15 OCTOBER 2018

OPOSURA SCOPING STUDY DELIVERS OUTSTANDING ECONOMICS

EARLY PRODUCTION TARGETED FOR HIGH QUALITY PROJECT

Azure Minerals Limited (ASX: **AZS**) ("Azure" or "the Company") is pleased to announce positive outcomes from the Scoping Study ("Study") completed on its 100%-owned Oposura zinc-lead-silver project ("Oposura" or "the Project"), located in Sonora, Mexico.

Scoping Study Cautionary Statement
This Scoping Study has been undertaken to determine the potential viability of a combined open pit and underground mine with a conventional crushing, milling and flotation circuit to produce zinc and lead-silver sulphide concentrates onsite at the Oposura Project, and to provide Azure Minerals Limited with the confidence to continue with its ongoing feasibility study. The results should not be considered a profit forecast or a production forecast.
The Study is a preliminary technical and economic study of the potential viability of the Oposura Project. In accordance with the ASX Listing Rules, the Company advises it is based upon low-level technical and economic assessments (+/- 35%) that are not sufficient to support the estimation of Ore Reserves, or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised.
Further evaluation work including infill drilling, metallurgical testwork and appropriate studies are in progress and required before Azure will be in a position to estimate ore reserves and to provide assurance of an economic development case.
In accordance with ASX and ASIC guidance, the Production Target referred to in this announcement is based upon JORC Mineral Resources which are classified as approximately 75% Indicated and 25% Inferred. The Company has concluded that it has reasonable grounds for disclosing this Production Target.
The Study is based upon material assumptions outlined elsewhere in this announcement. These include assumptions about the availability of funding. While Azure considers all of the material assumptions to be based upon reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Study will be achieved.
To achieve the outcomes indicated in the Study, funding in the order of A$70 million (US$52.5 million) is likely to be required. Investors should note that there is no certainty that Azure will be able to raise funding when needed. It is also possible funding may only be available on terms that may be dilutive to or otherwise affect the value of Azure's existing shares. It is also possible that Azure could pursue other "value realisation" strategies such as a sale, partial sale or joint venture of the Project. If it does, this could materially reduce Azure's proportionate ownership of the Project.
The Company has concluded it has a reasonable basis for providing forward-looking statements included in this announcement and believes that it has a reasonable basis to expect it will be able to fund the development of the Project.
Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Study.

The Study delivers a Life of Mine (LOM) **EBITDA of A$237 million, NPV_8 (pre-tax) of A$112 million and an IRR (pre-tax) of 76%**, confirming Oposura as an economically and technically robust, high-margin project. Low operating and capital costs, high-value concentrate, strong operating cashflows, a payback period of about 16 months and, most importantly, a C1 cash cost (per pound of payable zinc production) in the lowest quartile of world zinc producers, all support the positive project economics.

Commenting on the Scoping Study, Azure's Managing Director, **Mr Tony Rovira** said: ""*The completion of this Study with its very positive project economics represents a key milestone for the Company. We're immediately progressing into the Feasibility Study stage with the intention of developing Oposura into the Company's first operating mine as swiftly as possible to take advantage of the strong zinc thematic.*

"The style of the deposit will deliver exceptionally low estimated operating costs, driven by the near-surface, high-grade mineralisation and efficient open pit and underground mining

methods which will see Oposura's costs in the lowest quartile of zinc producers globally. Furthermore, there is excellent potential that additional exploration, which is currently underway, will significantly expand the Project's resources and further improve the project economics and increase the mine life.

"We see this project as technically and financially robust and eminently financeable, and the Company has received strong expressions of interest from debt providers, concentrate off-takers and strategic parties interested at the asset level. We look forward to advancing this project expeditiously towards production that will see Azure transition from an exploration company to a producer. "

HIGHLIGHTS

Item	Approximate Value or Range	
NPV @ 8% (pre-tax)	**Range**	**A$106 – $113.5 million**
	Preferred model	**A$112 million**
IRR (pre-tax)	**Range**	**73% - 77%**
	Preferred model	**76%**
LOM gross revenue	**Range**	**A$494 – $508 million**
	Preferred model	**A$506 million**
EBITDA (LOM)	**Range**	**A$229 – $239 million**
	Preferred model	**A$237 million**
Payback period		**16 months**
Average LOM cash (C1) costs[1]		**A$0.56/lb zinc (US$0.42/lb zinc)**
Year 1 C1 cash costs		**A$0.18/lb zinc (US$0.14/lb zinc)**
Pre-production CAPEX (includes Capital Contingency of 25%)		**A$69.9 million**
Mining, crusher & DMS throughput rate		**500,000tpa**
Mill & flotation circuit throughput rate (post-DMS)		**295,000tpa**
Initial mine life		**5.3 years**
Average annual production of metal in concentrate		**19,000t of zinc 10,000t of lead 145,000oz of silver**
First lead-silver & zinc concentrate shipments		**Targeted for 2020/21**

Inputs to this Scoping Study are estimated to an accuracy of +/- 35%. The ranges listed above are representative of sensitivities and potential improvement or decrease in metallurgical recoveries.

Details of all A$ and US$ currency amounts in this Study are contained in Appendices 1 & 2 of this report.

[1] C1 cash costs represent the total mine site costs, transport and off-site costs, smelting and refining charges, royalties and taxes, net of lead and silver by-product credits on a payable metal basis

EXECUTIVE SUMMARY

INTRODUCTION

The flagship Oposura Project is a high-grade zinc-lead-silver project located in the state of Sonora, in northern Mexico (see Figure 1). Oposura is approximately 150km by sealed highway to the northeast of the Sonoran state capital of Hermosillo and about 200km south of the international border with the United States of America.

Figure 1: Plan of Mexico showing location of Oposura Project and other Azure Minerals' projects

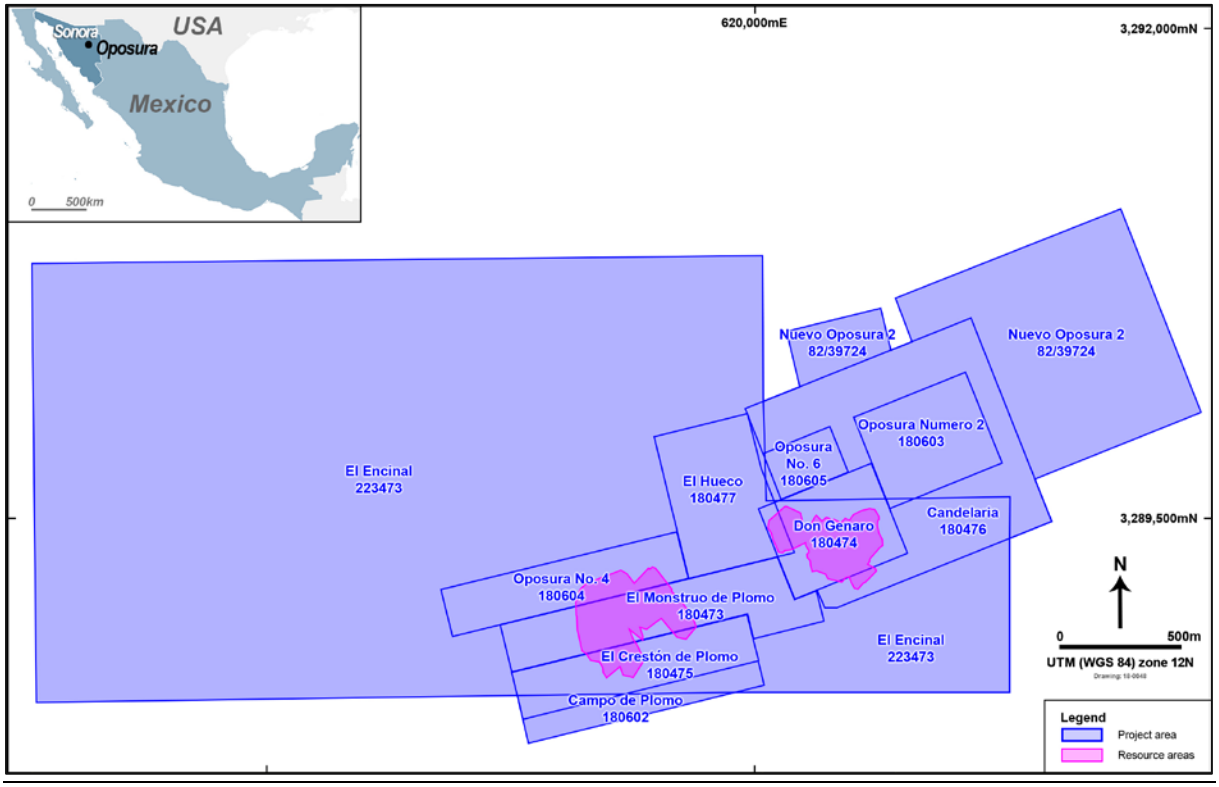
Oposura is an advanced-stage project where historical drilling and exploratory underground mine development, together with extensive recent resource drilling by Azure, has defined a substantial body of high grade, massive sulphide-hosted, zinc, lead and silver mineralisation. Based upon this drilling, the Company has delivered a Mineral Resource Estimate (MRE) of 2.9Mt @ 5.0% Zn, 2.8% Pb & 17.0g/t Ag (Indicated + Inferred; refer to Page 5, Tables 2 & 3 for full details).

Through Azure's wholly-owned Mexican subsidiary, Minera Piedra Azul, SA de CV, the Company acquired 100% ownership of all ten mineral concessions comprising the Project (see Table 1) in August 2017 for US$1,500,000 plus a 2.5% NSR royalty payable to the vendor Grupo Minero Puma SA de CV (Puma). There are no back-in, earn-back or other rights relating to the Project. The Oposura deposit is situated wholly within granted mineral concessions that are 100% owned by Azure (see Figure 2).

Table 1: Details of Oposura mineral concessions

CONCESSION NAME	TITLE No.	AREA (hectares)	GRANT DATE	EXPIRY DATE
El Monstruo De Plomo	T-180473	27.0	4 May 1987	3 May 2037
Don Genaro	T-180474	20.0	4 May 1987	3 May 2037
El Crestón De Plomo	T-180475	20.0	4 May 1987	3 May 2037
Candelaria	T-180476	50.0	4 May 1987	3 May 2037
El Hueco	T-180477	25.0	4 May 1987	3 May 2037
Campo De Plomo	T-180602	10.0	13 July 1987	12 July 2037
Oposura Número 2	T-180603	20.0	13 July 1987	12 July 2037
Oposura Número 4	T-180604	20.0	13 July 1987	12 July 2037
Oposura Número 6	T-180605	6.0	13 July 1987	12 July 2037
El Encinal	T-223473	620.0	10 January 2005	9 January 2055
Nuevo Oposura 2	82/39724	80.6	Application - awaiting grant	

Figure 2: Plan showing Oposura mineral concessions with location of mineral resource areas



The Study has demonstrated that the optimal mining rate will be approximately 0.5Mtpa from a combination of open pit and underground mining operations, at LOM average grades of 4.6% Zn, 2.6% Pb and 15.9g/t Ag, delivering an initial mine life of 5.3 years

The processing flowsheet comprises two-stage crushing followed by ore sorting utilising Dense Media Separation (DMS) to reject waste material and to feed an upgraded product to the milling and flotation circuit at approximately 0.3Mtpa at LOM average grades of 7.5% Zn, 4.1% Pb and 24.5g/t Ag.

The plant will produce approximately 35,000t of zinc concentrate and 16,000t of lead concentrate annually, containing approximately 19,000t of zinc and 10,000t of lead respectively. The annual production of lead concentrate will contain approximately 145,000 ounces of silver.

Metallurgical testwork completed for the Company by Blue Coast Research Ltd (BCR) of Parksville, British Colombia, Canada demonstrated that the proposed processing method will result in high metal recoveries and produce clean, commercial-grade concentrates with:

- Average zinc concentrate grade of 53% Zn with an average zinc recovery of 87.5%;
- Average lead concentrate grade of 60% Pb and 320 g/t Ag with an average lead recovery of 85% and an average silver recovery of 67%.

The concentrates are of marketable quality with analysis indicating low levels of deleterious elements that are unlikely to attract penalties from traders or end-use smelters. Azure has received strong interest from commodity traders for these concentrates.

The Project is expected to generate a total positive EBITDA in the range of of $A229 -$239 million with a preferred value of A$237M and a NPV_8 in the range of $106 - $113.5 million with a preferred value of A$112M.

MINERAL RESOURCES AND RESOURCES IN THE MINING PLAN

The Company has published the following Mineral Resource estimate (Tables 2 & 3) for Oposura. The Mineral Resource was estimated and classified as Indicated and Inferred Mineral Resources in accordance with the guidelines of the JORC Code (2012)[2] by global mining consultancy CSA Global Pty Ltd (CSA Global)[3], Perth, Western Australia (for full details, refer to ASX announcement of 4 July 2018):

Table 2: Oposura Mineral Resource Estimate – by classification[4]

	Tonnes	Zn	Pb	Zn+Pb	Ag
	Mt	%	%	%	g/t
Indicated	**2.1**	**5.3**	**2.9**	**8.2**	**17.2**
Inferred	**0.8**	**4.3**	**2.5**	**6.8**	**16.5**
TOTAL	**2.9**	**5.0**	**2.8**	**7.8**	**17.0**

Table 3: Oposura Mineral Resource Estimate – by zone

	Tonnes	Zn	Pb	Zn+Pb	Ag
	Mt	%	%	%	g/t
West Zone	**1.9**	**5.0**	**2.6**	**7.6**	**16.2**
East Zone	**1.0**	**4.9**	**3.2**	**8.1**	**18.5**
TOTAL	**2.9**	**5.0**	**2.8**	**7.8**	**17.0**

This Mineral Resource forms the basis of resources in the mining plan after the application of a range of modifying factors including cut-off grades, minimum mining width, mining dilution and mining recovery. The resources in the mining plan are summarised in Table 4:

[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

[3] The Mineral Resource estimate was prepared by Mr Alex Whishaw, Senior Resource Geologist at CSA Global under the direct supervision of Dr Matthew Cobb. Dr Cobb is a Principal Resource Geologist at CSA Global and qualifies as an MRE Competent Person, as defined under the JORC Code

[4] All Mineral Resources use a 1.5% Zinc Equivalent cut-off, as detailed in ASX announcement dated 4 July 2018

Table 4: Oposura resources in the mining plan – by mining method					
	Tonnes	Zn	Pb	Zn+Pb	Ag
	Mt	%	%	%	g/t
Open Pit	**1.3**	**5.1**	**2.6**	**7.7**	**18.4**
Underground	**1.2**	**4.1**	**2.5**	**6.6**	**13.1**
TOTAL	**2.5**	**4.6**	**2.6**	**7.2**	**15.9**

The mining study has identified that approximately 95% (by contained metal) of the zinc and lead mineralisation to be mined in the first year is classified in the JORC Indicated Mineral Resource category. This ensures that almost all of the payback period of 16 months is achieved by mining Indicated Resources.

Approximately 83% of resources in the mining plan mined in the first four years are classified in the JORC Indicated Mineral Resource category, and therefore Inferred Resources do not underpin the economic viability of the project. There is a low level of geological confidence associated with Inferred mineral resources and there is no certainty that further exploration will result in the determination of Indicated mineral resources or that the production target itself will be realised.

MINING METHOD

The Study has identified that the most suitable and economical mining methods at Oposura comprise low unit cost, open pit and room and pillar underground extraction methods. The design and sequencing of the mine plan have been completed by CSA Global.

Approximately 2.5Mt of resources in the mining plan will be mined at grades of 4.6% Zn, 2.6% Pb and 16g/t Ag at a mining rate of approximately 0.5Mtpa, delivering an initial mine life of 5.3 years. Mine scheduling demonstrates that minimal mining capital will be required ahead of the development of the open pits and underground stopes.

Mineral resource extraction and project economics are optimal with a single open pit on the East Zone and three open pits on the West Zone, followed by room and pillar underground mining of both mineralised bodies (see Figure 3).

These mining methods will create multiple mining faces across both the East and West Zones, providing opportunities for concurrent exploitation. This provides exceptional optionality, scheduling flexibility and risk reduction for the proposed mining operation.

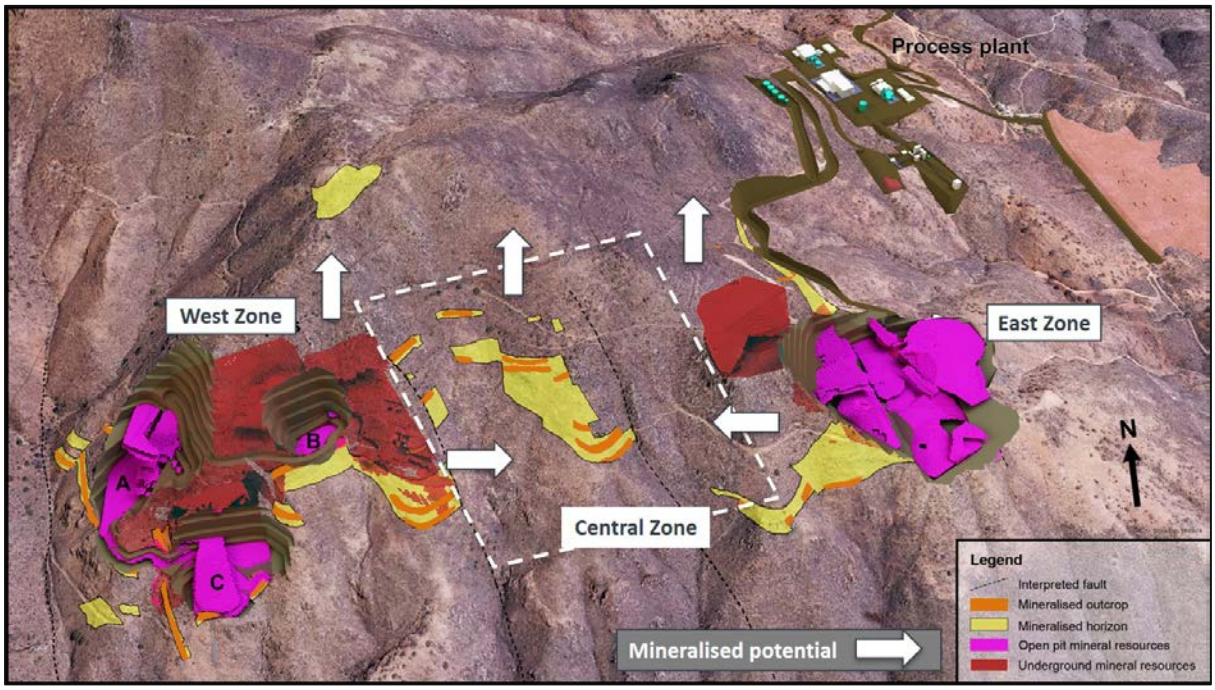
High-grade mineralisation will be accessed in the first month of the open pit mining schedule from low strip ratio pits in both the East and West Zones. It is expected that minimal pre-stripping of the open pits will be required due to the presence of significant quantities of near-surface mineralisation.

Underground mining is scheduled to commence as the two smaller pits (Pits B and C) in the West Zone are completed. Access to most underground stoping blocks can be achieved within mineralisation, and underground stopes are designed to be accessed directly from the base of the optimum pit shells in both East and West Zones. Considering the flat-lying nature of the mineralisation and utilising room and pillar mining, final resource recovery is designed to be greater than 95%, with pillar recovery scheduled as the final mining phase.

Significant exploration upside is present at Oposura with potential to increase resources by additional drilling outside of the identified deposits, particularly within the Central Zone where historical

exploration has identified the presence of the mineralised host horizon (see Figure 3). This area will be tested by drilling in the 4th Quarter of 2018.

Figure 3: Oposura East Zone and West Zone optimum open pit shells showing resources in the mining plan and additional exploration potential – elevated view from the south



PROCESSING METHOD AND CONCENTRATE QUALITY

The Oposura deposit comprises massive zinc and lead sulphide mineralisation. The Study has demonstrated that the mineralisation can be upgraded by flotation of the sulphide grains to produce separate lead-silver and zinc concentrates by utilising the industry standard process of crushing, Dense Media Separation (DMS), milling, flotation and filtration (see Figure 4).

Based upon the proposed mining rate, a crusher throughput rate of 500,000tpa is planned.

DMS is a low-cost beneficiation technology that is widely used in the mining and mineral processing industry. It utilises differences in density between liberated particles of mineralisation and waste by rejecting low density waste and concentrating high density mineralisation.

The Study demonstrates that approximately 40% of the material entering the DMS system will be rejected as waste, resulting in a commensurate upgrade in metal grades.

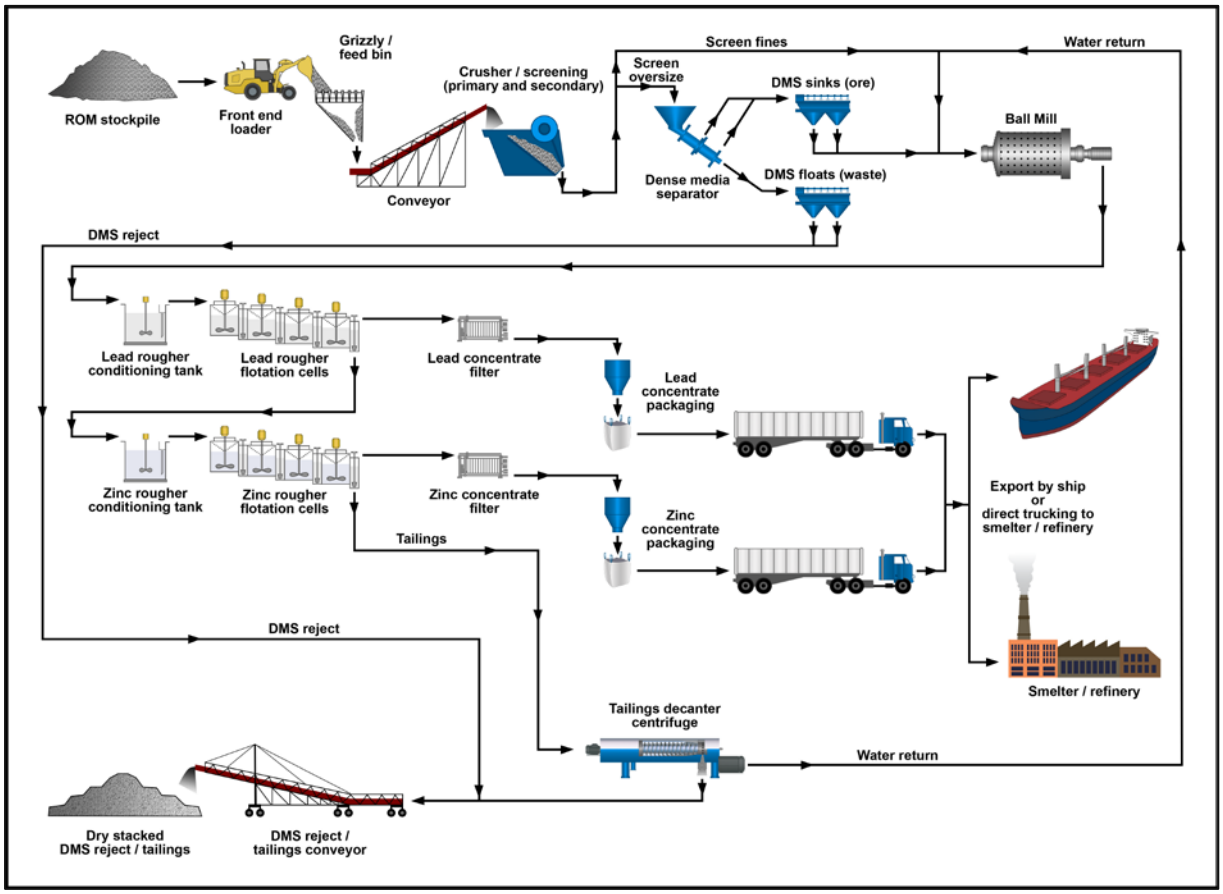
A 295,000tpa capacity milling, flotation and filtration plant has been designed to process life of mine average grades of 7.5% Zn, 4.1% Pb and 25g/t Ag.

Metallurgical testwork demonstrated that the proposed processing method will deliver high metal recoveries and produce clean, commercial-grade concentrates:

- Average zinc concentrate grade of 53% Zn with a zinc recovery of 87%;
- Average lead concentrate grade of 60% Pb with a lead recovery of 85%; and
- Average silver grade of 320g/t Ag in the lead concentrate with a silver recovery of 67%.

The plant will produce approximately 35,000t of zinc concentrate and 16,000t of lead concentrate annually, containing approximately 19,000t of zinc and 10,000t of lead respectively. Approximately 145,000 ounces of silver will be contained in the annual lead concentrate production.

Figure 4: Diagrammatic processing flow sheet for Oposura Project



PRODUCT MARKETING

Commodities trading agency BPDT & Co (BPDT) of Sydney, Australia, was requested by Azure to prepare an overview of the marketing of zinc and lead concentrates expected to be produced from Oposura.

Expected annual production is 35,000t of zinc concentrates and 16,000t of lead concentrates containing approximately 19,000t of zinc and 10,000t of lead respectively.

Based on analytical data provided, BPDT advise the concentrates appear to be of marketable quality and should attract strong interest from prospective customers.

Penalties apply for concentrates exceeding specified levels of deleterious elements/compounds. Importantly, analysis of Oposura concentrate samples indicate that they appear to be clean with very low levels of contaminants and are unlikely to attract penalties.

Given the above, BPDT also advise that Treatment Costs (TC's) and Refining Costs (RC's) and metal payability should be within industry standard ranges with no penalties applied.

Commodity traders and end-use smelters were identified as the two main customers for both the zinc and lead concentrates. It is expected there will be strong competition for the concentrates and,

already, several meetings have been held with commodity traders who have expressed interest in purchasing the Oposura concentrates.

INFRASTRUCTURE, TRANSPORT AND LOGISTICS

Azure completed concentrate transport and logistics studies assisted by M3 Engineering of Tucson, Arizona. These studies examined options for the transport of concentrate to a number of well-known concentrates blending hubs internally in Mexico operated by metals traders as well as externally via the Port of Guaymas.

The proposed mine and plant site are well serviced by existing infrastructure, including:

- Two lane bitumen national Highway 14, located 6km to the north of the plant site
- 6km single lane gravel access road from Highway 14 to the plant site
- 230kV high voltage transmission line 12km to the northwest and 34kV transmission line approximately 10km to the north
- Communications tower 10km to the northeast located in the nearby town of Moctezuma
- Several aquifers within 8km to the east
- Services in Moctezuma including a hospital, ambulance station, department and grocery stores, banking, accommodation and service stations.

Infrastructure required for the Oposura Project includes:

- Power for processing and mining operations
- Water for processing and underground drilling equipment
- Communications
- Upgraded site access road from Highway 14 to the plant site
- Offices
- Site security and medical facilities; and
- Employee accommodation

M3 conducted a number of trade-off studies prior to determining the preferred options for:

- Power supply
- Communications
- Accommodation
- Concentrate and ore transport logistics

The proposed operation is relatively small scale (approximately 0.5Mtpa mining and 0.3Mtpa processing) and the power and water requirements are not substantial. The proposed use of a DMS plant reduces power and water requirements for downstream processing operations. Dewatering of tailings using a centrifuge with water recycling reduces make-up water required for the processing plant.

The preferred option for the supply of power is the construction of a 34kVA medium voltage transmission line located to the north of the project.

Two deep bores drilled into the aquifer located in the Arenillas Valley adjacent to the plant site will provide the water requirements for the processing plant and mine. Make-up water usage requirements are estimated as 3.69 litres/second.

The 6km site access road from Highway 14 will be upgraded by widening in specific areas. The mine haul road (2.5km) will be constructed with a running surface width of 7.4m, with drainage and safety berms adequate to allow passing of light vehicles, highway trucks and mine trucks.

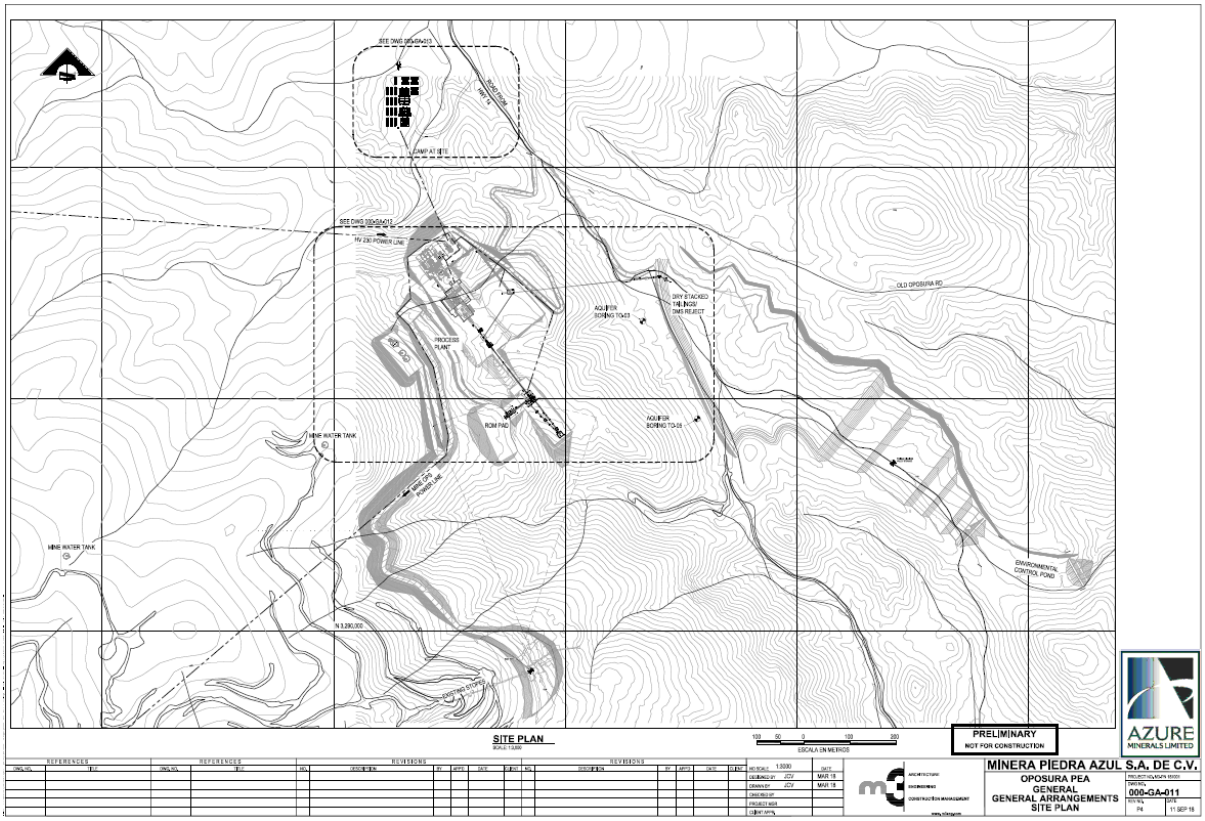
Offices for administration and technical personnel will be located at the plant site (see Figure 5).

Communications will be provided via a microwave digital link from the project to an existing communications tower located in the nearby town of Moctezuma.

A 220-person camp equipped with kitchen, mess, change rooms and laundry will be constructed on site to the north of the processing plant and mine.

Transport of equipment and consumables to site will be achieved along Highway 14 which runs between the capital city of Sonora, Hermosillo to the southwest and the border town of Agua Prieta to the north. The zinc and lead concentrates can be transported 330km along the same highway route to the Port of Guaymas for export or on the internal highway system to Mexican smelters.

Figure 5: Project Layout



ENVIRONMENT AND SURFACE RIGHTS

Azure has already received environmental approval for the development of a small-scale mine, processing plant and tailings facility involving the clearance of a surface area of up to five hectares. The Company will need to apply for this permit to be amended to allow for additional surface area clearance for an enlarged mining and processing operation.

A detailed environmental and permitting report has been completed by Delia Patricia Aguayo Hurtado of SEGEO, of Hermosillo, Mexico. The report incorporates the results of independent baseline studies into land use, regulatory regime, protected areas, climate, flora, fauna, soils, groundwater, waste rock

geochemistry, atmospheric conditions and socioeconomic issues. No issues were identified that would prevent the development and operation of the project.

The Sonora region of Mexico has a long history of mining and there are reasonable expectations that a mine and processing operation could be developed at Oposura should (or when) future studies result in the definition of an Ore Reserve

The project area is covered by two privately-owned cattle ranches. Azure has agreements in place with both ranch owners. These agreements allow access for the Company and its mining, exploration and extraction contractors.

CAPITAL EXPENDITURE

Capital expenditure required to achieve commercial production of concentrates totals approximately A$70 million, as summarised in Table 5:

Table 5: Pre-Production Capital Cost Estimates *		
Pre-Production CAPEX Estimate	**(A$ million)**	**(US$ million)**
Mine Development	0.0	0.0
Mine Infrastructure	1.2	0.9
Processing Plant	39.1	29.3
Infrastructure	1.5	1.1
Power Supply	6.5	4.9
Owners Costs	2.0	1.5
Direct Costs	**50.3**	**37.8**
Indirect Costs incl EPCM	7.8	5.9
Contingency (@25%)	11.7	8.8
Indirect Costs and Contingency	**19.6**	**14.7**
TOTAL CAPEX	**69.9**	**52.4**

OPERATING EXPENDITURE

A summary of operating cost estimates for Oposura is as follows in Table 6:

Table 6: Average Operating Cost Estimates *		
Area	**A$/lb of zinc**	**US$/lb of zinc**
Mining	0.56	0.42
Processing	0.32	0.24
Administration	0.10	0.07
TC's / RC's & Concentrate Transport	0.35	0.26
Royalties	0.17	0.13
Total Operating Costs	**1.50**	**1.12**
Credits from Lead and Silver sales	(0.94)	(0.71)
TOTAL C1 Cash Cost	**0.56**	**0.42**

* Totals may not add exactly due to rounding

KEY MATERIAL ASSUMPTIONS

Revenue and cash flow forecasts have been developed using commodity prices prevalent at the time of, and used for, the MRE (dated 4 July, 2018), and are shown in Tables 7 and 8.

Table 7: Base Assumptions (Life of Mine averages)			
Ramp up period (months)	3		
Ore mining, crushing & DMS rate (Mtpa)	500,000		
Ore milling & processing rate (Mtpa)	295,000		
Mining grades	Zn: 4.6%	Pb: 2.6%	Ag: 15.9g/t
Processing grades (post-DMS)	Zn: 7.5%	Pb: 4.1%	Ag: 24.5g/t
Concentrate grades	Zn: 53%	Pb: 60%	Ag: 320g/t
Process recovery	Zn: 87%	Pb: 85%	Ag: 67%
Metal in concentrate payability	Zn: 85%	Pb: 95%	Ag: 70%

Table 8: Financial and Production Metrics			
Milling capacity	295,000 Mtpa		
Mill Feed grades	Zn: 7.5%	Pb: 4.1%	Ag: 24.5g/t
Initial mine life	5.3 years		
Average annual zinc metal production in concentrate	19,000t		
Average annual lead metal production in concentrate	10,000t		
Average annual silver metal production in concentrate	145,000oz		
C1 cost per pound of zinc after by-product credits	A$0.55/lb zinc (US$0.42/lb)		
Pre-production capital (A$M)	A$69.9		
Metals prices (US$/t)[5]	Zn US$3,108/t	Pb US$2,411/t	Ag US$16.20/oz
US$:AU$ exchange rate	$0.75		
Average annual net cash flow	A$46M		
Net Present Value (discount rate of 8% @ Metals prices)	$106 - $113.5 million Preferred value A$112M		
Internal Rate of Return	73% - 77% Preferred value 76%		
Project payback period	16 months		

[5] Metals prices as used in Mineral Resource Estimate dated 4 July 2018

SENSITIVITY ANALYSIS

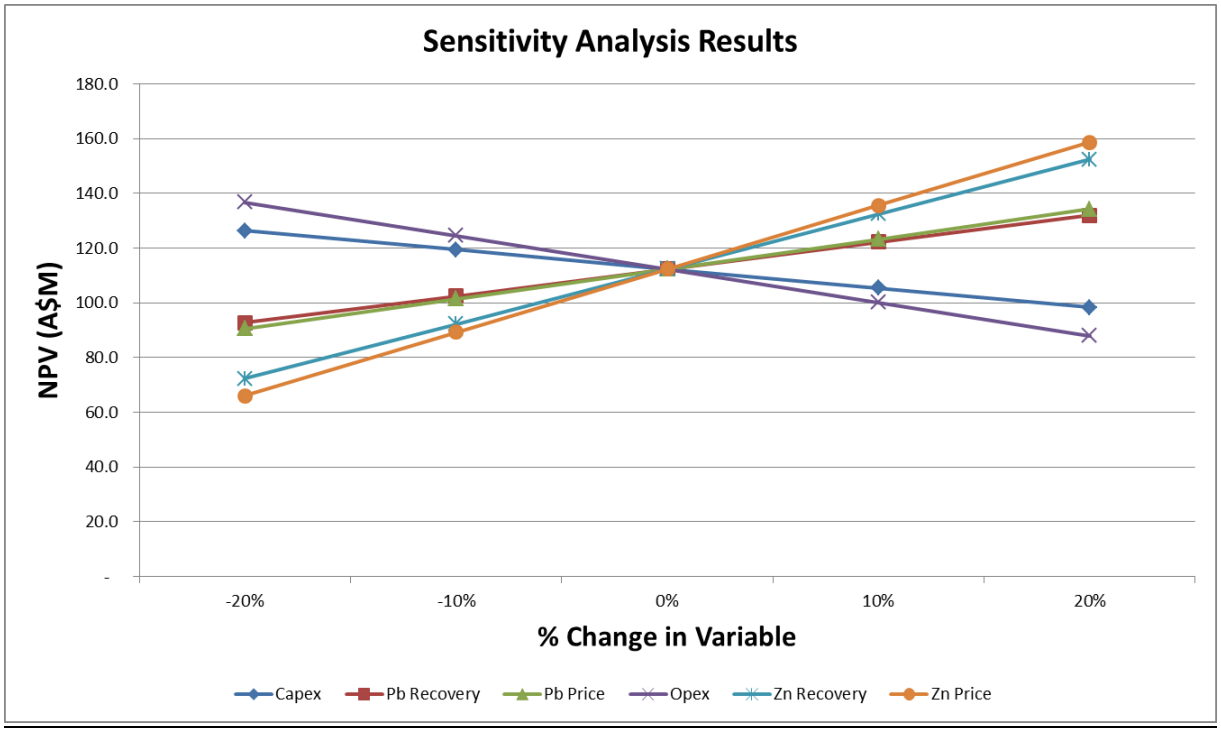
Sensitivity Analysis

A sensitivity analysis was conducted on the NPV by varying key economic assumptions (commodity prices), cost estimates (capital and operating) and technical factors (metallurgical recoveries) by +/- 10% and +/- 20%. The results of the sensitivity analysis are shown in Table 9 and Figure 6. As expected, the NPV is most sensitive to changes to metals' prices.

Table 9: Sensitivity Analysis Results

NPV Sensitivity Analysis Results – A$M					
% Change in Factor	**-20%**	**-10%**	**0%**	**+10%**	**+20%**
Ag Price	110.8	111.6	112.4	113.2	114.0
CAPEX	126.4	119.4	112.4	105.4	98.4
Pb Recovery	92.7	102.6	112.4	122.2	132.1
Pb Price	90.5	101.5	112.4	123.3	134.3
OPEX	136.8	124.6	112.4	100.2	88.0
Zn Recovery	72.3	92.3	112.4	132.5	152.5
Zn Price	66.1	89.2	112.4	135.6	158.7

Figure 6: Sensitivity Analysis Chart



TIMELINE TO PRODUCTION

The time frame from the current date to achievement of production is estimated to be a minimum of 2 years as follows:

Pre-Feasibility Study	completed by mid-2019
Definitive Feasibility Study	completed by end of 2019
Project Approvals	completed by first quarter of 2020
Construction	completed by the end of 2020
First production	late 2020 or first quarter of 2021

These estimated timings may vary dependent upon a number of factors, including prevailing metal prices, availability of funding, project and government approvals and availability of a suitably skilled workforce and equipment.

PROJECT FUNDING

The Board of Azure believes there is a reasonable basis to assume the necessary funding for the Oposura Project will be obtained for the following reasons:

- Azure has completed preliminary discussions with debt and equity providers, including existing major shareholders of Azure, and potential concentrate offtake partners. Numerous expressions of interest with regards to providing Project Financing have been received. Feedback from these discussions indicate the funding model will most likely be a mix of debt and equity with concentrate pre-payments to cover working capital requirements. Further feedback indicates that the Project should be able to be financed with 60% to 70% debt with the balance to be provided by the Company.
- Project capital costs have been estimated based by sourcing new equipment in North America. There is scope to reduce the capital costs, and hence the funding requirements, by sourcing new equipment from other jurisdictions or substituting new equipment with suitable second-hand items, many of which are available in Mexico.
- The Board and Management have a strong track record in raising exploration, development and mining project finance for numerous ASX-listed companies in addition to Azure over the last 20 years. Earlier this year Azure raised A$8.2 million and in 2016 raised approximately A$16.4 million, both before expenses of the issue.
- All directors and senior management have previous experience either as board members or senior management, in raising mine project finance including funding for Altona Mining's Kylylahti copper mine, Weatherly International's Tschudi copper mine, Jubilee Mines' Cosmos nickel mine, LionOre Australia's Emily Ann nickel mine, and Metana Minerals' Black Cat gold mine.
- Azure currently has sufficient funds to complete the next stage of studies.

NEXT STEPS AT OPOSURA

- Completing the Pre-Feasibility and Definitive Feasibility Studies by the end of 2019;
- Additional infill drilling to convert Inferred Resources to Indicated Resources. Work has commenced and is expected to be completed by the end of 2018;
- Completing its marketing exercise to obtain contract terms for the Company's Zinc and Lead-Silver concentrates.

APPENDIX 1

ADDITIONAL PROJECT AND STUDY DETAILS

History

The Project has a history of exploration and small-scale mining focused on zinc, lead and silver mineralisation dating back to the early 20th century. Several companies carried out exploration between the 1920s and 1980s, including the Anaconda Copper Company (Anaconda) from the 1940s to 1960s and Industrias Peñoles S.A.B de C.V. (Peñoles) in the 1970s to 1980s. There was a hiatus in activity on the Project from the 1980s until the previous owner, Grupo Minera Puma S.A. de C.V. (Puma), conducted a drilling program of 16 holes in early 2017.

In August 2017, Azure acquired 100% of the rights to the Project from Puma for commercial terms of US$1.5M and a 2.5% Net Smelter Return royalty.

The Oposura deposit is wholly contained within mineral concessions that are 100% owned by MPA.

To July 2018, 251 surface holes and 25 underground holes are known to have been drilled at Oposura. All drilling reported has been diamond drilling. Drill details, by company, are listed in Table 10.

Table 10: Drilling at Oposura

Company	Years	No. of Holes	Average Depth (m)	Hole Depth (m) (minimum – maximum)	Total Metres
Anaconda	1948 - 1966	52 (surface)	51.57	3.05 – 168.86	2,681.84
		25 (underground)	8.93	1.53 – 19.51	223.23
Peñoles	1976 - 1982	26	105.77	49.55 – 261.45	2,749.90
Puma	2017	16	61.43	37.15 – 120.10	982.9
Azure	2017 - 2018	157	64.49	10.65 – 134.35	10,125.70

Geology

The Oposura project is situated within the western Mexican Sierra Madre Occidental Basin and Range tectonic zone. Mineralisation predominantly occurs within a Cretaceous-age felsic volcano-sedimentary sequence comprising the Arenillas Formation, a mixed unit of tuffaceous and limestone. The footwall unit is the Revancha Rhyolite and the hangingwall unit is the Candelaria Formation.

CSA Global observed that Oposura fits the characteristics of a distal skarn, carbonate-replacement style deposit with stratabound, disseminated to massive zinc and lead sulphide mineralisation replacing limestone horizons within the Arenillas Formation.

Metallurgical Testwork

Blue Coast Research Ltd. (BCR) of Parksville, British Colombia, Canada, was contracted by Azure to conduct a metallurgical testwork program on samples from the Oposura deposit to support the Scoping Study. For details of the metallurgical testwork and results, refer to ASX announcements dated: 20 November 2017, 12 April 2018, 26 April 2018 and 12 June 2018.

The majority of the testwork was completed on a master composite that represented average metal grades of the deposit. Several other composite samples comprising various metal grades and metal ratios were used for variability testwork. Table 11 summarises the grades of the various composites.

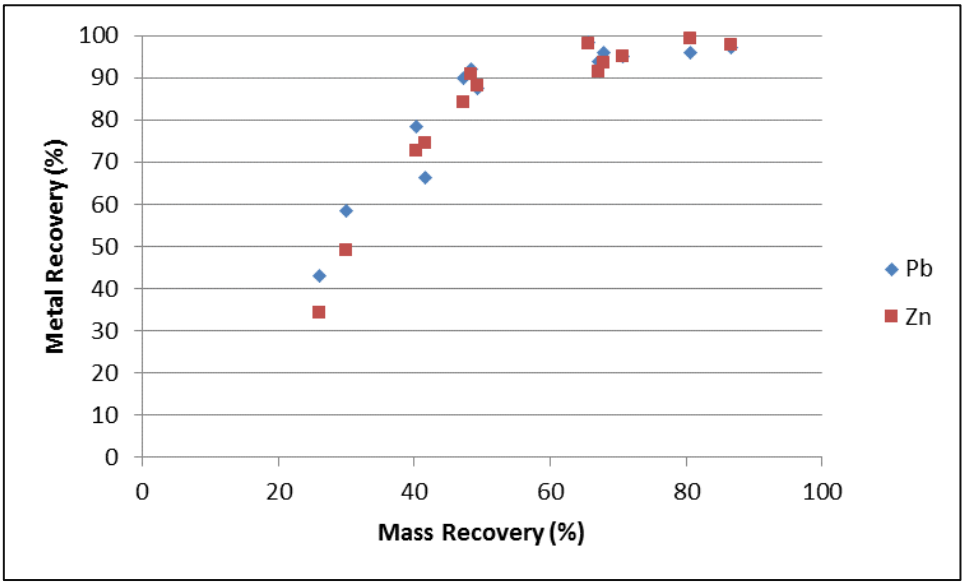
Table 11: Oposura Composite Head Assays

Composite	Sample Source	Cu (%)	Pb (%)	Zn (%)	S_{tot} (%)	Ag (g/t)
Master Composite 1	Various	0.26	4.29	6.53	7.24	26.7
High Grade Composite	Various	0.35	8.92	14.06	11.62	77.8
Comp 1	BDA-03 “A”	0.02	0.80	0.89	0.69	7.2
Comp 2	BDA-03 “C”	0.14	4.09	7.00	7.88	27.3
Comp 3	BDA-06AR “D”	0.17	6.18	5.96	7.67	18.1
Comp 4	BDA-8 “A”	0.25	6.35	7.55	6.05	24.6
Comp 5	BDA-8 “B”	0.58	2.72	18.74	12.78	131.3
Comp 6	BDA-06AR “B” & BDA-06AR “C”	0.10	6.04	7.72	10.57	21.5
Comp 7	BDA-10 “A”, BDA-11 ”B” & BDA-14R “A”	0.22	2.83	1.27	1.70	26.3
Comp 8	BDA-02 “A”, BDA-03A “A”, BDA-05 “A” & BDA-06R “A”	0.03	1.39	1.83	1.93	8.5

Heavy liquid separation tests were conducted on Master Composite 1 as well as eight variability composites (labelled Comp 1 through Comp 8). Heavy liquid simulates the effect of Dense Media Separation (DMS) in the laboratory. Mass recovery ranged between 26% and 86%. Lead recovery ranged between 43% and 98%, while zinc recovery ranged between 34% and 99%.

Figure 6 indicates that a mass recovery of approximately 60% to 65% is necessary to ensure lead and zinc recoveries in excess of 90%. The optimum SG for the Master Composite 1 was determined to be 3.0, resulting in 65% mass recovery and a contained metal recovery of 95% lead and zinc.

Figure 6: Relationship between Heavy Liquid Mass Recovery and Corresponding Pb and Zn Recovery



A grindability test program was conducted which included Crusher Work Index, Bond Ball Work Index and Abrasion Index tests. Average grade and high-grade samples were subjected to the various grindability tests to develop an understanding of the range of work indices as they may relate to grade.

These results are summarised in Table 12.

Table 12: Summary of Oposura Grindability Tests

Test	Feed Material	Result
Crusher Work Index (kWh/tonne)	Average Grade	8.7
	High Grade	8.4
Bond Ball Mill Work Index (kWh/tonne)	Master Comp 1	18.6
	High Grade	13.3
Abrasion Index (g)	Average Grade	0.375
	High Grade	0.163

A flotation testwork program was conducted using Master Composite 1 with the aim of making separate lead and zinc concentrates. A conventional flowsheet was employed using the following reagent scheme:

- Lime – for pH modification and pyrite depression
- Aerophine 3418A – Dialkyl Dithiophoshinate collector for selective flotation of galena
- Sodium Isopropyl Xanthate (SIPX) – moderate strength xanthate as a sulphide mineral collector (used here for zinc collection)
- MIBC – Methyl Isobutyl Carbinol – low persistence alcohol based frother
- Sodium Cyanide (NaCN) – for depression of zinc and iron sulphides during lead flotation (used in conjunction with zinc sulphate)
- Zinc Sulphate (ZnSO4) – for zinc depression during lead flotation (used in conjunction with sodium cyanide)
- Copper Sulphate (CuSO4) – sphalerite activator during zinc flotation

Rougher flotation testwork indicated that a primary grind of 80% passing 120µm is sufficient to liberate the galena and sphalerite.

Subsequent cleaner tests identified the following salient features:

- Lead concentrates grading >60% can be easily produced with minimal cleaning stages
- Silver recovery to the lead concentrate was 67%
- Zinc concentrate grades >50% zinc can be easily produced with three stages of cleaning
- Regrinding of concentrates to 80% passing 17 µm and 30µm respectively for lead and zinc was used in laboratory scale tests. Processing design criteria has adopted 25µm for both concentrates based on experience.

A locked cycle test was conducted to evaluate the overall metallurgical performance of Master Composite1. The locked cycle test results are summarised in Table 13.

Table 13: Master Composite 1 Metallurgical Projections from Locked Cycle Test Results

Product	Weight		Assays %, g/t				% Distribution			
	g	%	Pb	Zn	Ag	S	Pb	Zn	Ag	S
Pb Cleaner 2 Conc	344.4	5.7	61.4	7.88	324	16.4	84.0	7.0	67.1	12.3
Zn Cleaner 3 Conc	582.9	9.7	1.96	57.2	43.5	33.4	4.5	85.6	15.3	42.2
Zn Cleaner 1 Tail	571.4	9.5	0.95	2.43	13.4	9.4	2.2	3.6	4.6	11.6
Rougher Tail	4,499.9	75.0	0.52	0.34	4.8	3.5	9.3	3.9	13.1	33.9
Feed	5,998.5	100	4.19	6.49	27.7	7.69	100	100	100	100

Given that grades produced from the locked cycle test exceed the target concentrate grades of 60% lead in the lead concentrate and 53% zinc in the zinc concentrate, it will be possible to operate at a lower point on the grade-recovery relationship and achieve higher metal recoveries. Based on the dataset it was concluded that the corresponding recoveries at these benchmark grades would be:

- 85% lead recovery into a lead concentrate grading 60% Pb
- 87.5% zinc recovery into a zinc concentrate grading 53% Zn

Mining Methods

A mining study for the Oposura deposit was undertaken by CSA Global based on the Mineral Resource Estimate dated 4 July 2018. In preparing the study, CSA Global relied on rock mechanics, marketing, cut-off grade, metallurgical testwork results and a draft mining concept as supplied by Azure.

Mining Strategy

The Oposura deposit comprises two mining zones, the East and West Zones. It is proposed to mine both zones by both open pit and underground mining methods. Open pit mining is a lower cost option compared to underground mining to a certain depth of mining. The optimal transition point from open pit to underground was determined to be at a mining cost of US$32 per tonne of mineable resource.

A staged approach for the open pits is proposed to provide earlier access to mineable resources and more flexible mine scheduling. Use of small-scale mining equipment will reduce dilution while being able to maintain the required production rate.

The flat lying nature of the deposit led to the choice of tunnel room and pillar underground mining using mechanised mining equipment. Airleg stoping has been chosen as the likely alternative where mining of <3m height is required.

The location of the proposed mining operations in relation to the proposed processing plant and tailings storage area are shown in Figure 7.

Figure 7: Layout of Proposed Oposura Mining Project – Elevated View from South

The East Zone transition pit shell is a single pit approximately 300m by 300m and includes a significant proportion of high-grade material. The West Zone transition pit shell comprises three separate open pits with a total lateral extent of approximately 350m by 400m.

Room and pillar mining with 10m x 10m rooms, 4m x 4m pillars and room height dependent on mineralisation thickness have been used to define the underground mineable resources.

Mine Design

When factoring in topography, together with grade and width characteristics of the mineralised zones, the mining study demonstrates that resource extraction and project economics are optimal with a single open pit on the East Zone and three open pits on the West Zone, followed by underground mining of both deposits.

High-grade mineralisation will be accessed in the first month of the open pit mining schedule from low strip ratio pits in both East and West Zones. It is expected that minimal capital expenditure will be required for pre-stripping of the open pits due to the presence of significant quantities of near-surface mineralisation.

An open pit mine design has not been completed for this study. Pit shell outlines from Whittle were smoothed and intercepted with the digital terrain model. A selective mining approach using 5m bench

heights in waste, 2m benches in mineable resources and a minimum bench floor width of 30m have been adopted to optimise mine dilution and recovery.

The transition East Zone pit shell comprises approximately 65% of the East Zone resource and the transition West Zone pit shells comprise approximately 25% of the West Zone resource. The remaining resources of each deposit are proposed to be exploited by underground mining methods.

East and West Zone underground mines are not interconnected. Access to East Zone will be by two portals from the East Zone pit and one portal from the surface. Four portals from West Zone open pits access the West Zone underground mine. This will minimise the capital development required.

The underground mine designs are shown in Figures 8 and 9.

Figure 8: East Zone underground mine layout

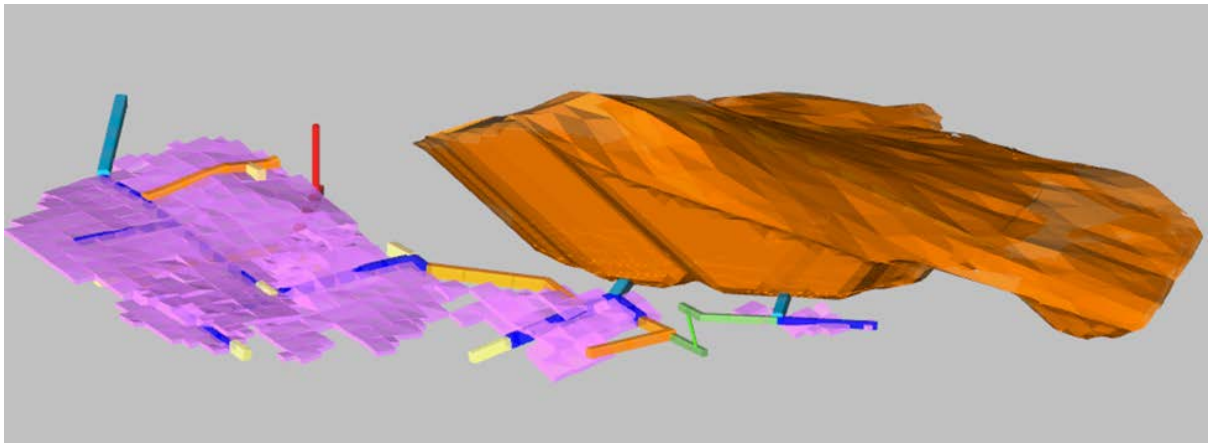
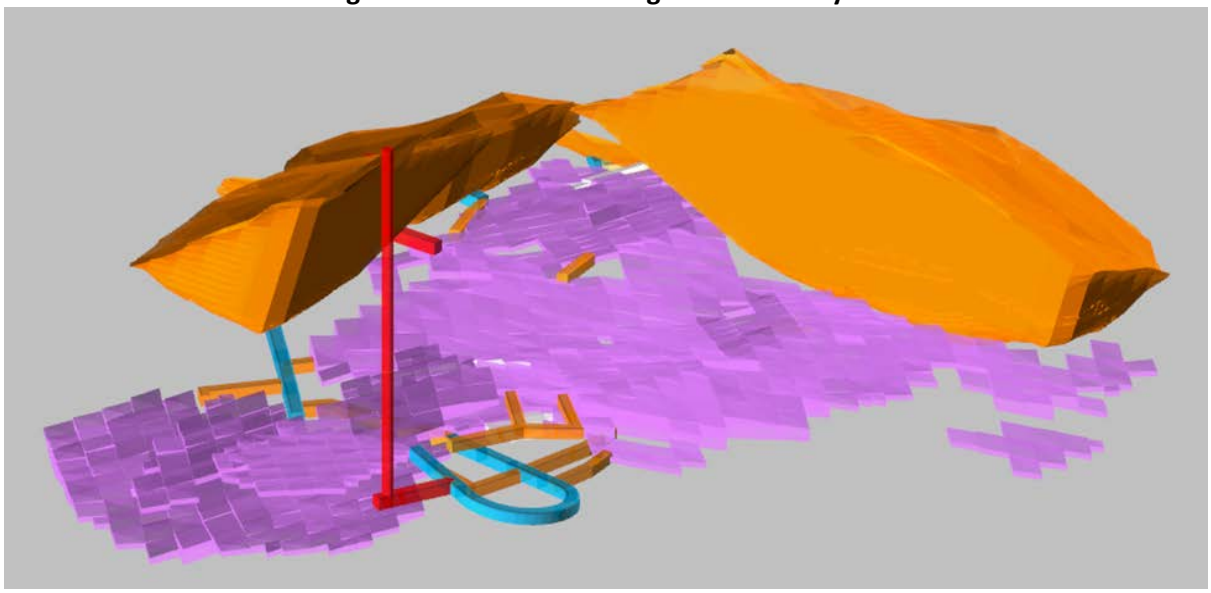


Figure 9: West Zone underground mine layout



Mine Equipment

Open Pit Equipment Selection

Open pit mining equipment has been selected based on the relatively small Selective Mining Unit (SMU) size, production rates, short waste haul distance, short ore haul distance, terrain and flexibility with underground operations.

- 100 tonne Excavator (e.g. Komatsu PC1250)
- 40 tonne articulated dump trucks (e.g. Komatsu HM400)
- Production drill (3.5 inch to 6 inch) blast holes (e.g. Sandvik Leopard DI450)
- Bulk explosives vehicle (contractor supplied) for loose loaded ANFO or emulsion
- 5 tonne Front End Loader (e.g. CAT 914M)
- Dozer (e.g. CAT D9) and grader (e.g. CAT 12M)
- Water truck (40t) for dust suppression
- Light utility vehicles
- Lighting towers are required for nightshift open pit and dumping activities

The articulated dump trucks will also be able to operate underground, providing additional production flexibility.

Underground Equipment Selection

Underground mining will use drill and blast mining methods and mechanised equipment for material transport. Drilling will use mechanised electric-hydraulic jumbo drills. Airleg stoping and ground support installation will use airleg drills. Blasting will be by blow-loaded ANFO, emulsion cartridge high explosive initiators and long-period non-electric detonators. Tunnelling and room and pillar mining will use mechanised wheel loaders to transport material throughout the underground mine. Airleg stopes will utilise airlegs and scrapers to drill and blast rock and relocate ore from the stope to the draw-point.

Proposed underground equipment includes:

- Twin boom Jumbo drill (e.g. Atlas Boomer S2) for tunnels > 3.0m height, single boom low profile (e.g. Boomer S1L) or airleg for tunnels < 3.0m height;
- Airleg equipment for rock bolt installation in tunnels < 3.5m height and airleg stopes (including scrapers);
- Charge stage fitted to an elevated work platform (EWP);
- 5t Loaders for transporting blasted rock from the face to the stockpile (e.g. CAT 1300);
- 10t Loaders (e.g. CAT 1700) for truck loading from the stockpile (loading in access drive);
- 40t trucks (e.g. Komatsu HM400, Atlas MT436B);
- EWP for mine service works (e.g. Teleporter, Integrated Tool-carrier or Scissor lift);
- Light Vehicles.

Life of Mine Production Schedule

Mining from the East and West Zone pit shells has been sequenced in stages to enhance project cashflow. The topography above each deposit is conducive to low strip ratios and the early stages of each of the optimum pit shells involve very low strip ratios to access high-grade mineralisation.

Based on the preliminary mine designs developed for the Oposura deposit, a mine production schedule (Table 14) has been developed to supply approximately 500ktpa to the crushing plant. The initial mine life is approximately 5.3 years.

In the first year of production, approximately 95% of the resources mined is classified in the JORC Indicated Mineral Resource category (based on metal content). Overall, approximately 83% of resources mined in the first four years is classified in the JORC Indicated Mineral Resource category.

Table 14: Mine Production Schedule

		Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Total Mining	Process Feed								
	Tonnes	kt	423	500	503	500	500	73	2,499
	Grade	Pb %	5.1	4.7	5.2	4.6	3.9	3.3	4.6
		Zn %	3.4	2.6	2.6	2.6	1.9	2.2	2.6
		Ag (g/t)	17.9	16.0	17.1	17.2	12.8	8.3	15.9
	Waste	kt	2,522	2,589	3,616	504	419	-	9,650
	Lateral Development	m	-	477	260	52	1,176	-	1,964
Open Pit	Process Feed								
	Tonnes	kt	423	317	254	205	118	-	1,317
	Grade	Pb %	5.1	5.4	5.9	4.7	3.2	-	5.1
		Zn %	3.4	2.6	1.9	2.2	2.1	-	2.6
		Ag (g/t)	17.9	19.7	19.8	19.2	12.9	-	18.4
	Waste	kt	2,522	2,559	3,602	501	380	-	9,564
	Strip Ratio	t:t	6.0	8.1	14.2	2.4	3.2		7.3
Underground	Process Feed								
	Tonnes	kt	-	183	249	295	382	73	1,182
	Grade	Pb %	-	3.3	4.5	4.5	4.1	3.3	4.1
		Zn %	-	2.5	3.2	2.8	1.8	2.2	2.5
		Ag (g/t)	-	9.7	14.4	15.8	12.8	8.3	13.1
	Waste	kt	-	30	14	4	39	-	87
	Lateral Development	m	-	477	260	52	1,176	-	1,964

Hydrology

As the lowest point of the deposit is approximately 200m above the valley floor and maximum rainfall is < 10cm in the months of August and September, surface water run-off is unlikely to impact open pit mining. The high elevation means that groundwater ingress is also unlikely. When recently inspected, historical underground workings showed no evidence of water ingress.

Geotechnical

Rock property tests and visual inspections of historical workings have been undertaken. A 12m high by 20m long unsupported high rock face in an old open pit stands at an angle of 60 ° to 65°. The underground workings from the 1970s demonstrate fresh rock mass characteristics lending to minimal ground support and long-term stability. Rock strength testing on both mineralised and waste rock samples returned Unconfined Compressive Strength (UCS) values ranging from 42 to 256MPa, with waste rock being more competent. No other specific geotechnical investigations have been undertaken.

Based on this information, an overall slope angle (OSA) of 45° has been adopted for open pit optimisation. The dimensions selected for room and pillar underground mining have been based on the evidence of the historical workings, being 10m by 10m with 4m square pillars, thus 6m between pillars.

Recovery Methods

M3 Engineering of Tucson, USA and Hermosillo, Mexico completed processing and infrastructure studies for the project including estimation of capital and operating costs.

Processing Description

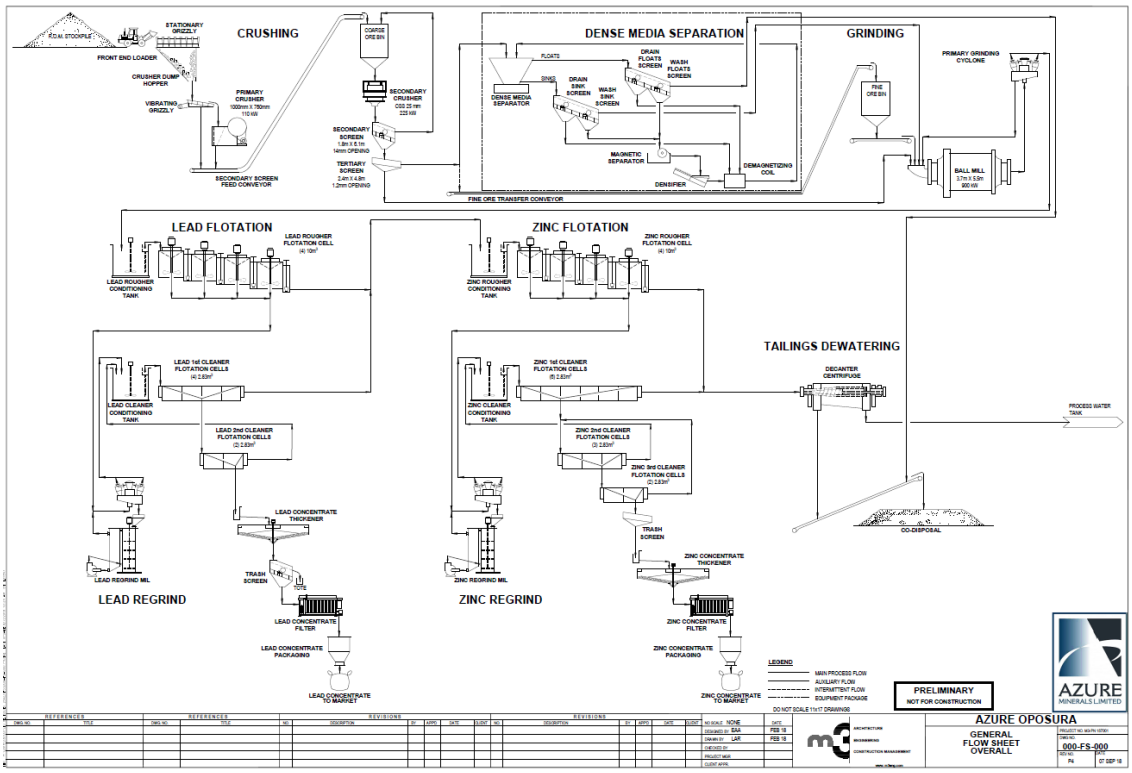
Run of Mine (ROM) material will be subject to two stages of crushing, primary then secondary, in closed circuit with a double deck screen. Undersize (fines) from the primary crusher will feed directly to the ball mill, oversize will be recycled to the secondary crusher and the mid-stream fed to Dense Media Separation 9dms0. The DMS processing is designed to remove lighter density gangue material, thus reducing the feed quantities and equipment sizes for the grinding and flotation circuits.

After grinding to 80% passing 120 microns, lead sulphides will be floated in rougher and two stage cleaner flotation cells. Most of the silver will be recovered to the lead sulphide concentrate. Tailings from the lead sulphide flotation stage will be processed to recover zinc, using rougher and three stage cleaner flotation stages. Both lead and zinc rougher concentrates will be reground to 80% passing 25 microns prior to entering the cleaning stages, based on design experience.

Tailings will be dewatered using a centrifuge and co-disposed with DMS reject material for dry stacking in the tailings' impoundment area.

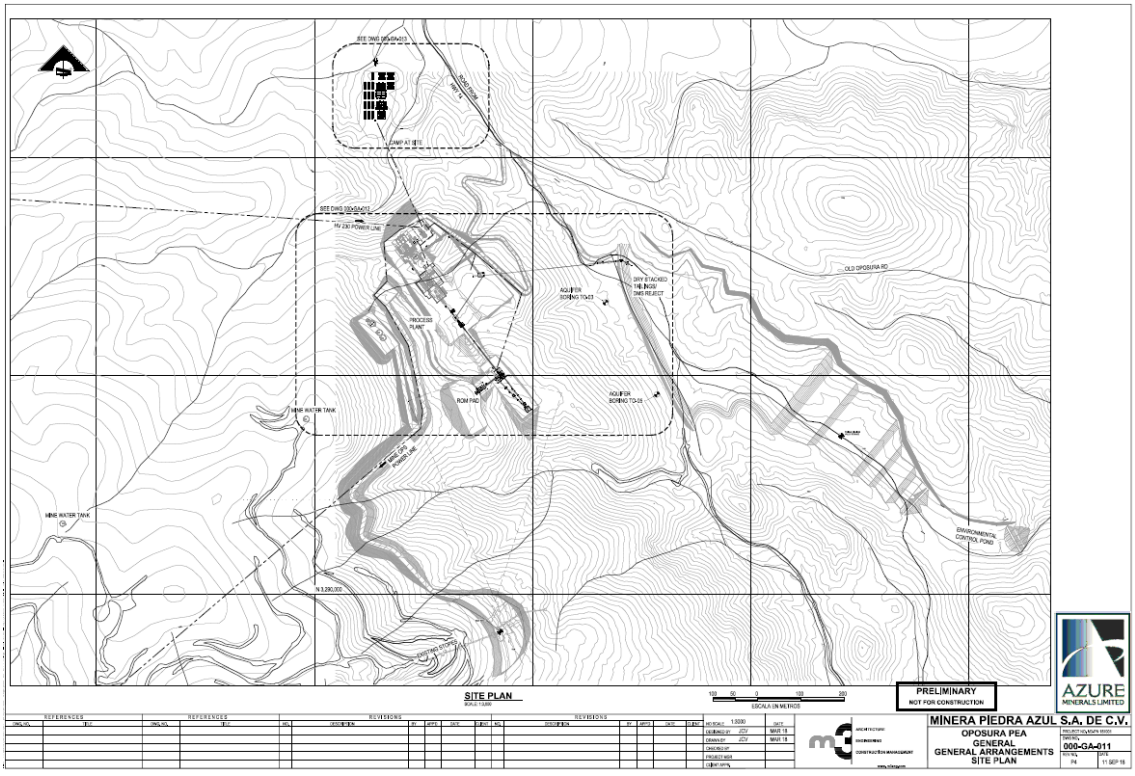
The detailed processing flowsheet is shown in Figure 10.

Figure 10: Detailed processing flowsheet



The proposed plant site layout is shown in Figure 11.

Figure 11: Plant Site Layout



Processing Schedule

The processing schedule is shown in Table 15.

Table 15: Processing Schedule *

	Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Crushing	kt	420	500	500	500	500	79	2,499
	Zn %	5.2	4.6	5.2	4.6	3.9	3.3	4.6
	Pb %	3.4	2.6	2.6	2.6	1.9	2.2	2.6
	(Zn + Pb) %	8.6	7.2	7.8	7.2	5.8	5.5	7.2
	Ag (g/t)	18	16	17	17	13	9	16
Crusher Fines	kt	71	85	85	85	85	14	425
	Zn %	7.1	6.4	7.2	6.4	5.4	4.5	6.4
	Pb %	5.30	4.0	4.0	4.0	2.9	3.4	4.0
	Ag (g/t)	26	24	25	25	19	12	23
DMS Feed	kt	349	415	415	415	415	66	2,075
	Zn %	4.7	4.3	4.8	4.3	3.6	3.0	4.3
	Pb %	3.0	2.3	2.3	2.3	1.6	1.9	2.3
	Ag (g/t)	16	15	15	16	12	8	14
DMS Product	kt	175	208	208	208	208	33	1,040
	Zn %	8.8	7.9	8.8	7.8	6.6	5.6	7.9
	Pb %	5.6	4.2	4.2	4.2	3.0	3.6	4.2
	Ag (g/t)	28	25	27	27	20	13	25
Mill Feed	kt	246	293	293	293	293	47	1,465
	Zn%	8.3	7.5	8.4	7.4	6.2	5.2	7.5
	Pb%	5.5	4.2	4.1	4.1	3.0	3.5	4.1
	Zn + Pb%	13.8	11.7	12.5	11.5	9.2	8.7	11.6
	Ag (g/t)	28	25	26	27	20	13	25
Concentrate Produced								
Zn Concentrate	kt	33.7	36.1	40.5	35.9	30.2	4.0	180.4
	Zn kt	17.9	19.1	21.4	19.0	16.0	2.1	95.6
Pb Concentrate	kt	19.3	17.3	17.2	17.2	12.4	2.3	85.7
	Pb kt	11.6	10.4	10.3	10.3	7.5	1.4	51.5
	Ag kOz	147	156	166	169	124	13	775

* Totals may not add exactly due to rounding

COST ESTIMATES IN A$

Capital Costs

A summary of estimated capital costs is provided in Table 16.

Table 16: Capital Cost Summary in A$ millions *

Capital Cost	Total	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Mining								
Mining Infrastructure	1.33	1.20	0.02	0.02	0.02	0.02	0.02	0.01
Mining Capital (sustaining)	5.78	0.00	0.32	2.33	0.62	0.25	2.25	0.02
Mining	7.11	1.20	0.34	2.35	0.65	0.27	2.27	0.03
Plant and Infrastructure								
Plant	39.12	39.12						
Infrastructure	1.50	1.50						
Indirect costs and EPCM	7.82	7.82						
Contingency (@25%)	11.74	11.74						
Sustaining Capital	1.68	0.00	0.18	0.36	0.36	0.36	0.36	0.06
Plant and Infrastructure	61.86	60.18	0.18	0.36	0.36	0.36	0.36	0.06
Owners Costs								
Owners Costs	2.00	2.00						
Power Supply	6.52	6.52						
Owners Costs	8.52	8.52						
TOTAL								
Initial Capital	69.90	69.90						
Sustaining Capital	7.59	0.00	0.52	2.71	1.01	0.63	2.63	0.09
Total	**77.49**	**69.90**	**0.52**	**2.71**	**1.01**	**0.63**	**2.63**	**0.09**

* Totals may not add exactly due to rounding

Operating Costs

A summary of estimated operating costs is given in Table 17.

Table 17: Operating Cost Summary in A$ millions *

Operating Cost	Units	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cash Cost								
Open Pit		38.13	10.81	9.89	12.54	2.91	1.99	0
Underground		62.96	0	9.27	12.96	15.92	19.57	4.25
Mining		100.09	10.81	19.16	25.50	18.83	21.56	4.25
Processing		57.22	10.24	11.34	11.34	11.34	11.34	1.62
General and Administration		17.72	3.40	3.43	3.43	3.43	3.43	0.59
Transport, Smelting and Refining		62.32	12.25	12.50	13.59	12.45	10.08	1.46
Royalties		31.21	6.99	6.35	6.58	6.34	4.38	0.57
Processing & ancillary costs		168.48	32.88	33.62	34.95	33.57	29.23	4.24
Total Operating Costs		268.57	43.69	52.78	60.44	52.39	50.79	8.49
By-product Credits								
Lead		157.20	35.29	31.78	31.59	31.51	22.78	4.24
Silver		11.71	2.22	2.36	2.50	2.56	1.88	0.20
Total By-Product Credits		168.91	37.51	34.14	34.10	34.07	24.66	4.43
Operating Costs (less by-product credits)		99.66	6.18	18.64	26.35	18.32	26.12	4.05
Payable Zinc Production	t	81,278	15,199	16,248	18,227	16,161	13,624	1,819
	Mlbs	179	33	36	40	36	30	4
C1 Cash Cost - Annual	A$/lb Zn	0.56	0.18	0.52	0.66	0.51	0.87	1.01
C1 Cash Cost – Cumulative	A$/lb Zn	0.56	0.18	0.36	0.47	0.48	0.55	0.56

* Totals may not add exactly due to rounding

ECONOMIC ANALYSIS IN A$

Cashflow

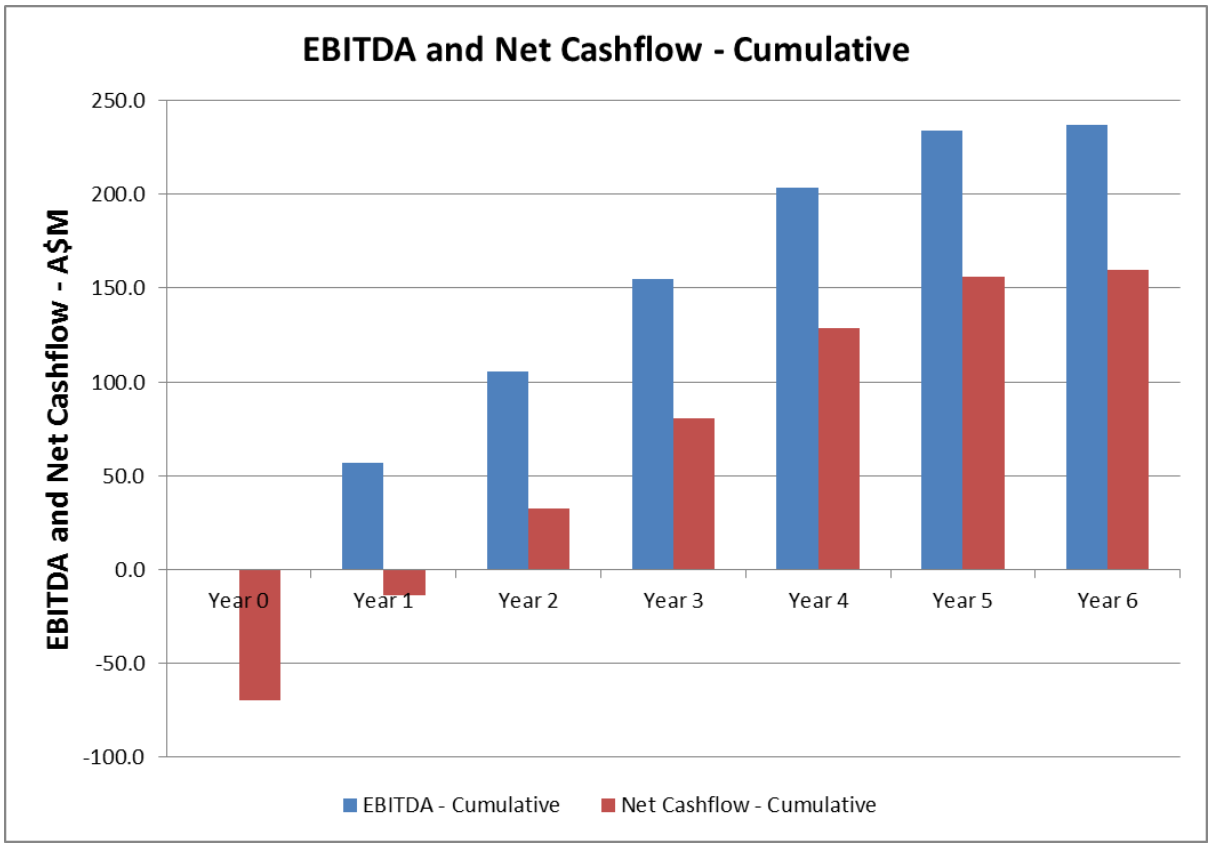
An economic analysis of the project was undertaken using discounted cashflow techniques to generate a project net present value (NPV) and internal rate of return (IRR). A summary of the discounted cashflow analysis is shown in Table 18 and Figure 12. For a discussion on commodity prices used, please refer to page 31.

Table 18: Annual Cashflow, NPV and IRR in A$ millions *

	Units	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Production									
Zinc Concentrates	Kt	0	33.7	36.1	40.5	35.9	30.2	4.0	180.4
Lead Concentrates	Kt	0	19.3	17.3	17.2	17.2	12.4	2.3	85.8
Contained Metal									
Zinc	Kt	0	17.9	19.1	21.4	19.0	16.0	2.1	95.6
Lead	Kt	0	11.6	10.4	10.3	10.3	7.5	1.4	51.5
Silver	kOz	0	146.7	155.9	165.5	169.1	124.4	13.0	774.6
Revenue									
Zinc		0	63.0	67.3	75.5	67.0	56.4	7.5	336.8
Lead		0	35.3	31.8	31.6	31.6	22.8	4.2	157.2
Silver		0	2.2	2.4	2.5	2.6	1.9	0.2	11.7
Total Revenue		0	100.5	101.5	109.6	101.1	81.1	12.0	505.7
Operating Costs									
Mining		0	10.8	19.2	25.5	18.8	21.6	4.3	100.1
Processing		0	10.2	11.3	11.3	11.3	11.3	1.6	57.2
Concentrate Transport, TC, RC		0	12.2	12.5	13.6	12.5	10.1	1.5	62.3
G&A		0	3.4	3.4	3.4	3.4	3.4	0.6	17.7
Royalty Costs		0	7.0	6.4	6.6	6.3	4.4	0.6	31.2
Total Operating Costs		0	43.7	52.8	60.4	52.4	50.8	8.5	268.6
EBITDA		0	56.8	48.7	49.2	48.7	30.3	3.5	237.1
EBITDA - Cumulative		0	56.8	105.5	154.6	203.3	233.7	237.1	
Capital Costs									
Total Capital Costs		69.9	0.5	2.7	1.0	0.6	2.6	0.1	77.5
Annual Net Cash Flow		-69.9	56.3	46.0	48.2	48.0	27.7	3.4	159.7
Cumulative Net Cash Flow		-69.9	-13.6	32.3	80.5	128.6	156.2	159.7	159.7
NPV @ 8%		**112.4**							
IRR	**%**	**76**							
Payback	**1.33 Years**								
C1 Cash Cost									
Zinc	**A$/lb Zn**	**0.56**							

* Totals may not add exactly due to rounding

Figure 12: Cumulative EBITDA and Net Cashflow



Commodity Price Discussion

The commodity prices selected were based on the commodity prices used by CSA Global for the Mineral Resource Estimate announced on 4 July, 2018, being the spot prices at that time and subsequently used in the open pit and underground optimisation studies conducted in July, 2018.

The zinc price of US$3,108/t or US$1.41/lb can be compared with the consensus (S&P Capital IQ Consensus Estimates, August 2018) zinc price for 2018 of US$3,109/t or US$1.41/lb and the 5 year historical zinc price (Kitco, 8 October, 2018) shown in Figure 13.

LME warehouse historical stock levels (Kitco 8 October, 2018) for the corresponding 5-year period are shown in Figure 14.

The lead price of US$2,411/t or US$1.09/lb can be compared with the consensus (S&P Capital IQ Consensus Estimates, August 2018) lead price for 2018 of US$2,403/t or US$1.09/lb and the 5-year historical lead price (Kitco, 8 October, 2018) shown in Figure 15.

LME warehouse historical stock levels (Kitco 8 October, 2018) for the corresponding 5-year period are shown in Figure 16.

The silver price of US$16.20/oz Ag can be compared with the consensus (S&P Capital IQ Consensus Estimates, August 2018) silver price for 2018 of US$16.82/oz Ag.

Figure 13: 5 year historical zinc spot price (US$/lb).

Figure 14: 5 year historical LME warehouse zinc stock levels.

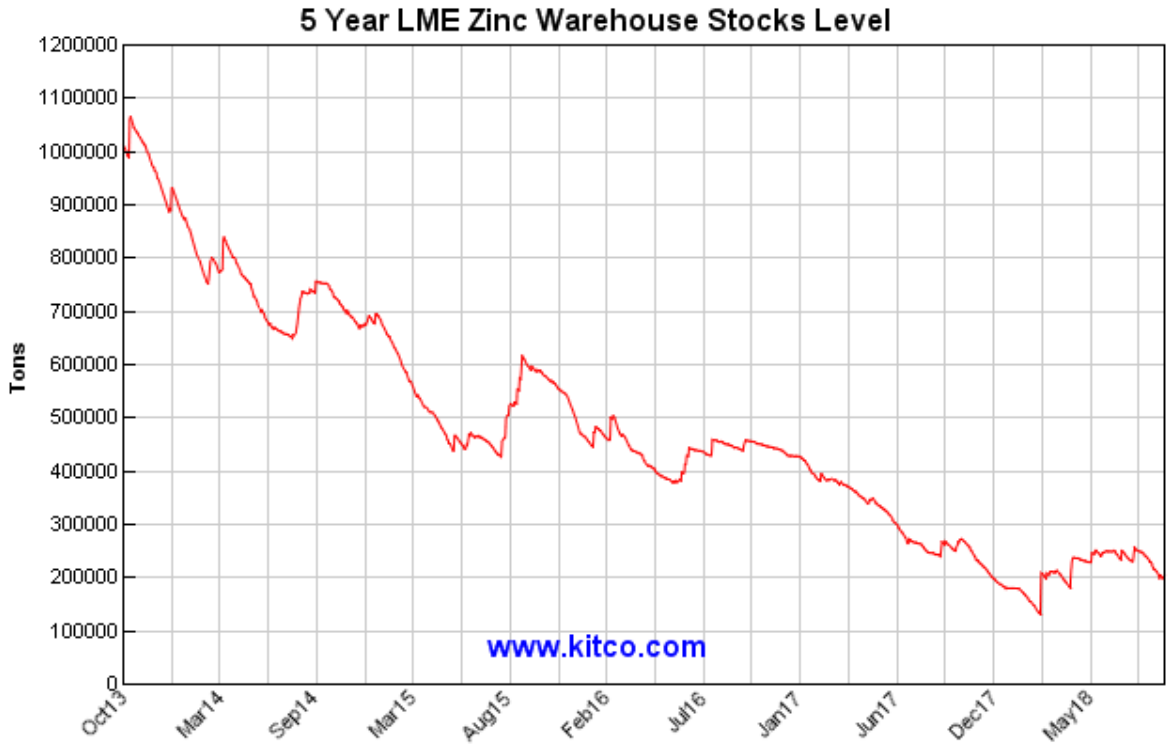
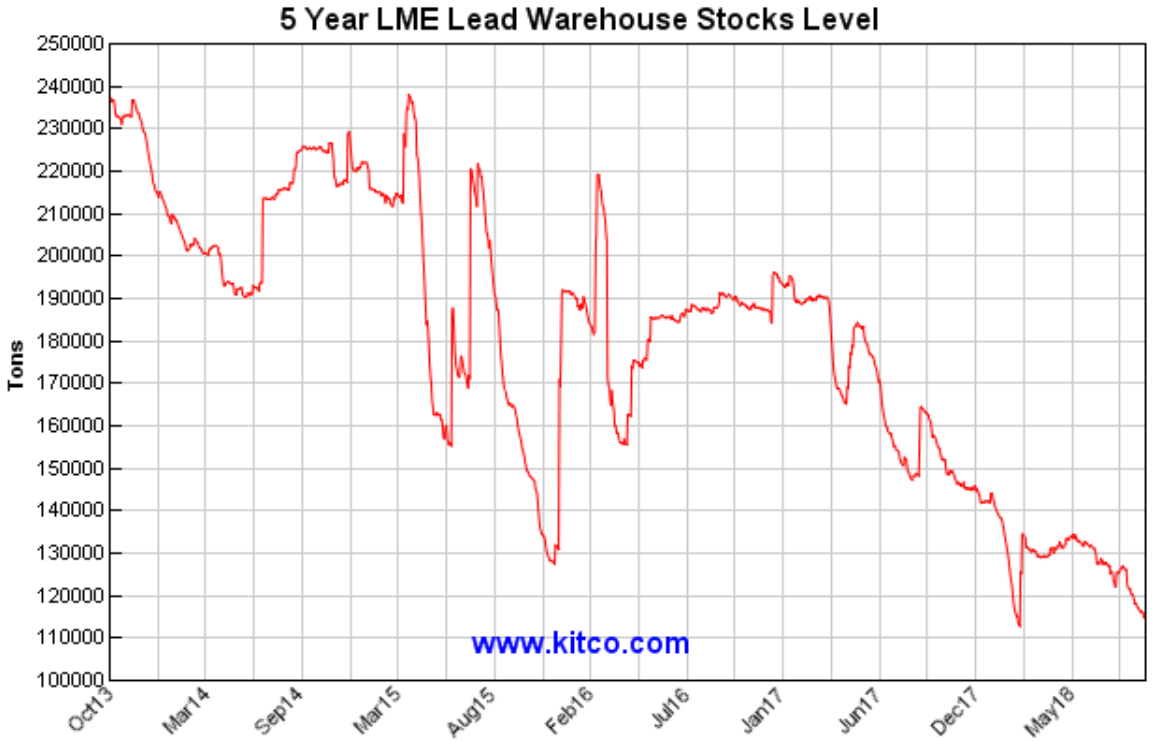


Figure 15: 5 year historical lead spot price (US$/lb).

Figure AA: 5 year historical LME warehouse lead stock levels.



APPENDIX 2

COST ESTIMATES AND ECONOMIC ANALYSES IN US$

Cost Estimates in US$

Capital Costs

A summary of estimated capital costs is provided in Table 19.

Table 19: Capital Cost Summary in US$ millions

Capital Cost	Total	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Mining								
Mining Infrastructure	1.00	0.90	0.02	0.02	0.02	0.02	0.02	0.01
Mining Capital (sustaining)	4.34		0.24	1.75	0.47	0.19	1.69	0.01
Mining	5.33	0.90	0.26	1.77	0.49	0.20	1.70	0.02
Plant and Infrastructure								
Plant	29.34	29.34						
Infrastructure	1.13	1.13						
Indirect costs and EPCM	5.87	5.87						
Contingency (@25%)	8.80	8.80						
Sustaining Capital	1.26		0.14	0.27	0.27	0.27	0.27	0.05
Plant and Infrastructure	**46.39**	**45.13**	**0.14**	**0.27**	**0.27**	**0.27**	**0.27**	**0.05**
Owners Costs								
Owners Costs	1.50	1.50						
Power Supply	4.89	4.89						
Owners Costs	**6.39**	6.39	0	0	0	0	0	0
TOTAL								
Initial Capital	52.42	52.42						
Sustaining Capital	5.69	0	0.39	2.04	0.76	0.47	1.97	0.06
Total	**58.12**	**52.42**	**0.39**	**2.04**	**0.76**	**0.47**	**1.97**	**0.06**

* Totals may not add exactly due to rounding

Operating Costs

A summary of estimated operating costs is given in Table 20.

Table 20: Operating Cost Summary in US$ millions *

Operating Cost	Units	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Area								
Cash Cost								
Open Pit		28.60	8.11	7.42	9.41	2.18	1.49	0
Underground		46.47	0	6.95	9.72	11.94	14.68	3.18
Mining		75.07	8.11	14.37	19.12	14.12	16.17	3.18
Processing		42.92	7.68	8.51	8.51	8.51	8.51	1.22
General and Administration		13.29	2.55	2.58	2.58	2.58	2.58	0.44
Transport, Smelting and Refining		46.74	9.19	9.37	10.19	9.34	7.56	1.09
Royalties		23.41	5.24	4.76	4.94	4.76	3.28	0.43
Processing & ancillary costs		126.36	24.66	25.22	26.21	25.17	21.92	3.18
Total Operating Costs		201.43	32.77	39.59	45.33	39.29	38.09	6.36
By-Product Credits								
Lead		117.90	26.47	23.84	23.70	23.63	17.09	3.18
Silver		8.78	1.66	1.77	1.88	1.92	1.41	0.15
Total By-Product Credits		126.68	28.13	25.60	25.57	25.55	18.50	3.33
Operating Costs (less by-product credits)		74.74	4.63	13.98	19.76	13.74	19.59	3.04
Payable Zinc Production	t	81,278	15,199	16,248	18,227	16,161	13,624	1,819
	Mlbs	179.1	33.5	35.8	40.2	35.6	30.0	4.0
C1 Cash Cost - Annual	US$/lb Zn	0.42	0.14	0.39	0.49	0.39	0.65	0.76
C1 Cash Cost – Cumulative	US$/lb Zn	0.42	0.14	0.27	0.35	0.36	0.41	0.42

* Totals may not add exactly due to rounding

Economic Analysis in US$'s

Cashflow

An economic analysis of the project was undertaken using discounted cashflow techniques to generate a project net present value (NPV) and internal rate of return (IRR). A summary of the discounted cashflow analysis is shown in Table 21.

Table 21: Annual Cashflow, NPV and IRR in US$ millions *

	Units	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Production									
Zinc Concentrates	Kt	0	33.7	36.1	40.5	35.9	30.2	4.0	180.4
Lead Concentrates	Kt	0	19.3	17.3	17.2	17.2	12.4	2.3	85.8
Contained Metal									
Zinc	Kt	0	17.9	19.1	21.4	19.0	16.0	2.1	95.6
Lead	Kt	0	11.6	10.4	10.3	10.3	7.5	1.4	51.5
Silver	kOz	0	146.7	155.9	165.5	169.1	124.4	13.0	774.6
Revenue									
Zinc		0	47.2	50.5	56.6	50.2	42.3	5.7	252.6
Lead		0	26.5	23.8	23.7	23.7	17.1	3.2	117.9
Silver		0	1.7	1.8	1.9	1.9	1.4	0.1	8.8
Total Revenue		0	75.4	76.1	82.2	75.8	60.8	9.0	379.3
Operating Costs									
Mining		0	8.1	14.4	19.1	14.1	16.2	3.2	75.1
Processing		0	7.7	8.5	8.5	8.5	8.5	1.2	42.9
Concentrate Transport, TC, RC		0	9.2	9.4	10.2	9.3	7.6	1.1	46.7
G&A		0	2.6	2.6	2.6	2.6	2.6	0.4	13.3
Royalty Costs		0	5.2	4.8	4.9	4.8	3.3	0.4	23.4
Total Operating Costs		0	32.8	39.6	45.3	39.3	38.1	6.4	201.4
EBITDA		0	42.6	36.5	36.9	36.5	22.7	2.6	177.9
EBITDA - Cumulative		0	42.6	79.1	116.0	152.5	175.2	177.9	
Capital Costs									
Total Capital Costs		52.4	0.4	2.0	0.8	0.5	2.0	0.1	58.1
Cash Flow		-52.4	42.2	34.5	36.1	36.0	20.8	2.6	119.7
Cumulative Net Cash Flow		-52.4	-10.2	24.3	60.4	96.4	117.2	119.7	119.7
NPV @ 8%		**84.3**							
IRR	**%**	**76%**							
Payback	**1.33 years**								
C1 Cash Cost									
Zinc	**US$/lb Zn**	**0.42**							

* Totals may not add exactly due to rounding

-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

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 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.

Information in this report that relates to previously reported Mineral Resources for the Oposura Project 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, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.