Looking Statements and Forward-Looking Information:**

*This announcement contains forward looking statements and forward-looking information which are based on assumptions and judgments of management regarding future events and results. Such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties, and other factors*

*which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of zinc and lead, the actual results of current exploration, the availability of debt and equity financing, the volatility in global financial markets, the actual results of future mining, processing and development activities, receipt of regulatory approvals as and when required and changes in project parameters as plans continue to be evaluated.*

*Except as required by law or regulation (including the ASX Listing Rules), Azure Minerals undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.*