

QUARTERLY ACTIVITIES REPORT

FOR PERIOD ENDED 30 JUNE 2020

PROJECTS IN MEXICO

ALACRÁN (100% Azure: silver-gold-copper) & OPOSURA (100% Azure: zinc-lead-silver)

- Due to the serious COVID-19 pandemic situation in Mexico, restarting field work was delayed until early July with low-key and low-cost surface exploration now underway on the Alacrán project
- Work is focused on expanding the Mina San Simon silver and gold prospect and the Gregors copper discovery in preparation for drilling later in the year

PROJECTS IN AUSTRALIA

Post the quarter end, Azure reached agreement to acquire 70% ownership of three gold projects and 60% ownership of a nickel-copper project from Mark Creasy and the Creasy Group

ANDOVER NICKEL-COPPER PROJECT: (60% Azure / 40% Creasy Group)

- Creasy Group drilling intersected high-grade nickel and copper sulphide mineralisation hosted in a layered mafic-ultramafic intrusive complex; including:
 - ADRC002: 7m @ 2.62% Ni & 0.65% Cu within 26m @ 1.03% Ni & 0.46% Cu from 43m
 - ADRC006: 2m @ 2.10% Ni & 0.44% Cu from 15m
 - ADRC001: 4m @ 1.10% Ni & 0.80% Cu from 6m; 2m @ 1.77% Ni & 0.53% Cu from 62m

TURNER RIVER GOLD PROJECT: (70% Azure / 30% Creasy Group)

- Unexplored 450km² project located close to De Grey Mining's (ASX:DEG) Mallina project which hosts resources of 2.2Moz gold and the new Hemi gold discovery
- Turner River hosts 12 kilometres of the fertile Berghaus Shear Zone on trend from Hemi

MEENTHEENA AND COONGAN GOLD PROJECTS: (70% Azure / 30% Creasy Group)

- Meentheena drilled for epithermal gold mineralisation - explored by Creasy Group since 1994
- Coongan adjoins Novo Resources' Beatons Creek conglomerate-alluvial gold project

CORPORATE

Post the quarter end, Azure reached agreement to raise \$4M (before costs) via a share placement to institutional and sophisticated investors to support exploration activities on these new West Australian projects and to continue exploration on its Mexican projects.

MEXICO

Due to the seriousness of the COVID-19 pandemic situation in Mexico, Azure suspended all field activities for four months. During this period, Azure designed and implemented strict health, safety and hygiene standards at the Company's office in Hermosillo and in the field, to minimise infection risks amongst its employees, contractors and members of local communities. The Company also used the isolation period to carry out detailed data analysis and interpretation to evaluate and prioritise targets for further testing.

Field work resumed in early July with surface exploration following up silver, gold and copper targets identified on the Alacrán project. Priority areas worked were extensions of silver and gold mineralisation at Mina San Simon where drilling near old mine workings returned **21m @ 2.0g/t Au & 64g/t Ag** (in MDPC-168) and the exciting new Gregors copper discovery where drilling intersected (ASX: 23 March 2020):

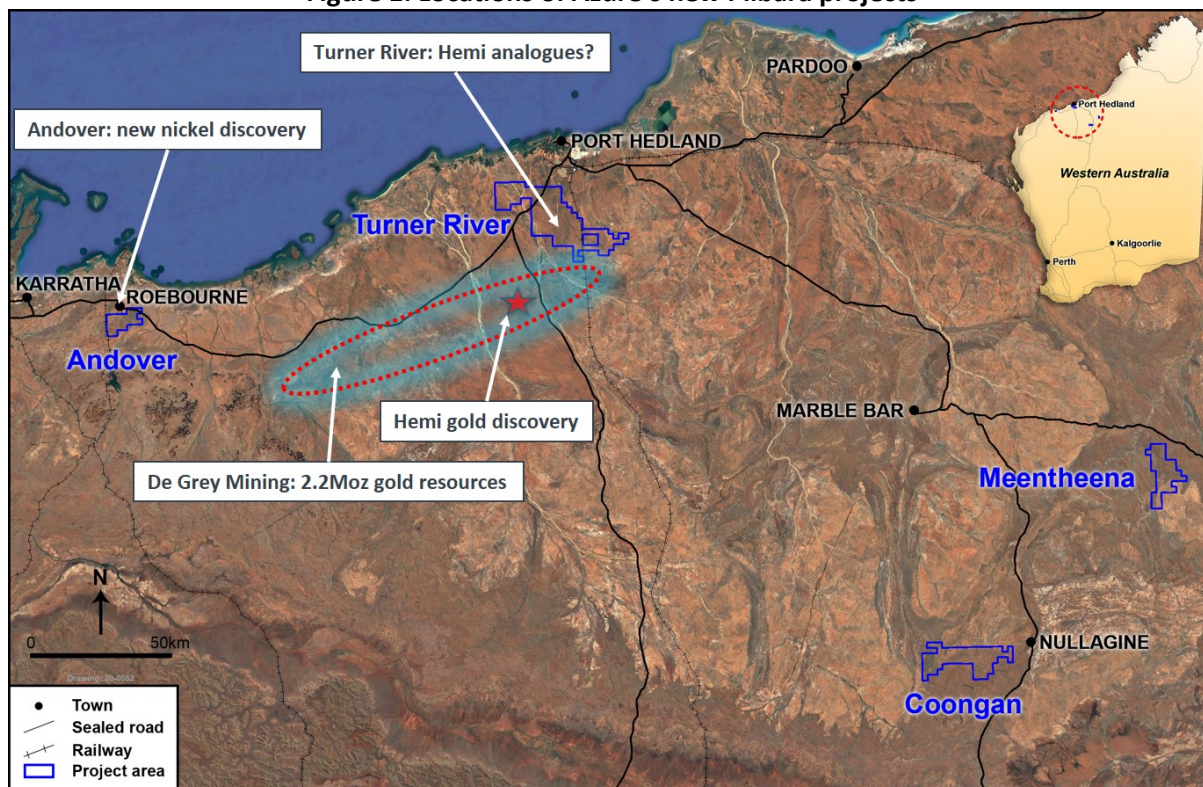
- **GGC-002: 30m @ 0.68% Cu from 22.5m; including 6.0m @ 2.30% Cu**
- **GGC-003: 18m @ 0.96% Cu from 21.0m; including 1.5m @ 7.03% Cu**

AUSTRALIA

Subsequent to the end of the quarter, Azure announced (ASX: 17 July 2020) that it has entered into two Tenement Sale and Exploration Joint Venture Agreements with entities controlled by prominent mining prospector Mr Mark Creasy ("Creasy Group"); one to acquire a 60% interest in the Andover nickel-copper project and another to acquire 70% interests in the Turner River, Meentheena and Coongan Gold Projects, located in the Pilbara region of Western Australia (see Figure 1).

Post shareholder approval of this transaction, the Creasy Group will emerge as Azure's largest shareholder with a 19.1% interest.

Figure 1: Locations of Azure's new Pilbara projects



Andover Nickel-Copper Project

The **Andover Nickel-Copper Project** hosts nickel and copper sulphide mineralisation discovered by the Creasy Group in 2018 (refer Azure's ASX announcement: 17 July 2020). Three holes intersected significant nickel and copper sulphide mineralisation at shallow depths in two separate targets, returning:

ADRC002: 7m @ 2.62% Ni & 0.65% Cu within 26m @ 1.03% Ni & 0.46% Cu from 43m

ADRC006: 2m @ 2.10% Ni & 0.44% Cu from 15m

ADRC001: 4m @ 1.10% Ni & 0.80% Cu from 6m and 2m @ 1.77% Ni & 0.53% Cu from 62m

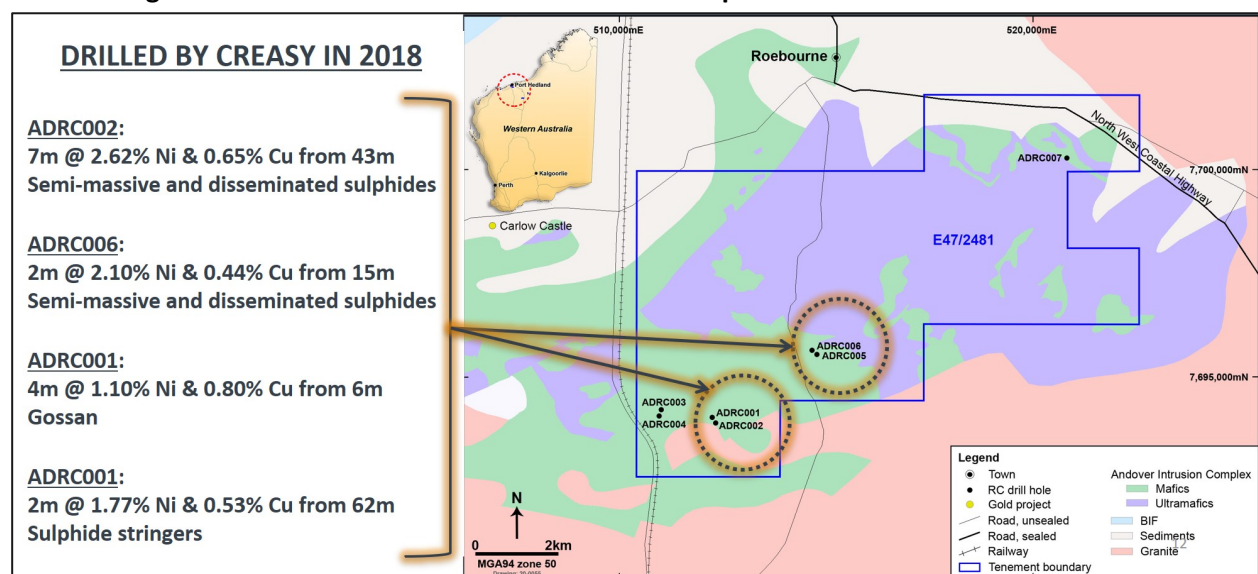
The 70km² project covers most of the Andover Mafic-Ultramafic Intrusive Complex with historical exploration identifying nickel, copper, cobalt, platinum and palladium mineralisation. Being a layered mafic-ultramafic intrusion, Andover contains similar geology to the Fraser Range Province (host to the Nova-Bollinger nickel-copper mine and Legend Mining's Mawson nickel-copper discovery) and the Julimar Intrusive Complex (host to Chalice Gold Mine's Gonnevill nickel-copper-PGE discovery).

The Creasy Group has undertaken airborne and ground electromagnetic (EM) surveys, surface mapping and sampling, and Reverse Circulation (RC) drilling on the Andover property. Numerous bedrock-hosted EM conductors were detected together with outcropping gossans containing strongly anomalous values of nickel, copper and cobalt.

Seven RC drill holes tested four targets and three holes (ADRC001, 002 & 006) intersected semi-massive, stringer and disseminated nickel and copper sulphide mineralisation with potentially economic grades and widths in two separate locations (see Figure 2). Follow-up down-hole EM surveys confirmed the presence of strong off-hole conductors in all of these holes, indicating potential for extensive sulphide mineralisation both down-dip and along-strike.

Azure is planning a diamond drilling program to follow-up these nickel-copper occurrences and to drill the numerous other geophysical and geological targets that remain untested throughout the 70km² property. Drilling is planned to commence as soon as possible following the shareholder meeting scheduled for 26 August 2020.

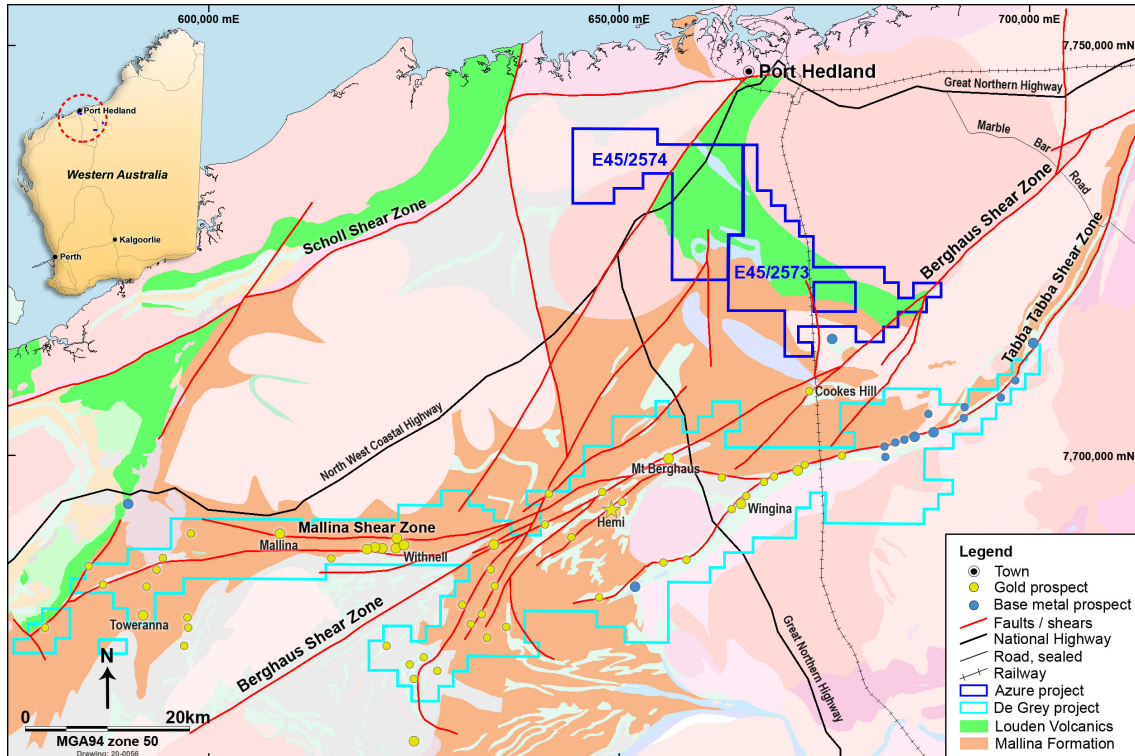
Figure 2: Andover mafic-ultramafic intrusive complex with drill hole collar locations



Turner River Gold Project

The **Turner River Gold Project** comprises two Exploration Licence applications covering 450km² located just south of Port Hedland (see Figure 3). The property is mostly sand-covered and there are no indications of drilling or other historical exploration within the project area.

Figure 3: Turner River Gold Project showing geology, structural setting & gold deposits/occurrences



Turner River contains Mallina Formation sediments and granite intrusions as are found on De Grey Mining's nearby Mallina Gold Project, which hosts 2.2Moz of gold resources and the recent Hemi gold discovery. De Grey's exploration has confirmed that substantial gold deposits are associated with the confluence of granite intrusions into the Mallina sediments and regionally extensive cross-cutting shear zones like the Berghaus Shear Zone.

Importantly, approximately 12 kilometres of the fertile Berghaus Shear Zone, which is associated with Hemi and the nearby Mt Berghaus (De Grey) and Cookes Hill (Haoma Mining) gold deposits, cuts through the south-eastern part of the Turner River project area. This shear corridor crosses both Mallina sediments and the Louden greenstone volcanic belt, making this area a priority exploration target for both intrusive-related and shear-hosted gold deposits.

The extensive sand cover, minimal historical exploration, proximity to De Grey's strongly mineralised project area and gold deposits, favourable rock types and fertile structural setting all highlight the strong potential for Turner River to host substantial gold mineralisation.

Azure will undertake geophysical surveys and reconnaissance drilling within this unexplored project as soon as the tenements are granted.

Meentheena and Coongan Gold Projects

The Meentheena and Coongan gold exploration projects are located in the eastern Pilbara. Meentheena is located approximately 80km east of Marble Bar with easy access via the sealed Marble Bar to Telfer Gold Mine road and Coongan is located 8km to the west of Nullagine (see Figure 1).

Meentheena covers 223km² and the project area has been explored by the Creasy Group for more than 25 years. It is considered prospective for epithermal-style gold mineralisation and Creasy Group exploration has identified strongly anomalous gold and silver values and high levels of the pathfinder minerals arsenic, antimony and mercury associated with silica flooding, quartz and sulphide veining, and crackle breccias indicative of an epithermal event.

The Creasy Group drill-tested this zone with five RC holes totalling 2,204m and one 706m diamond core hole. Several holes intersected epithermal-style alteration, veining and brecciation with anomalous precious metals and pathfinder elements. Azure plans to undertake further exploration, initially comprising surface studies followed by drilling.

Coongan covers an area of 141km². It is situated immediately west of Nullagine and adjoins the western boundary of Novo Resources' Beatons Creek Conglomerate Gold Project (current resources of 903,000oz @ 2.53g/t Au in conglomerate, alluvial and reef gold). Until recently a joint venture with Creasy related entities, Novo announced (15 June 2020) that it had consolidated sole ownership of the Beatons Creek project by acquiring the Creasy Group interests.

There are numerous mineral occurrences and deposits reported in the immediate vicinity of Coongan, including gold to the northwest and east, copper to the north, Channel Iron Deposits (CID) to the south and tin, tantalum and lithium to the east. The project is considered prospective for alluvial and conglomerate-hosted gold similar to that at Beatons Creek and also bedrock-hosted primary gold mineralisation.

Exploration undertaken by the Creasy Group focused on the western half of the project area and comprised surface geochemical sampling (stream sediment and rock chip) and a close-spaced detailed aeromagnetic survey. Numerous target areas were identified that warrant follow-up with infill stream sediment sampling, soil sampling, detailed rock chip sampling and geological mapping. In addition, the eastern half of the property requires similar reconnaissance exploration and an aeromagnetic survey. Next stage exploration programs are being planned and will be executed in the coming tenement year.

CORPORATE

Project Acquisition

Subsequent to the end of the quarter, Azure entered into Tenement Sale and Exploration Joint Venture Agreements ("Agreements") with Mark Creasy and the Creasy Group to acquire:

- a 60% interest in the Andover Nickel-Copper Project with the Creasy Group retaining a 40% interest, and
- 70% interests in the Turner River, Meentheena and Coongan Gold Projects with the Creasy Group retaining 30% interests in each project.

Total consideration and terms for this acquisition are:

- Azure will issue 40,000,000 Azure shares to the Creasy Group; and
- Azure will sole-fund exploration and free-carry the Creasy Group's interests under both agreements through to execution of a Mining Venture Agreement including the completion of any bankable feasibility studies.

The Agreements are subject to shareholder approval. Shareholders of Azure will be asked to approve the Agreements at a meeting which is scheduled to be held on 26 August 2020.

Following shareholder approval and issuance of the shares, Creasy Group's holding in Azure will increase to approximately 19.1%, from its current 3.0% holding.

Placement

The Company received binding commitments from professional and sophisticated investors to raise gross proceeds of A\$4 million by way of a share placement. Proceeds of the Placement will be used to fund initial exploration at these new gold and nickel projects, fund ongoing exploration at the Alacrán silver, gold and copper project in Mexico, for working capital, and to pay costs of the capital raising.

Canaccord Genuity (Australia) Limited acted as Sole Lead Manager to the Placement.

Under the Placement, a total of 40.0 million shares will be issued at a price of \$0.10 per share. This represents a 7.0% discount to the 15 day volume weighted average price (VWAP) of the Company's shares and a 2.1% premium to the 30 day VWAP on the days which trades were recorded leading up to this announcement.

The issue of 23,000,000 shares for \$2.3 million was completed on 24 July 2020. The balance of 17,000,000 shares for \$1.7 million will be issued to the Company's largest shareholder Deutsche Balaton Aktiengesellschaft ("DBA") and is subject to shareholder approval at a meeting to be held on 26 August 2020.

Other

During the quarter the company expensed some \$300,000 on the exploration activities reported above.

Payments to related parties of the entity and their associates totalled \$81,000 and consisted of Executive Service fees.

No mining concessions were acquired or relinquished during the quarter.

Cash balance at 30 June 2020 was approximately A\$0.85 million.

Authorised for release by Brett Dickson, Company Secretary

-ENDS-

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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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for	-	-
	(a) exploration & evaluation	(300)	(2,844)
	(b) development	-	-
	(c) production	-	(894)
	(d) staff costs	(176)	(1,127)
	(e) administration and corporate costs	(135)	(1,270)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	15
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other - (prior year IVA recovered - Mexican GST)	-	1,037
1.9	Net cash from / (used in) operating activities	(607)	(5,083)
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	(163)
	(c) property, plant and equipment	-	(29)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	35
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(157)
3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,020
3.2	Proceeds from issue of convertible debt securities	-	2,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(301)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(125)
		50	50
3.10	Net cash from / (used in) financing activities	50	5,644
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,496	650
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(607)	(5,083)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(157)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	50	5,644
4.5	Effect of movement in exchange rates on cash held	(89)	(204)
4.6	Cash and cash equivalents at end of period	850	850

Consolidated statement of cash flows		Current quarter \$A'000	Previous quarter \$A'000
5	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	792	3,530
5.2	Call deposits	58	58
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	850	3,588

6	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

7	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Current quarter \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Convertible Notes listed in item 3.2)*	2,000	2,000
7.4	Total financing facilities	2,000	2,000
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

* 2 million Convertible Notes were issued to Deutsche Balaton Aktiengesellschaft (1 million) and Delphi Unternehmensberatung Aktiengesellschaft (1 million) each with a face value of \$1 convertible into 13,793,103 ordinary shares in Azure Minerals at a conversion price of \$0.145 per share. The notes were issued on 19 July 2019, have a term of 2 years and accrue interest at a rate 12.5% pa paid in arrears every 6 months after issue.

8 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(607)
8.2 (payments for exploration & evaluation classified as investing activities)(item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(607)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	850
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	850
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.40
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions: 1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? <div data-bbox="220 683 1431 788"> Answer: No, now that some restrictions which were previously in place due to the COVID-19 pandemic </div> 2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? <div data-bbox="220 896 1431 1001"> Answer: Yes, during July 2020 the Company received binding commitments from professional and so </div> 3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? <div data-bbox="220 1081 1431 1187"> Answer: N/A </div>	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2020

Authorised by: Brett Dickson, Company Secretary

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Annexure 1					
Schedule of Interests in Mining Tenements					
Project	Common Name	Mineral	Tenement	Initial Percentage	Final Percentage
Oposura, Sonora - Mexico	El Monstruo De Plomo	All Minerals	180473	100%	100%
	Don Genaro	All Minerals	180474	100%	100%
	El Crestón De Plomo	All Minerals	180475	100%	100%
	Candelaria	All Minerals	180476	100%	100%
	El Hueco	All Minerals	180477	100%	100%
	Campo De Plomo	All Minerals	180602	100%	100%
	Oposura Número 2	All Minerals	180603	100%	100%
	Oposura Número 4	All Minerals	180604	100%	100%
	Oposura Número 6	All Minerals	180605	100%	100%
	El Encinal	All Minerals	223473	100%	100%
Sara Alicia, Sonora - Mexico	Sara Alicia	All Minerals	165539	100%	100%
	Sara Alicia II	All Minerals	TBA	0%	100%
El Tecolote, Sonora - Mexico	El Tecolote	All Minerals	243923	100%	100%
	El Tecolote III	All Minerals	234586	100%	100%
Promontorio, Chihuahua - Mx	Hidalgo	All Minerals	235270	100%	100%
	Promontorio	All Minerals	235269	100%	100%
	El Magistral	All Minerals	218881	100%	100%
	Promontorio 1	All Minerals	245495	100%	100%
	Promontorio 2	All Minerals	245496	100%	100%
	Promontorio 3	All Minerals	245497	100%	100%
	Promontorio 4	All Minerals	245505	100%	100%
	Promontorio 5	All Minerals	245500	100%	100%
	Promontorio 6	All Minerals	245498	100%	100%
	Promontorio 7	All Minerals	245506	100%	100%
	Promontorio 8	All Minerals	245507	100%	100%
	Promontorio 9	All Minerals	245501	100%	100%
	Promontorio 10	All Minerals	245499	100%	100%
	Promontorio 11	All Minerals	245502	100%	100%
	Promontorio 12	All Minerals	245503	100%	100%
	Promontorio 13	All Minerals	245504	100%	100%
Oso Negro, Sonora - Mexico	El Sahuaro	All Minerals	243322	100%	100%
	Oso Negro	All Minerals	application	100%	100%
Panchita, Sonora - Mexico	Panchita	All Minerals	212767	100%	100%
	Dona Panchita	All Minerals	192097	100%	100%
San Augustin, Sonora - Mexico	San Augustin1	All Minerals	238325	100%	100%
Alacran, Sonora - Mexico	Kino 3	All Minerals	166312	100%	100%
	Kino 2	All Minerals	166313	100%	100%
	Kino 4	All Minerals	166314	100%	100%
	Kino 8	All Minerals	166315	100%	100%
	Kino 9	All Minerals	166316	100%	100%
	Kino 10	All Minerals	166317	100%	100%
	Kino 11	All Minerals	166318	100%	100%
	Kino 15	All Minerals	166365	100%	100%
	Hidalgo No. 4	All Minerals	166366	100%	100%
	Kino 16	All Minerals	166367	100%	100%
	Hidalgo No. 3	All Minerals	166368	100%	100%
	Hidalgo No. 2	All Minerals	166369	100%	100%
	Hidalgo No. 5	All Minerals	166370	100%	100%
	Hidalgo No. 6	All Minerals	166371	100%	100%
	Hidalgo No. 8	All Minerals	166372	100%	100%
	Hidalgo No. 7	All Minerals	166373	100%	100%
	Hidalgo	All Minerals	166374	100%	100%
	Hidalgo No. 9	All Minerals	166375	100%	100%
	San Simon	All Minerals	166376	100%	100%
	San Simon No. 2	All Minerals	166377	100%	100%
	El Alacran	All Minerals	201817	100%	100%