28 October 2016

QUARTERLY ACTIVITIES REPORT
FOR PERIOD ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

ALACRÁN PROJECT

Mesa De Plata

- Development activities including metallurgy, mineral processing, mining, environmental and permitting continue to progress well
- Core drilling for advanced metallurgical program completed, with high grade silver intersected; including **MDPQ-001: 20.3m @ 1,034g/t Ag from 14.1m**
- Infill RC drilling to upgrade resource from Indicated to Measured status completed, returning excellent mineralised intercepts; including **MDPC-107: 45.7m @ 442g/t Ag from 1.5m**
- Drilling demonstrates excellent continuity of high grade silver mineralisation

Loma Bonita

- Drilling extends gold zone to over 600m length, including strongly mineralised intercepts:
    - **MDPC-089: 49.5m @ 1.59g/t Au & 29g/t Ag from 54.0m**
    - **MDPC-090: 30.0m @ 1.56g/t Au & 15g/t Ag from 34.5m**
    - **MDPC-096: 67.1m @ 1.56g/t Au & 21g/t Ag from surface**
- Gold mineralisation is hosted in the oxide zone containing good metallurgical recoveries
- Mineral resource estimation underway

PROMONTORIO PROJECT

- Deep diamond drilling program comprising nine holes completed for 8,783m
- Extensive zones of low grade porphyry and epithermal copper-gold mineralisation intersected
- Technical evaluation of exploration results is in progress

CORPORATE

- Azure retains a strong cash balance of $13.9 million at end of the September Quarter

Azure's Managing Director, Tony Rovira commented: "*Azure continues to make excellent progress at our flagship Alacrán Project, with results from various drilling programs and metallurgical studies continuing to increase our confidence in the merits of the Project. The main work program during the fourth quarter will be the completion of a resource upgrade for Mesa de Plata and the estimation of a maiden mineral resource for Loma Bonita.*"

ALACRÁN PROJECT (Azure can earn 100% ownership from subsidiary of Teck Resources Limited ("Teck") subject to an underlying back-in right retained by Teck and a 2% NSR retained by Group Mexico)

Mesa de Plata Drilling and Mineral Resource Upgrade

The principal field activity at Mesa de Plata has been the completion of a reverse circulation (RC) drilling program. Comprising a total of 55 holes for 2,930m, this program was designed to:

1. infill the hole spacing in the High Grade Zone from a 50m x 50m pattern to approximately 25m x 50m (see Figure 1) to increase confidence in the internal continuity of grade and width and enable the High Grade Zone mineral resource to be upgraded to Measured status; and
2. test the edges of the High Grade Zone to improve definition of the boundaries between high grade mineralisation and other grade domains.

Assays from this infill drilling program (ASX: 27 October 2016) have confirmed widths and grades identified in the earlier drilling programs, and corroborated the initial interpretation of the presence and continuity of the high grade silver mineralisation. Resource modelling incorporating this new information is underway and Azure expects to release an updated resource by year's end.

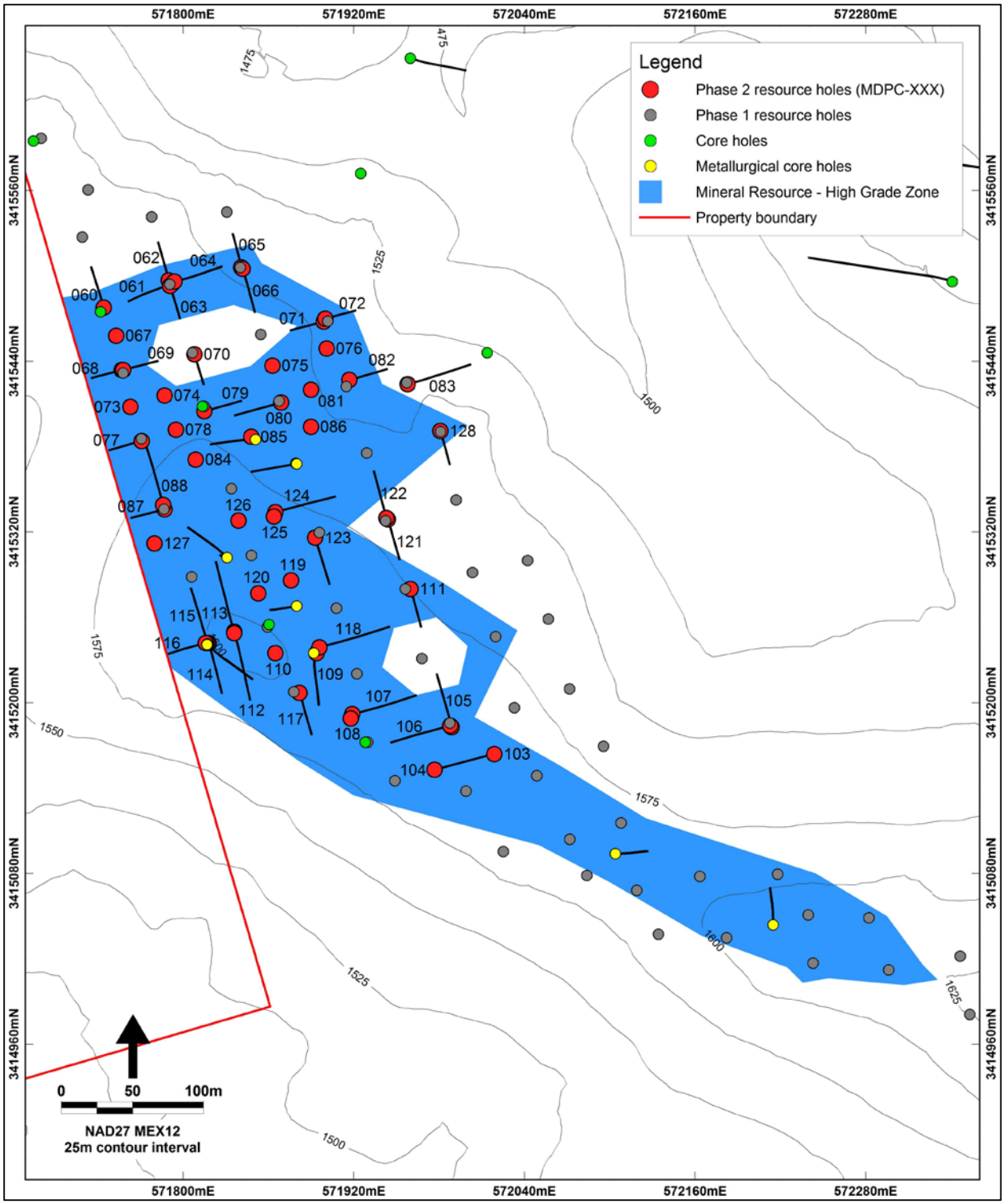
As expected, drilling intersected significant widths of near-surface, high grade silver mineralisation in the central part of the High Grade Zone (see Table 1 below for significant silver intercepts and ASX release dated 27 October 2016 for drill hole details).

Table 1: Significant silver intercepts from RC drilling at Mesa de Plata[1]

HOLE No	DEPTH (m)		INTERCEPT	GRADE
	FROM	TO	LENGTH (m)	Ag (g/t)
MDPC-068	21.3	30.4	9.1	884
MDPC-069	18.3	32.0	13.7	518
MDPC-074	4.6	24.4	19.8	288
MDPC-106	13.7	36.6	22.9	250
MDPC-107	1.5	47.2	45.7	442
MDPC-108	7.6	16.7	9.1	1,029
MDPC-109	0.0	36.6	36.6	256
MDPC-110	16.8	45.8	29.0	841
MDPC-112	33.5	45.7	12.2	449
MDPC-113	10.7	48.8	38.1	285
MDPC-117	15.2	27.4	12.2	333
MDPC-118	21.3	42.7	24.4	258

[1] Using a 90g/t Ag lower grade cut-off.

Figure 1: Mesa de Plata drill hole plan



Mesa de Plata Development Studies

As part of the broader program of Mesa De Plata project development studies, the Company collected representative bulk samples to facilitate advanced metallurgical testwork.

Eight large diameter (PQ size: 85mm) core holes totalling 506m were drilled along the strike of Mesa de Plata to collect mineralisation representative of different grade domains and mineralogy.

Significant widths of high grade silver mineralisation were intersected in several holes (see Table 2 below for significant intercepts and ASX release dated 23 September 2016 for drill hole details).

Table 2: Significant silver intercepts from PQ core drilling at Mesa de Plata[2]

HOLE No	DEPTH (m)		INTERCEPT	GRADE
	FROM	TO	LENGTH (m)	Ag (g/t)
MDPQ-001	14.15	34.50	20.35	1,034
MDPQ-003	0.00	33.95	33.95	406
MDPQ-004	19.35	31.75	12.40	303
MDPQ-007	17.00	33.40	16.40	218

Bulk samples totaling more than five tonnes of mineralised material were collected and dispatched to the Kappes Cassiday & Associates laboratories in Reno, Nevada, USA. These samples are undergoing crushing and grinding tests, followed by multiple bottle roll and column leaching tests to investigate heap leach and plant processing options.

A total of 110 individual samples collected from the original RC drilling program were also dispatched to Blue Coast Research laboratory in Vancouver, British Columbia, Canada. These samples were combined into six separate composite samples for metallurgical variability testing.

In addition, following on from the excellent results achieved from the initial Loma Bonita metallurgical testwork program (ASX: 14 July 2016), extra samples from Loma Bonita and Mesa de Plata have been collected and combined for further metallurgical tests to simulate a co-treatment production scenario.

Other development study activities have been actively continued during the quarter, including environmental and hydrogeological studies, geotechnical and mining studies, and social, community and permitting activities.

[2] Using a 90g/t Ag lower grade cut-off.

Loma Bonita Drilling

Exploration at Loma Bonita continued during the Quarter, with both RC and diamond drilling testing the lateral and depth extents of the gold-silver mineralised zone.

To date 26 RC holes and 15 diamond core holes have been completed on a 50m x 50m grid pattern on eight 50m-spaced, northwest-southeast orientated section lines (see Figure 2).

Significant mineralisation has been intersected over the 600m north-south length of the Loma Bonita ridge and up to 200m east-west at the southern end of the zone (ASX: 25 August & 28 September 2016).

The mineralised zone is constrained to the east and west by erosion into arroyos (valleys), but remains open to the northwest along the ridgeline and to the southeast where the topography increases in elevation.

The greatest thickness of gold mineralisation, in some holes in excess of 100m, was intersected in the south-eastern part of the drill-tested area. In this area, a zone with potential dimensions in excess of 150m x 100m contains consistently strong gold grades (see Table 3)(ASX: 28 September 2016).

Table 3: Significant gold intercepts from drilling at Loma Bonita[3]

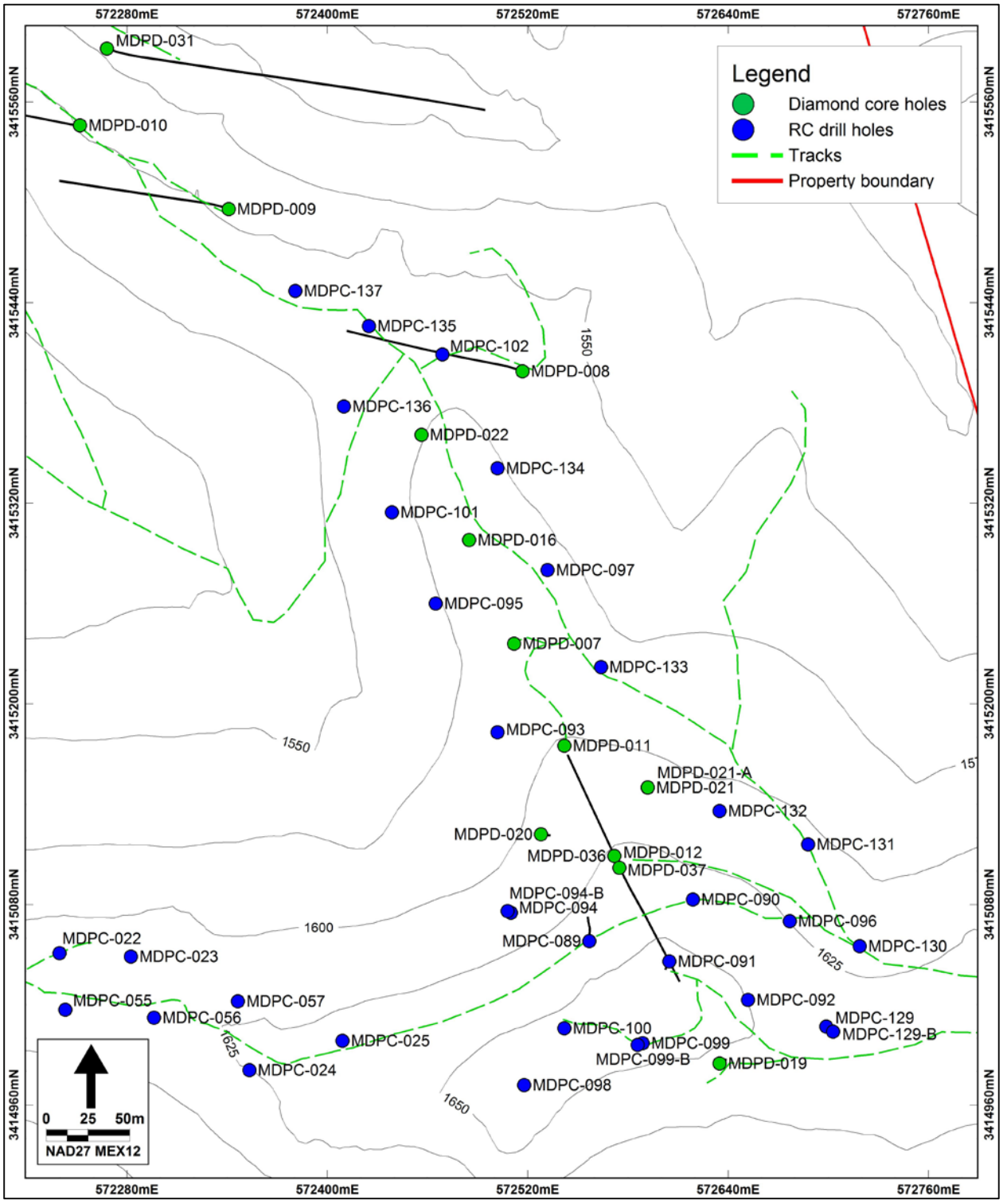
HOLE No	DEPTH (m)		INTERCEPT LENGTH (m)	GRADE	
	FROM	TO		Au (g/t)	Ag (g/t)
MDPC-089	54.0	103.5	49.5	1.59	29
MDPC-090	0.0	30.0	30.0	1.56	15
MDPC-096	0.0	67.1	67.1	1.56	21
MDPD-011	0.0	18.5	18.5	1.57	40
MDPD-012	23.0	71.0	48.0	2.68	32
MDPD-020	0.0	14.0	14.0	1.59	36

The thickness and grade of the gold mineralisation is similar to or greater than other currently operating open pit, heap leach gold mining operations in northern Mexico (for further information on this comparison, see AZS conference presentation released to the ASX 12 September 2016 on www.azureminerals.com.au).

Geotechnical logging of the drill core has been completed and Azure has commenced modelling of the Loma Bonita mineralised body. Outstanding drill hole assays will be included into the model as they are received. The mineral resource estimate for Loma Bonita is expected to be completed by year's end.

[3] Using a 1.0g/t Au lower grade cut-off

Figure 2: Loma Bonita drill hole plan



Background

The Mesa de Plata silver deposit and the Loma Bonita gold mineralised system are located on the Company's Alacrán Project, located 10 kilometres to the southeast of the Cananea Copper Mine in northern Sonora, Mexico.

Azure acquired the 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 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.

PROMONTORIO PROJECT (Azure 100%; Kennecott Exploration Mexico SA de CV ("Kennecott") may earn up to an 80% interest)

The diamond core drilling program that commenced in March 2016 was completed in early October. A total of nine holes were drilled for 8,783.7m. Assays are pending for the latter holes. Kennecott's technical team is currently undertaking an interpretation and evaluation of all data.

Drilling tested an exposed window of a felsic to intermediate subvolcanic dome complex that is surrounded and overlain by younger (post-mineral) felsic volcanic flows and pyroclastic units. The window includes copper-gold-silver mineralised bodies in the Central Zone (previously known as the Promontorio Zone) in the southeast, the Cascada Zone and the Northwest Zone.

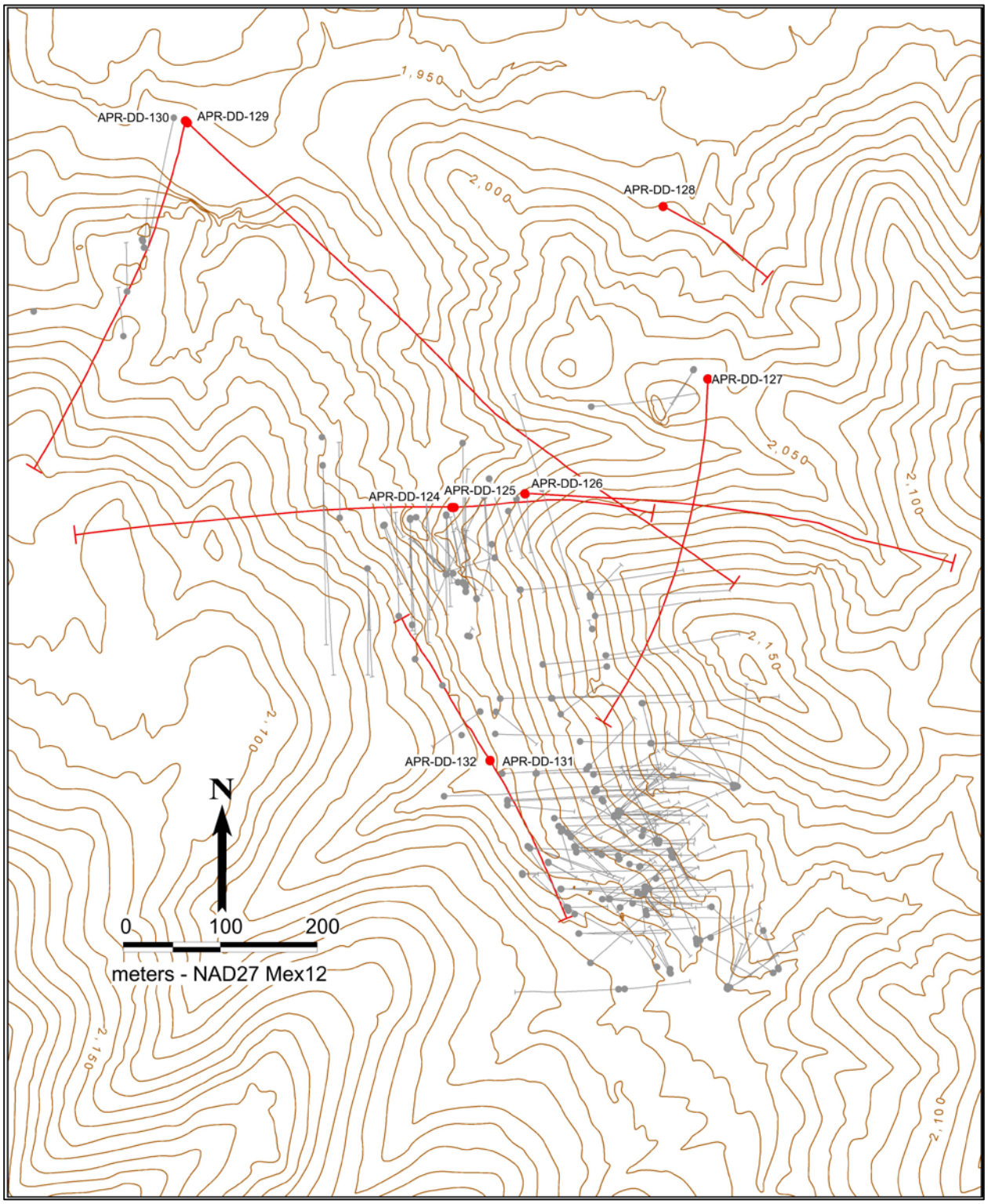
The Central and Cascada zones have demonstrated and defined JORC mineral resources within a high-sulphidation (HS) epithermal vein system. For the Promontorio (Central Zone) resource refer to ASX announcement dated 10 May 2013, and for the Cascada resource refer to ASX announcement dated 7 May 2015.

The recently completed drilling program targeted copper-gold mineralization hosted in porphyritic intrusive rocks that lie below the HS vein system. Drilling confirmed the presence of a mineralised porphyry system with well-developed quartz veining and fracture stockwork zones and prominent breccia phases (including hydrothermal +/- tourmaline) typical of porphyry systems. Copper sulphide minerals chalcopyrite and bornite are present in disseminated, vein and fracture filling forms.

From results received to date, drilling has confirmed that the porphyry contains substantial widths of low grade copper mineralisation, and internally narrow zones of higher copper grades. The intercepts of HS veins often contain high copper and gold grades. Assays remain pending for several holes and Azure expects full results to be available and reported upon before year's end.

Figure 3: Promontorio drill hole plan

(Holes drilled in 2016 by Azure/Kennecott shown in red. Pre-2016 holes shown in grey)



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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

Name of entity

AZURE MINERALS LIMITED

ABN	**Quarter ended ("current quarter")**
46 106 346 918	**30 September 2016**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	
1.2	Payments for		
	(a) exploration & evaluation	(3,166)	(3,166)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(230)	(230)
	(e) administration and corporate costs	(432)	(432)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	53	(53)
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other - JV Advances	1046	1046
1.9	**Net cash from / (used in) operating activities**	**(2,729)**	**(2,825)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(6)	(6)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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**	**(6)**	**(6)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	7,810	7,810
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(470)	(470)
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)	-	-
3.10	**Net cash from / (used in) financing activities**	**7,340**	**7,340**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,387	9,387
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,729)	(2,729)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,340	7,340
4.5	Effect of movement in exchange rates on cash held	(46)	(46)
4.6	**Cash and cash equivalents at end of period**	**13,946**	**13,946**

* Note that cash at the end of the quarter includes approximately $227,000 which has been advanced by Kennecott Exploration and is quarantined for use solely on the Promontorio project.

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	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	13,888	9,329
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)**	**13,946**	**9,387**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	108
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Includes salaries and superannuation for executive directors and fees and superannuation for non-executive directors

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	Estimated cash outflows for next quarter	$A'000
9.1	Exploration and evaluation	2,000
9.2	Development	-
9.3	Production	-
9.4	Staff costs	230
9.5	Administration and corporate costs	450
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**2,680**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-			

Refer to Annexure 1 for full list of mining tenements

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.

Sign here: (Company secretary) Date:28 October 2016

Print name: Brett Dickson

Annexure 1
Schedule of Interests in Mining Tenements

Project	Common Name		Tenement	Percentage held
El Tecolote	El Tecolote	All Minerals	230771	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio[1]	Hidalgo	All Minerals	235270	100%
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio Regional	All Minerals	234447	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%
Alacran[2]	Kino 3	All Minerals	166312	-
	Kino 2	All Minerals	166313	-
	Kino 4	All Minerals	166314	-
	Kino 8	All Minerals	166315	-
	Kino 9	All Minerals	166316	-
	Kino 10	All Minerals	166317	-
	Kino 11	All Minerals	166318	-
	Kino 15	All Minerals	166365	-
	Hidalgo No. 4	All Minerals	166366	-
	Kino 16	All Minerals	166367	-
	Hidalgo No. 3	All Minerals	166368	-
	Hidalgo No. 2	All Minerals	166369	-
	Hidalgo No. 5	All Minerals	166370	-
	Hidalgo No. 6	All Minerals	166371	-
	Hidalgo No. 8	All Minerals	166372	-
	Hidalgo No. 7	All Minerals	166373	-
	Hidalgo	All Minerals	166374	-
	Hidalgo No. 9	All Minerals	166375	-
	San Simon	All Minerals	166376	-
	San Simon No. 2	All Minerals	166377	-
	El Alacran	All Minerals	201817	-

1. Kennecott Exploration Mexico S.A. de C.V. has an option to earn up to an 80% interest in the Promontorio project.

2. Azure can earn 100% ownership from a subsidiary of Teck Resources Limited (“Teck”), subject to an underlying back-in right retained by Teck.