AZURE MINERALS LIMITED

ANNUAL REPORT 2018

Find out more **www.azureminerals.com.au**

CORPORATE DIRECTORY

ABN 46 106 346 918

Directors

Mr. Peter Ingram
Chairman

Mr. Anthony Rovira
Managing Director

Dr Wolf Martinick
Non Executive Director

Company Secretary

Mr. Brett Dickson

Solicitors

K & L Gates
Level 32
44 St Georges Terrace
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited

Share Register

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
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Auditors

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38 Station Street
Subiaco WA 6008
Telephone: 08 6382 4600

Stock Exchange Listing

Shares AZS

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Chairman's Letter

Dear Fellow Shareholders,

I have much pleasure in presenting to you the Annual Report of Azure Minerals Limited for the year ending 30 June 2018.

Last year I commented that your company had achieved considerable success over the previous two years, with significant silver-gold discoveries at the Alacrán project and some interesting deep exploration results achieved at the Promontorio Project. This track record of success has continued in 2018, with significant progress made towards completion of a Scoping Study / Preliminary Economic Assessment (PEA) at the newly acquired Oposura zinc-lead-silver project in Sonora State in Mexico.

Work at Oposura has included the drilling-up of a maiden Mineral Resource Estimate of 2.9 million tonnes at an average grade of 5.0% zinc, 2.8% lead and 17g/t silver. In addition, the company has undertaken extensive geological, metallurgical, mining, engineering and environmental studies. Reporting of the results of the PEA is expected in September 2018.

Your directors are excited at the possibility of taking the Oposura high-grade base metal project into production at the earliest possible time.

At the Alacrán Project, Teck Resources exercised its right to earn back into the project and to assume operational responsibility for the Project. Teck has undertaken a systematic program of geological, geochemical and geophysical exploration followed by drilling. The results of this work have been encouraging and Teck has continued with its program, including further drilling which is underway at the time of writing. We look forward to seeing the results of this work during the current exploration year.

Preliminary drilling at the Sara Alicia high-grade cobalt-gold and copper-zinc-silver project has confirmed the presence of massive and disseminated base and precious metal mineralisation. A decision on the future of this project is under review.

The Company is currently seeking joint venture partners or buyers for the Promontorio base and precious metal project, which, following the success at Oposura, is considered to be a non-core asset.

Your Company continues to identify and acquire advanced exploration projects in Mexico, where the Company has developed considerable operational expertise and where the Company is highly regarded by the Mexican Government, local communities and industry.

The Review of Operations (page 3) provides greater detail of these results.

I would like to take this opportunity to thank our Management and staff, both here in Perth and in our Mexican office. Once again they have demonstrated high levels of competence both technically and administratively. I believe the current and following years will be even more productive and successful.

I also thank you, our shareholders, for your continued support of the Company without which we would not be able to pursue these exciting projects. Finally, I would like to thank my fellow Directors for their support, encouragement and enthusiasm in implementing our strategies for success.

Your Directors encourage you to attend the Annual General Meeting and support the various resolutions to be put to the meeting on 30 November 2018.

Yours sincerely

P. Ingram

Peter A J Ingram
Chairman

Review of Operations

Overview

The past year has been very positive for Azure Minerals. In 2017, the Company set a clear strategy to secure advanced-stage, high-grade projects with near-term development potential. This resulted in the Company purchasing our new flagship project, the zinc-lead-silver Oposura Project, and also the cobalt-gold Sara Alicia project. These high-quality precious and base metal projects are both located in northern Mexico.

Azure conducted a high-level assessment of Oposura which confirmed that historical exploration had outlined a zone of high-grade zinc, lead and silver mineralisation and the project was purchased in August 2017. The Company adopted a strong development approach with Oposura and within the first year had fast-tracked resource delineation drilling and mine development studies, resulting in the publication of a maiden Mineral Resource in July and a Scoping Study which is expected to be released in September 2018. The Oposura Mineral Resource contains 2.9 million tonnes @ 5.0% zinc and 2.8% lead, for contained metal of 146,000 tonnes of zinc and 82,000 tonnes of lead. The mineralised body remains unconstrained in several directions and Azure expects that additional drilling will expand the Mineral Resource.

The Sara Alicia gold-cobalt project was acquired shortly after Oposura and offered Azure a low-cost yet highly-prospective opportunity to diversify the Company's commodity mix and enter into the battery metal sector. Azure's drilling focused on a near-surface zone of massive sulphides containing high grades of gold and cobalt mineralisation. The program delivered one of the world's highest-grade cobalt intercepts in 2017/18, returning 26.2m @ 9.50g/t Au & 1.26% Co, which included bonanza intercepts of 12.6m @ 16.8g/t Au and 6.35m @ 3.57% Co.

Lastly, work continues at the Alacrán Project through Azure's partner and project operator Minera Teck S.A. de C.V. ("Teck"), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited. Teck continue to advance its exploration programs for porphyry copper and epithermal gold-silver deposits at Alacrán and have committed to a second year of exploration, with drilling planned in the second half of 2018. The second year represents the halfway mark of the total four-year program, which upon completion will entitle Teck to 51% of Alacrán by sole-funding US$10 million of exploration expenditure and making cash payments to Azure totalling US$500,000.

Figure 1: Plan showing locations of Azure Minerals' projects in Mexico

Review of Operations

Oposura Project - (AZS 100% Ownership)

In August 2017, Azure announced the acquisition of 100% ownership of the Oposura zinc-lead-silver project, for a purchase price of US$1,500,000 plus a Net Smelter Return royalty of 2.5% on future production also payable to the vendor, Grupo Minero Puma. Oposura is an advanced-stage project where historical drilling and exploratory underground mine development identified a substantial body of high grade, massive sulphide-hosted, zinc, lead and silver mineralisation.

Within the first year Azure made significant progress towards a mine development decision. The Company completed a successful first-pass round of resource drilling and published the maiden mineral resource for the project. Mining and processing studies have been significantly advanced and a Scoping Study / Preliminary Economic Assessment is expected to be published in September 2018.

Mineral Resource

Azure completed a resource drilling program comprising 157 diamond drill holes totalling 10,126m, and announced the following Mineral Resource (refer to ASX announcement dated 4 July 2018 and appendices to this Annual Report):

Table 1: Oposura Mineral Resource Estimate

	Tonnes Mt	Zn %	Pb %	Zn+Pb %	Ag 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**

Significantly, 75% of the contained metal is classified in the Indicated Mineral Resource category, providing confidence in the continuity of grade and widths of the mineralised zones and enabling detailed mine production studies to be undertaken.

Mineralisation remains open in several directions, demonstrating potential for future expansion of this Mineral Resource. Further drilling will be undertaken in the forthcoming year to upgrade the resource classifications, expand the Mineral Resource and explore the wider property.

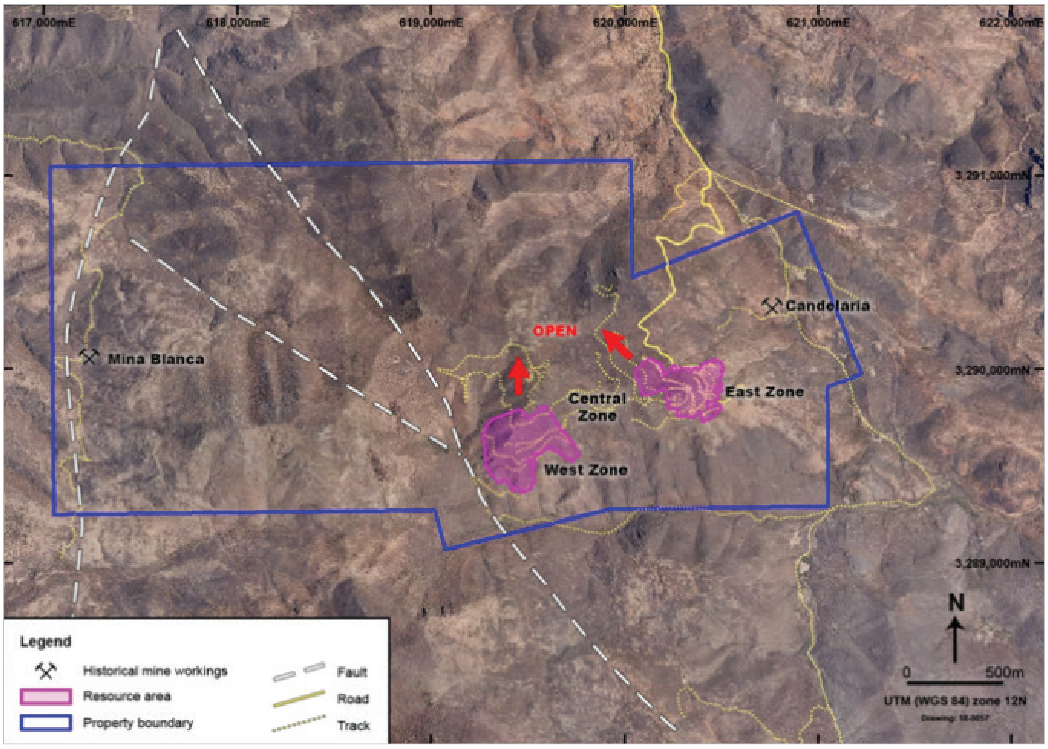

Figure 2: Oposura project area with Mineral Resource outlines

Review of Operations

Scoping Study / Preliminary Economic Assessment

The Company is currently completing a Preliminary Economic Assessment (PEA) study into the development of a mining and processing operation at Oposura. While meeting the requirements for a Scoping Study as defined under ASX/JORC standards, the PEA will be produced in the Canadian NI43-101 report format to enhance off-take marketing and project funding opportunities in North America, Europe and Asia.

The study has identified a variety of potential mining and processing alternatives. This optionality includes open pit and underground mining scenarios, and the production and sale of direct shipping ore, Dense Media Separation product, separate zinc and lead-silver concentrates, and/or a hybrid of these options.

The PEA report is expected to be completed and published in September 2018.

Geology & Mining Studies

The Oposura mineralised horizon outcrops over approximately two kilometres on the eastern, southern and western slopes of the Oposura mountain and displays sub-horizontal to shallow northerly dips. Mineral Resource definition drilling defined two separate mineralised zones - East Zone and West Zone.

The sub-horizontal dip of the mineralised zones results in vertical thickness being very similar to true thickness. The vertical thicknesses of individual sulphide mineralisation lenses average 7m in East Zone and 3m in West Zone, with maximum vertical thicknesses of 20m in East Zone and 10m in West Zone.

The overall geometry of East Zone and West Zone mineralisation is favourable for extraction using a combination of conventional mechanised open pit and underground mining techniques. The resources can be easily accessed from surface, providing exceptional mine scheduling flexibility and optionality, and mining could be undertaken concurrently by both open pit and underground methods in both East Zone and West Zone. Distinct areas of higher grade mineralisation are present that could be scheduled to suit economic circumstances and/or product marketing options.

East Zone and West Zone are separated by the approximately 500m-wide Central Zone, which has been only lightly tested by drilling during the 1960s and 1970s. Several historical drill holes intersected zinc and lead sulphide mineralisation within the targeted mineralised horizon. Azure will undertake drilling to test the Central Zone which, if successful, has the potential to expand the Mineral Resource.

Metallurgical Studies

The Oposura deposit comprises massive zinc and lead sulphide mineralisation which can be upgraded by flotation of the sulphide grains to produce separate zinc and lead concentrates.

Metallurgical testwork was undertaken on the Oposura mineralisation to identify favourable processing routes, produce commercial grade zinc and lead concentrates, identify potential processing or contaminant issues, and to identify opportunities for optimisation.

Advanced studies comprised Dense Media Separation testwork followed by separate staged and locked cycle sulphide flotation tests.

Dense Media Separation testwork

In some parts of the Oposura deposit, thick mineralised intersections comprise bands of high-grade zinc and lead sulphide mineralisation separated by intervals of barren host rock material. Azure's studies indicate that some of these thick mineralised zones may be more suitable to a "bulk" mining approach rather than "selective" mining, thereby reducing unit operating costs and maximising resource recovery.

Dense Media Separation (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.

Testwork was undertaken to assess the suitability of DMS technology to increase the grade of material entering the milling circuit by rejecting waste rock while retaining mineralised material. DMS is most effective in upgrading ore when there are distinct density differences between mineralised material and waste rock, as is the case at Oposura.

Initial DMS testwork was conducted on individual drill hole intersections of varying combined zinc and lead grades, and zinc to lead grade ratios to determine the density at which the DMS circuit could optimise ore recovery and waste rejection. Follow-up DMS testwork was then conducted on a bulk master sample averaging 6.4% Zn, 4.2% Pb and 28.8g/t Ag that was prepared from the drill core of eleven Mineral Resource drill holes.

This testwork demonstrated that an upgrade in both zinc and lead grades of approximately 34% could be achieved while realising an overall recovery for both metals of 95%.

These positive results demonstrate that crushing, screening and DMS processing prior to a standard sulphide flotation treatment support the option of utilising DMS technology at Oposura.

Review of Operations

Oposura Project - (AZS 100% Ownership) (Continued)

Flotation testwork

Staged flotation testwork was conducted on individual drill hole intersections of varying combined zinc and lead grades and zinc to lead grade ratios. Follow-up staged and locked cycle flotation tests were then conducted on the bulk master composite used for the DMS testwork. The laboratory split the bulk master composite into several sub-samples to allow multiple batch and locked cycle flotation tests to be undertaken.

The staged flotation tests conducted on the bulk master composite were used to optimise primary and secondary grind sizes, flotation times and reagent regimes for the separate zinc and lead concentrates. A locked cycle test was then conducted on the bulk master composite to more closely simulate a continuously operating flotation circuit.

The result of the locked cycle test was a zinc concentrate grading 57.2% with a zinc recovery of 85.6% and a lead concentrate grading 61.4% at a lead recovery of 84.0%. Silver recovery into the lead concentrate was 67.1% at a concentrate grade of 323.8 g/t Ag.

Multi-element assays were conducted on the separate zinc and lead concentrates produced from the locked cycle test and results indicate that deleterious elements were not present at levels that would cause concern or penalties from smelters.

The metallurgical testwork program has successfully demonstrated that clean, commercial-grade concentrates can be produced at high metallurgical recoveries, and thereby has eliminated a potential major project risk.

Sara Alicia Project - (AZS 100% Ownership)

Following acquisition of the Sara Alicia property in August 2017, Azure commenced a strategic exploration campaign which was predominantly focused on surface exploration and drilling. This early stage work confirmed the presence of a body of high-grade gold and cobalt mineralisation.

Two diamond drilling programs totalling 19 holes for 1,607m were undertaken, with numerous holes intersecting wide zones of high-grade gold and cobalt mineralisation (refer to ASX announcements dated 27 November 2017, 7 December 2017 and 31 May 2018), including the following highlights:

Table 2: High Grade Drill Intersections from Sara Alicia

Gold	Cobalt
DSA-01: 11.40m @ 3.26g/t Au from 32.40m	DSA-01: 5.50m @ 0.13% Co from 32.40m
DSA-03: 26.20m @ 9.50g/t Au from 0.60m Including: 12.60m @ 16.80g/t Au from 13.20m	DSA-03: 26.20m @ 1.26% Co from 0.60m Including: 6.35m @ 3.57% Co from 15.50m
DSA-04: 19.65m @ 4.95g/t Au from 14.85m	DSA-04: 4.70m @ 0.11% Co from 20.00m
DSA-06: 13.70m @ 3.57g/t Au from 12.20m	DDA-06: 20.6m @ 0.13% Co from 3.90m
DSA-07: 3.75m @ 8.08g/t Au from 11.80m	DSA-14: 5.95m @ 0.74% Co from 0.0m
DSA-14: 3.65m @ 8.41g/t Au from 0.0m	DSA-14: 24.95m @ 0.31% Co from 9.15m
DSA-14: 19.60m @ 8.65g/t Au from 10.65m	DSA-15: 9.50m @ 0.48% Co from 3.80m
DSA-15: 8.80m @ 6.20g/t Au from 6.10m	DSA-16: 16.20m @ 0.33% Co from 9.15m

The high-grade cobalt mineralisation is hosted within a shoot of massive and semi-massive sulphides that outcrops near the top of the Sara Alicia hill. Drilling and visual inspection of the mineralisation exposed within the old artisanal mine workings indicate that the shoot plunges at a shallow angle towards the northwest, while also remaining unconstrained to the east and west.

Very high grades of gold mineralisation are hosted within this sulphide-rich shoot and drilling also confirmed that lower grade gold is widespread in the altered rocks of the surrounding skarn system.

Azure considers that this sulphide-rich mineralisation may represent a feeder zone sourced from an underlying porphyry that extends upwards into the overlying limestone sequence, altering it to skarn. The Company believes that there is good potential that further drilling will expand the mineralised zone, confirming the presence of a substantial body of gold and cobalt mineralisation.

Review of Operations

Alacrán Project - (AZS 100% Ownership, Teck Earning 51%)

Project operator Minera Teck S.A. de C.V. ("Teck"), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited, is currently earning back an interest in Alacrán.

Work programs are conducted on a calendar year basis, with 2017 and 2018 representing the first two years in a total four-year period comprising the first Option. Teck is entitled to earn back a 51% share of the project by sole-funding US$10 million of exploration expenditure and making cash payments to Azure totalling US$500,000 within this four year period.

Upon reaching a 51% interest in the project, Teck may exercise the second Option to further increase its interest to 65% by sole funding an additional US$5 million in expenditures over a further two years and making cash payments to Azure totalling an additional US$1.5 million. In this case, Azure will retain a 35% contributing interest in the Alacrán project. Grupo Mexico retains a 2% NSR royalty.

Teck advised Azure in December 2017 that it had completed its first diamond drilling program at Alacrán, comprising 14 holes for 4,907m (for results, refer ASX announcement dated 10 May 2018).

Results support the potential for expansion of the Loma Bonita epithermal gold-silver mineralised system at depth east and south towards Cerro San Simon (the Loma Bonita – Cerro San Simon Corridor), and confirm potential for porphyry copper mineralisation at Cerro Colorado.

Teck's Year 2 work program includes additional geological, geochemical and geophysical surveys in the first half of 2018 followed by more diamond drilling in the second half of the year. Targets to be tested include the Loma Bonita – Cerro San Simon Corridor for epithermal gold-silver mineralisation and Cerro Alacrán for porphyry copper mineralisation.

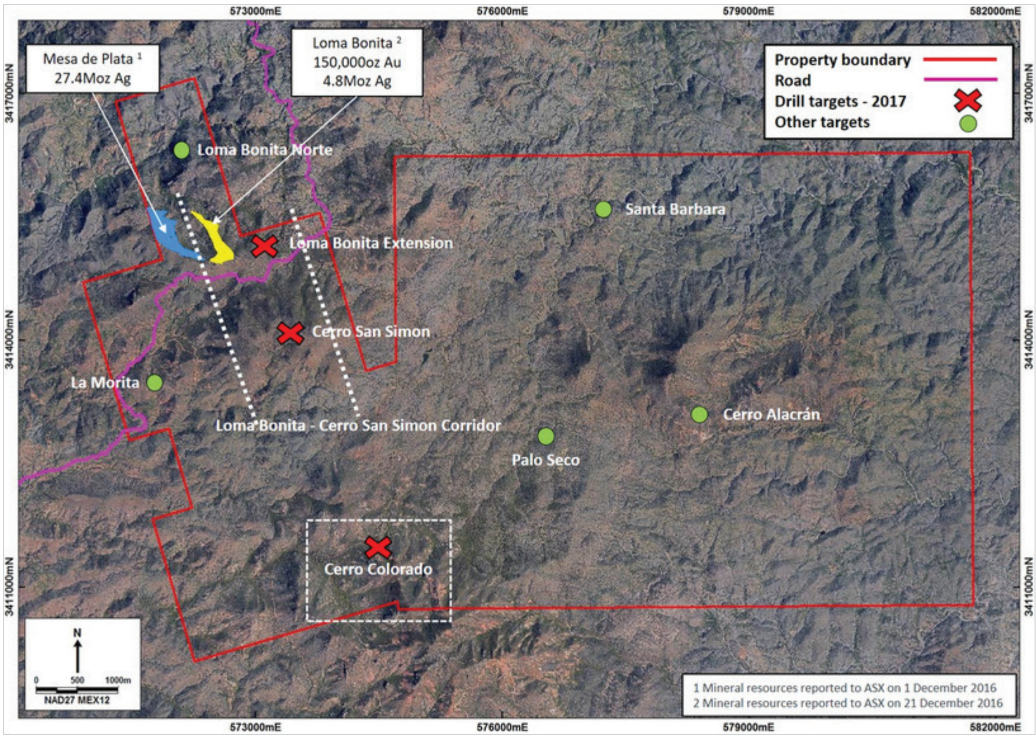

Figure 3: Target areas for Teck's 2017 work program and targets planned for 2018

Other Projects - (All AZS 100% Ownership)

The Company did not undertake any significant exploration on the other assets in its portfolio during the 2017/18 financial year. Azure continues to hold the Promontorio, El Tecolote, Panchita, San Agustin and Telix projects which are prospective for a variety of minerals, including gold, silver, copper, zinc and graphite. These projects provide optionality for Azure and an opportunity to involve third parties.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Azure Minerals Limited ("Azure") and the entities it controlled at the end of or during the year ended 30 June 2018.

Directors

The following persons were directors of Azure Minerals Limited during the whole of the financial year and up to the date of this report.

Peter Ingram

Anthony Rovira

Wolf Martinick

Principal Activities

During the year the principal continuing activity of the Group was exploration for precious and base minerals in Mexico.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of Operations

Group Overview

Azure Minerals Limited was incorporated on 19 September 2003. Its principal focus is on exploration for gold, copper, silver and zinc in Mexico. The company has several 100% owned projects, one of which has been joint ventured. The Group has four main projects: Alacrán (silver, gold, copper) where Teck Resources is earning a 51% interest, Oposura (zinc, lead, silver) where Azure is undertaking a PEA/ Scoping Study, Sara Alicia where the Company is exploring for gold and cobalt, and Promontorio (copper, gold, silver) where Azure is seeking a joint venture partner. The Group will continue to seek opportunities in Mexico, either 100% owned or in joint venture.

Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2018 was $9,220,519 (2017: $6,985,541). Included in this loss figure is $5,813,830 (2017: $5,758,221) of exploration expenditure written off. Refer to notes 1(c) and 6 to the financial statements.

Shareholder Returns

	2018	2017
Basic loss per share (cents)	(10.06)	(0.42)
Diluted loss per share (cents)	(10.06)	(0.42)

Investments for Future Performance

The future performance of the group is dependent upon exploration success, the progress of development of those projects where precious and base metals are already present, and continued funding. To this end the group has budgeted to continue exploration at its Mexico projects.

Review of Financial Condition

At the date of this report the consolidated entity has a sound capital structure and is in a strong position to progress its mineral properties.

Directors' Report

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The board has established an Audit and Risk Committee and has adopted a Risk Management Policy.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which covers strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

The company undertakes risk review meetings as required with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

Significant Changes in State of Affairs

During the year the company completed a share consolidation on the basis of one new share for every 20 shares held. Share options on issue were also adjusted by the same ratio.

Additionally, the company issued 27,366,666 ordinary fully paid shares raising $7,704,528 after all expenses of the issues.

There were no other significant changes in the state of affairs of the Group during the financial year.

Significant Events After the Reporting Date

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely Developments and Expected Results of Operations

The group expects to maintain the present status and level of operations.

Environmental Regulation and Performance

The company is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review. The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.

Directors' Report

Information on Directors

Names, qualifications, experience and special responsibilities

Mr. Peter Anthony Ingram BSc. (appointed 12 October 2011 and on 1 December 2011 appointed Chairman)

Mr Ingram is a geologist with over fifty years experience in the mining and mineral exploration industries within Australia, including over forty years experience in public company management. He was the founding Chairman and Managing Director of Universal Resources Limited (now Altona Mining Limited).

Mr Ingram was a founding councilor and past President of the Association of Mining and Exploration Companies (AMEC) and has been made an Honorary Life Member in recognition of his services to AMEC. He was also a founding director of the Australian Gold Mining Industry Council. He has served on the board of management of the WA School of Mines at Curtin University and was instrumental in the establishment of the Chair of Mineral Economics and Mine Management within that institution.

Mr Ingram's previous directorships include: Managing Director of Metana Minerals NL and Eastmet Limited; Executive Chairman of Australia Oriental Minerals NL and Glengarry Resources Limited; and Non-executive Director of Dragon Mining Limited, Metana Petroleum Limited and Carnarvon Petroleum Limited.

Other Current Directorships

Nil

Former Directorships in the last 3 years

Altona Mining Limited

Special Responsibilities

Chairman of the Board and Chairman of the Remuneration & Nomination Committee and member of the Audit & Risk Management Committee

Interests in Shares and Options

330,055 ordinary shares in Azure Minerals Limited

750,000 options over ordinary shares in Azure Minerals Limited

Mr. Anthony Paul Rovira, BSc (Hons) Flinders University, MAusIMM (Managing Director)

Tony Rovira has over 30 years technical and management experience in the mining industry, as an exploration and mining geologist, and as a company executive at Board level. Since graduating from Flinders University in South Australia in 1983, Tony has worked for companies both large and small, including BHP, Barrack Mines, Pegasus Gold and Jubilee Mines.

From 1997-2003 Tony was the General Manager of Exploration with Jubilee Mines, during which time he led the team that discovered and developed the world class Cosmos and Cosmos Deeps nickel sulphide deposits in Western Australia. In the year 2000, the Association of Mining and Exploration Companies awarded Tony the "Prospector of the Year Award" for these discoveries.

Tony joined Azure Minerals as the inaugural Managing Director in December 2003 and held the position of Executive Chairman from June 2007 until December 2012. Tony is responsible for the decision to focus Azure Minerals' activities on the world class mineral provinces in Mexico, where the company has been operating since 2005.

Other Current Directorships

Oro Verde Limited.

Former Directorships in the last 3 years

None.

Special Responsibilities

Managing Director

Interests in Shares and Options

526,000 ordinary shares in Azure Minerals Limited, of which 109,669 are held indirectly.

1,500,000 options over ordinary shares in Azure Minerals Limited

Directors' Report

Information on Directors (Continued)

Dr Wolf Martinick, PhD, BSc (agric) (Appointed 1 September 2007)

Dr Martinick is an environmental scientist with over 40 years experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

He was a founding director and chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia, and a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003.

Other Current Directorships

Oro Verde Limited– Chairman since January 2003

Former Directorships in the last 3 years

Weatherly International Plc – Director since July 2005

Sun Resources NL – Non-Executive Director since February 1996

Special Responsibilities

Chairman of the Audit and Risk Management Committee and member of the Remuneration & Nomination Committee

Interests in Shares and Options

265,000 ordinary shares in Azure Minerals Limited

750,000 options over ordinary shares in Azure Minerals Limited

Company Secretary

Brett Dickson, BBus, FCPA (Appointed 21 November 2006)

Mr Dickson is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University and has over 25 years experience in the financial management of companies, principally companies in early stage development of its resource or product, and offers broad financial management skills. He has been Chief Financial Officer for a number of successful resource companies listed on the ASX. In addition he has had close involvement with the financing and development of a number of greenfield resources projects.

Directors' Meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

			Meetings of Committees			
	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
Name	**A**	**B**	**A**	**B**	**A**	**B**
Peter Anthony John Ingram	11	11	1	1	1	1
Anthony Paul Rovira	11	11	-	-	-	-
Wolf Gerhard Martinick	11	11	1	1	1	1

Notes

A *Number of meetings attended.*

B *Number of meetings held during the time the director held office or was a member of the committee during the year.*

Directors' Report

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

- **A.** Principles used to determine the nature and amount of remuneration
- **B.** Details of remuneration
- **C.** Service agreements
- **D.** Share-based compensation
- **E.** Additional Information

Key management personnel **(KMP)** covered in this report

Name	Position	Term as KMP
Peter Anthony John Ingram	Non-Executive Chair	Full financial year
Wolf Gerhard Martinick	Non-Executive Director	Full financial year
Anthony Paul Rovira	Executive Managing Director	Full financial year
Brett Douglas Dickson	Company Secretary & CFO	Full financial year

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporation Act 2001.

A. Principles used to determine the nature and amount of remuneration

The remuneration policy of Azure Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long term incentives based on key performance areas affecting the Groups results. Short-term incentives implemented by the Company are detailed later in the report in section E. At present the Company has not implemented any specific long-term incentives and as such the remuneration policy is not impacted by the Groups performance, including earnings in shareholder wealth (dividends, changes in share price or return on capital to shareholders). The board of Azure Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Groups performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5% of cash salary, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive; to date no shares have been awarded to directors or executives. Options are valued using either the Black Scholes or Binomial methodologies.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). In line with standard industry practice fees for non executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Directors' Report

Remuneration Report (Audited)

A. Principles used to determine the nature and amount of remuneration (Continued)

A Remuneration Committee has been established and is a committee of the board. It is primarily responsible for making recommendations to the board on:

- Non-executive directors fees
- Remuneration levels of executive directors and other key management personnel
- Key performance indicators and performance hurdles of the executive team

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group. The Corporate Governance Statement provides further information on the role of this committee.

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can reduce, cancel or defer performance-based remuneration and may also clawback performance-based remuneration paid in previous financial years.

Remuneration consultants were not engaged during the year.

There is no Retirement Benefit Policy for directors, other than the payment of statutory superannuation.

B. Details of remuneration

Amount of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Azure Minerals Limited are set out below in the following tables.

The key management personnel of Azure Minerals Limited includes the directors as disclosed earlier in this report and the following who have authority and responsibility for planning, directing and controlling the exploration activities of the entity and the Company Secretary, Mr B Dickson is an executive whose remuneration must be disclosed under the Corporations Act 2001.

Key management personnel of the Group

		Short-Term			Post Employment	Share-based Payments	Total	Share Based Payment %
Name	**Year**	**Cash, salary & fees**	**Cash Bonus**	**Non monetary benefits**	**Super-annuation**	**Options**		**Based %**
Directors								
Peter Anthony Ingram *Chairman*	**2018**	**50,000**	**-**	**-**	**4,749**	**78,825**	**133,574**	**59.0**
	2017	50,000	-	-	4,749	68,925	123,674	55.7
Anthony Paul Rovira *Managing Director*	**2018**	**358,250**	**100,000**	**-**	**25,002**	**157,650**	**640,902**	**24.6**
	2017	300,000	81,000	-	28,500	137,850	547,350	25.2
Wolf Gerhard Martinick *Non Executive*	**2018**	**45,000**	**-**	**-**	**4,276**	**78,825**	**128,101**	**61.5**
	2017	33,750	-	-	15,526	68,925	118,201	58.3
Executives								
Brett Dickson *Company Secretary*	**2018**	**168,720**	**45,960**	**-**	**-**	**110,355**	**325,035**	**33.4**
	2017	153,840	41,310	-	-	96,495	291,645	33.1
Total	**2018**	**621,970**	**145,960**	**-**	**34,027**	**425,655**	**1,227,612**	**34.6**
	2017	537,590	122,310	-	48,775	372,195	1,080,870	34.4

Directors' Report

Remuneration Report (Audited)

B. Details of remuneration (Continued)

Compensation options

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were neither forfeitures nor shares issued on exercise of Compensation Options during 2018 or 2017. During the year 1,350,000 options (on a post consolidation basis) were granted as remuneration and no options were exercised during the year. During the year Nil (2017: Nil) options lapsed.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Retirement benefits provided for the non-executive directors in the financial statements do not form part of the above remuneration until such time as the amount is paid to the retiring director.

Apart from the issue of options the company currently has no performance based remuneration component built into non-executive director remuneration (2017: Nil). Performance based remuneration for executives is detailed later in section E of this report.

C. Service agreements

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Anthony Rovira, Managing Director:

- Term of agreement – to 1 January 2020.
- Base salary, exclusive of superannuation, of $400,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination or the equivalent of 6 months remuneration, whichever is the greater.

Brett Dickson, Company Secretary/Chief Financial Officer:

- Term of agreement – to 1 January 2020.
- Fixed fee, $15,300 per month.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination or the equivalent of 6 months remuneration whichever is the greater.

Retirement Benefits

Other retirement benefits may be provided directly by the company if approved by shareholders.

D. Share based compensation

Options over shares in Azure Minerals Limited may be issued to directors and executives. The options are not issued based on performance criteria, but are issued to directors and executives of Azure Minerals Limited, where appropriate, to increase goal congruence between executives, directors and shareholders. There are no standard vesting conditions to options awarded with vesting conditions, if any, at the discretion of Directors at the time of grant. Options are granted for nil consideration.

During the year 1,350,000 options (on a post consolidation basis) were issued to Directors and Executives. (2017: 1,350,000 – adjusted for the 1:20 consolidation).

No options held by directors or executives were exercised during the financial year and no options have been exercised since the end of the financial year. During the year 25,650,000 (2017: 21,000,000) options lapsed, both on a pre-consolidation basis. The value of the options at lapse date was nil as the exercise price of the option was significantly in excess of the market price of the underlying share. The value is determined at the time of lapsing, but assuming any vesting condition was satisfied.

The Company's remuneration policy prohibits executives from entering into transactions or arrangements which limit the "at risk" aspect of participating in unvested entitlements.

Directors' Report

Remuneration Report (Audited)

E. Additional Information

Performance based remuneration

Variable Remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve those operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to executives depend on the extent to which specific targets set at the beginning of the review period, being a fiscal year, are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to exploration success, share price appreciation, risk management and cash flow sustainability. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Board has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, determines the amount, if any, of the STI to be paid to each executive. This process usually occurs in the last quarter of the fiscal year. Payments made are delivered as a cash bonus in the fourth quarter of the fiscal year.

STI bonus for 2017 and 2018 financial years

Key performance indicators on which performances is measured and bonus's if any are awarded are divided into two categories;

1. General management (including safety, environment, professional development, board reporting and financial management), with a maximum total weighting of 30%; and
2. Operations (including increasing resources, adding value to the Company's other projects and the acquisition of new projects) with a total maximum weighting of 70%.

The minimum amount payable for 2018 assuming executives fail to meet their KPI's was nil and the maximum amount payable if all KPI's were met is $203,904. For the year ending 30 June 2018 executives were awarded 72% of their possible bonus. For 2017 executives were awarded 100% of their possible bonus. This bonus was paid in the 2018 financial year. Effective 1 January 2018 the STI plan has been terminated.

Variable Remuneration – Long Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of options.

The options, when issued to executives, will not be exercisable for a price less than the then current market price of the Company's shares.

The grant of LTI's is reviewed annually, though LTI's may not be granted each year. Exercise price and performance hurdles, if any, are determined at the time of grant of the LTI.

To date no performance hurdles have been set on options issued to executives other than time based service conditions. The Company believes that as options are issued at not less than the current market price of the Company's shares there is an inherent performance hurdle on those options as the share price of the Company's shares must increase significantly before there is any reward to the executive.

Directors' Report

Remuneration Report (Audited)

Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the year.

Option holdings of key management personnel

2018

	Balance at beginning of year	Granted as Remuneration	Options Exercised	Shares cancelled from 1:20 Consolidation	Balance at end of year	Vested at 30 June	
						Vested & Exercisable	Unvested
Directors							
Wolf Gerhard Martinick	10,000,000	5,000,000	-	(14,250,000)	750,000	750,000	-
Peter Anthony Ingram	10,000,000	5,000,000	-	(14,250,000)	750,000	750,000	-
Anthony Paul Rovira	20,000,000	10,000,000	-	(28,500,000)	1,500,000	1,500,000	-
Executives							
Brett Dickson	14,000,000	7,000,000	-	(19,950,000)	1,050,000	1,050,000	-
Total	**54,000,000**	**27,000,000**	**-**	**(76,950,000)**	**4,050,000**	**4,050,000**	**-**

Shareholdings of key management personnel

2018

	Balance 1 July Ord	Granted Ord	On Exercise of Options Ord	Shares cancelled from 1:20 Consolidation	Balance 30 June Ord	Balance Indirectly Held Ord
Directors						
Wolf G Martinick	5,299,990	-	-	(5,034,990)	265,000	215,000
Peter A Ingram	6,601,100	-	-	(6,271,045)	330,055	330,055
Anthony P Rovira	10,519,990	-	-	(9,993,990)	526,000	109,667
Executives						
Brett Dickson	-	-	-	-	-	-
Total	**22,421,080**	**-**	**-**	**(21,300,025)**	**1,121,055**	**654,722**

Other Related Party Transactions

The Company has entered into a sub-lease agreement on normal commercial terms with Oro Verde Limited, a company of which Wolf Martinick, Brett Dickson and Anthony Rovira are directors. During the year Oro Verde Limited paid sub-lease fees totalling $4,800 (2017: $4,800).

The Company has also entered into a sub-lease agreement on normal commercial terms with Rox Resources Limited, a company of which Brett Dickson is a Director. During the year Rox Resources Limited paid sub-lease fees totalling $ 111,216 (2017: $90,309).

Directors' Report

Remuneration Report (Audited)

Directors and executive options

Set out below are summaries of current Directors & Executives options granted.

2018

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Shares cancelled from 1:20 Consolidation	Balance at end of the year Number	Vested and exercisable at end of the year Number
19 Nov '15	30 Nov '18	120*	2.1	26,200,000	-	-	(24,890,000)	1,310,000	1,310,000
28 Apr '16	30 Nov '18	120*	2.2	800,000	-	-	(760,000)	40,000	40,000
7 Dec '16	30 Nov '19	94*	1.4	27,000,000	-	-	(25,650,000)	1,350,000	1,350,000
20 Nov '17	30 Nov '20	58*	1.6	-	27,000,000	-	(25,650,000)	1,350,000	1,350,000
				54,000,000	27,000,000	-	(76,950,000)	4,050,000	4,050,000
Weighted average exercise price				$0.053**	$0.29**		$0.045**	$0.91*	-

2017

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exer-cised during the year Number	Shares cancelled from 1:20 Consolidation	Balance at end of the year Number	Vested and exercisable at end of the year Number
25 Sept '13	30 June '17	5.8**	3.2	21,000,000	-	-	(21,000,000)	-	-
19 Nov '15	30 Nov '18	6.0**	2.1	26,200,000	-	-	-	26,200,000	26,200,000
28 Apr '16	30 Nov '18	6.0**	2.2	800,000	-	-	-	800,000	800,000
7 Dec '16	30 Nov '19	4.7**	1.4	-	27,000,000	-	-	27,000,000	27,000,000
				48,000,000	27,000,000	-	(21,000,000)	54,000,000	54,000,000
Weighted average exercise price				$0.059**	$0.047**		$0.058**	$0.054**	$0.054**

* shown on a post consolidation basis

** shown on a pre-consolidation basis

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.4 years (2017: 1.8 years)

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Consolidated	
	2018 $	2017 $
Options issued to directors and other executives	425,655	565,185

Directors' Report

Remuneration Report (Audited)

Company's Performance

Company's share price performance

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the year and of general market conditions.

The variable components of the executives' remuneration including short-term and long-term incentives are indirectly linked to the Company's share price performance.

The graph below shows the Company's share price performance during the financial year ended 30 June 2018.

Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2018.

	2018	2017	2016	2015	2014
Basic loss per share (cents)	(10.06)*	(0.42)	(0.53)	(0.13)	(0.50)

* After 1:20 share consolidation

Voting and comments made at the company's 2017 Annual General Meeting

Azure Minerals received approximately 90% of "yes" votes on its remuneration report for the 2017 financial year. Remuneration consultants were not engaged during the year and the company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Audited Remuneration Report

Directors' Report

Loans to Directors and Executives

No loans have been provided to directors or executives.

Shares Under Option

At the date of this report there are 29,358,850 unissued ordinary shares in respect of which options are outstanding.

			Total Number of options
Balance at the beginning of the year			272,508,539
Share option movements during the year	*Issued*	*Other*	
Exercisable at 2.9 cents, on or before 30 November 2020	41,000,000		41,000,000
Exercisable at 4.5 cents, on or before 11 July 2019	13,683,339		13,683,339
Shares cancelled from 1:20 Consolidation		(297,833,028)	(297,833,028)
Total options issued, exercised and lapsed in the year to 30 June 2018			**(243,149,689)**
Total number of options outstanding as at 30 June 2018 and at the date of this report			**29,358,850**

The balance is comprised of the following

Date granted	Expiry date	Exercise price (cents)	Number of options
19 Nov 2015	30 Nov 2018	120.0	1,560,000
28 Apr 2016	30 Nov 2018	120.0	290,000
7 Dec 2016	30 Nov 2019	94.0	2,050,000
7 Jul 2016	11 Jul 2019	110.0	9,725,511
20 Nov 2017	30 Nov 2020	58.0	2,050,000
17 Apr 2018	30 Apr 2020	45.0	13,683,339
Total number of options outstanding at the date of this report			**29,358,850**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

During the financial year no options were exercised by parties unrelated to the Company. Since the end of the financial year no options have been exercised.

Indemnification And Insurance Of Directors And Officers

During the financial year, Azure Minerals Limited paid a premium of $ 18,247 (2017: $16,095) to insure the directors and secretary of the company and its Australian based controlled entities.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No Proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Directors' Report

Non Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provisions of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principals relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:

	Consolidated	
1. Audit Services	**2018 $**	**2017 $**
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**44,000**	40,575
Salles Sáinz-Grant Thornton, S.C.		
Audit and review of financial reports of Mexican subsidiaries	**27,662**	37,886
2. Non audit Services **Audit-related services**		
BDO Audit (WA) Pty Ltd		
Attendance at Annual General Meeting	-	350
Taxation Services BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	**12,710**	11,105
Total remuneration for non-audit services	**12,710**	11,455

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 58.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.

P. Ingram

Peter Ingram
Chairman
Perth, 11 September 2018.

Corporate Governance Statement

Azure Minerals Limited ABN 46 106 346 918 (Company) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition. The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at:

http://www.azureminerals.com.au/ corporate/corporate-governance/

Charters

Board

Audit and Risk Committee

Nomination Committee

Remuneration Committee

Policies and Procedures

Policy and Procedure for the Selection and (Re)Appointment of Directors

Process for Performance Evaluations

Policy on Assessing the Independence of Directors

Securities Trading Policy

Code of Conduct (summary)

Compliance Procedures (summary)

Procedure for the Selection, Appointment and Rotation of External Auditor

Shareholder Communication and Investor Relations Policy

Risk Management Policy (summary)

Diversity Policy (summary)

Policy on Continuous Disclosure (summary)

The Company reports below on whether it has followed each of the recommendations during the 2017/2018 financial year (Reporting Period). The information in this statement is current at 11 September 2018. This statement was approved by a resolution of the Board on 11 September 2018.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The checks which are undertaken, and the information to be provided to shareholders are set out in the Company's Policy and Procedure for the Selection and (Re)Appointment of Directors, which is disclosed on the Company's website.

The Board did not appoint any directors during the Reporting Period. The Company provided shareholders with all material information in relation to the re-election of Mr Peter Ingram as a director at its 2017 Annual General Meeting.

Corporate Governance Statement

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company Secretary's role is also outlined in the consultancy agreement between the Company Secretary and the Company.

Recommendation 1.5

The Company has a Diversity Policy. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, the number of employees in Australia and the nature of the labour market in Mexico, the Board considers that it is not practical to set measurable objectives for achieving gender diversity.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. For the Reporting Period, this included the Managing Director and the Company Secretary & Chief Financial Officer:

	Proportion of women
Whole organisation (including Board members)	3 out of 18 (17%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 3 (0%)

Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The evaluations are undertaken in accordance with the Company's Process for Performance Evaluations, which is disclosed on the Company's website.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period an evaluation of the Company Secretary & Chief Financial Officer (the Company's sole senior executive, other than the Managing Director) took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Nomination and Remuneration Committee is responsible for evaluating the Managing Director.

During the Reporting Period, an evaluation of the Managing Director took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Corporate Governance Statement

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1

The Board has established a Nomination and Remuneration Committee comprising the Company's two independent non-executive directors, Peter Ingram (Chairman) and Wolf Martinick. The Nomination and Remuneration Committee is not structured in accordance with Recommendations 2.1 and 8.1 as it has only two members. However, the Board considers that the committee's composition is appropriate as it comprises the Board's two independent non-executive directors, and does not include an executive director.

Details of director attendance at Nomination and Remuneration Committee meetings held during the Reporting Period are set out in a table in the Directors' Report on page 11.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee and is disclosed on the Company's website. As noted above, the Board has combined the Nomination and Remuneration committees.

Recommendation 2.2

Significant geological experience, environmental management experience and professional skills including leadership, governance and strategy are the skills and diversity which the Board is looking to achieve in its membership, and these are collectively held by current members of the Board.

While the Company is at exploration stage, it does not wish to increase the size of the Board, and considers that the Board weighted towards technical experience is appropriate at this stage of the Company's development. The Board may bring in external consultants with specialist knowledge as and when required to address any areas where the Board does not collectively possess the relevant attribute.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. The independent directors of the Company are Peter Ingram and Wolf Martinick.

The length of service of each director is set out in the Directors' Report on page 10.

Recommendation 2.4

The Board has a majority of directors who are independent.

Recommendation 2.5

The independent Chair of the Board is Peter Ingram, who is not also Managing Director of the Company.

Recommendation 2.6

No new directors or senior executives were appointed during the Reporting Period. However, the Company has an induction program, coordinated by the Company Secretary. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity.

The Nomination and Remuneration Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Nomination and Remuneration Committee considers what training or development should be undertaken to fill those gaps. In particular, the Nomination and Remuneration Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors also receive ongoing education on developments in accounting standards.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1

The Company has established a Code of Conduct for its directors, senior executives and employees, a summary of which is disclosed on the Company's website.

Corporate Governance Statement

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1

The Board has established an Audit and Risk Committee comprised of the Company's two independent non-executive directors, Wolf Martinick (Chairman) and Peter Ingram. The Audit and Risk Committee is not structured in compliance with Recommendations 4.1 and 7.1 as it has only two members. However, the Board considers that the committee's composition is appropriate as it comprises the Board's two independent non-executive directors, and it is chaired by an independent chair that is not also chair of the Board.

Details of each of the director's qualifications are set out in the Directors' Report on page 10. Each of the members of the Audit and Risk Committee consider themselves to be financially literate and have an understanding of the industry in which the Company's operates. The Company's Chief Financial Officer, Mr Brett Dickson, is a Certified Practising Accountant with a Bachelor degree in Economics and is invited to attend Audit and Risk Committee meetings by invitation.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is disclosed on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Details of director attendance at Audit and Risk Committee meetings held during the Reporting Period are set out in a table in the Directors' Report on page 11.

The Board has adopted an Audit and Risk Committee Charter which describes the Audit and Risk Committee's role, composition, functions and responsibilities, and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2017 and the full-year ended 30 June 2018, it received from the Managing Director and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (Declaration).

The Board did not receive a Declaration for each of the quarters ending 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018 because in the Board's view its quarterly reports are not financial statements to which the Declaration can be appropriately given.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered and must arrange to be represented at that meeting by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chairman also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, BDO attended the Company's annual general meeting held on 20 November 2017.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Corporate Governance Statement

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.azureminerals.com.au.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy.

Recommendation 6.3

The Company has in place a Shareholder Communication and Investor Relations Policy which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1

As noted above, the Board has established a combined Audit and Risk Committee. Please refer to the disclosure above under Recommendation 4.1 in relation to the Audit and Risk Committee.

Recommendation 7.2

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy, a summary of which is disclosed on the Company's website.

Recommendation 7.4

As the Company is not in production, the Company has not identified any material exposure to any environmental and/or social sustainability risks. However, the Company does have a material exposure to the following economic risks:

- Market risk – movements in commodity prices. The Company manages its exposure to market risk by monitoring market conditions, and making decisions based on industry experience; and
- Future capital risk – cost and availability of funds to meet the Company's business requirements. The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processed by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least annually by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least annually to the Board.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

Corporate Governance Statement

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1

As noted above, the Board has established a combined Nomination and Remuneration Committee. Please refer to the disclosure above under Recommendation 2.1 in relation to the Nomination and Remuneration Committee.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website. As noted above, the Board has combined the Nomination and Remuneration committees.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration and "clawback policy" regarding the lapsing of performance-based remuneration in the event of fraud or serious misconduct and the clawback of the performance-based remuneration in the event of a material misstatement in the Company's financial statements, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 12 of the Company's Annual Report for year ended 30 June 2018.

Recommendation 8.3

The Company established an Employee Share Option Plan during the Reporting Period. The Company's Securities Trading Policy includes a statement on the Board's policy that participations in the Company's equity based remuneration schemes are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE

	Notes	Consolidated	
		2018 ($)	**2017 ($)**
Revenue from continuing activities	5	**85,748**	442,421
Expenditure			
Depreciation	6	**(56,841)**	(57,545)
Salaries and employee benefits expense		**(917,284)**	(700,776)
Directors fees		**(95,000)**	(95,000)
Exploration expenses	6	**(5,813,830)**	(5,758,221)
Exploration expenses reimbursed	6	**-**	1,353,280
Travel expenses		**(326,319)**	(319,836)
Promotion expenses		**(84,801)**	(107,071)
Administration expenses		**(303,960)**	(349,838)
Consulting expenses		**(247,491)**	(398,432)
Insurance expenses		**(24,078)**	(22,507)
Share based payment expense	26	**(646,365)**	(565,185)
Other expenses		**(790,298)**	(406,831)
Loss from continuing operations before income tax		**(9,220,519)**	(6,985,541
Income tax expense	7	**-**	-
Loss from continuing operations after income tax		**(9,220,519)**	(6,985,541)
Loss is attributable to: The owners of Azure Minerals Limited		**(9,220,519)**	(6,985,541)
Other comprehensive loss			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(619,125)**	(103,010)
Other comprehensive loss for the year net of tax		**(619,125)**	(103,010)
Total comprehensive loss for the Year		**(619,125)**	(103,010)
Total comprehensive loss is attributable to: The owners of Azure Minerals Limited		**(9,839,644)**	(7,088,551)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share (cents per share)	22	**(10.06)**	(0.42)
Diluted loss per share (cents per share)		**(10.06)**	(0.42)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Financial Position

AT 30 JUNE 2018

	Notes	2018 ($)	2017 ($)
Assets			
Current Assets			
Cash and cash equivalents	18	**6,593,163**	9,699,949
Trade and other receivables	8	**810,207**	960,236
Total Current Assets		**7,403,370**	10,660,185
Non-Current Assets			
Available for sale investments	9	**948**	948
Plant and equipment	10	**174,278**	211,321
Capitalised exploration expenditure	11	**7,940,514**	6,131,024
Total Non-Current Assets		**8,115,740**	6,343,293
Total Assets		**15,519,110**	17,003,478
Liabilities			
Current Liabilities			
Trade and other payables	13	**268,193**	334,284
Provisions	14	**154,141**	97,445
Total Current Liabilities		**422,334**	431,729
Non-Current Liabilities			
Provisions	14	**81,425**	67,647
Total Non-Current Liabilities		**81,425**	67,647
Total Liabilities		**503,759**	499,376
Net Assets		**15,015,351**	16,504,102
Equity			
Contributed equity	15	**80,732,475**	73,027,947
Reserves	16	**3,398,910**	3,371,670
Accumulated losses	16	**(69,116,034)**	(59,895,515)
Total Equity		**15,015,351**	16,504,102

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

AZURE MINERALS LIMITED

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

30 June 2018

	Issued Share Capital $	Share Option Reserve $	Available for Sale Assets Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2017	**73,027,947**	**4,515,403**	**(39,996)**	**(1,103,737)**	**(59,895,515)**	**16,504,102**
Loss for period	-	-	-	-	(9,220,519)	(9,220,519)
Other comprehensive loss						
Exchange differences on translation of foreign operations	-	-	-	(619,125)	-	(619,125)
Total other comprehensive loss	-	-	-	(619,125)	-	(619,125)
Total comprehensive loss for the period	-	-	-	**(619,125)**	**(9,220,519)**	**(9,839,644)**
Transactions with owners in their capacity as owners:						
Issue of share capital, net of transaction costs	7,704,528	-	-	-	-	7,704,528
Share based payments	-	646,365	-	-	-	646,365
Total transactions with owners	7,704,528	646,365	-	-	-	8,350,893
Balance as at 30 June 2018	**80,732,475**	**5,161,768**	**(39,996)**	**(1,722,862)**	**(69,116,034)**	**15,015,351**

30 June 2017

	Issued Share Capital $	Share Option Reserve $	Available for Sale Assets Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2016	65,581,982	3,950,218	(39,996)	(1,000,727)	(52,909,974)	15,581,503
Loss for period	-	-	-	-	(6,985,541)	(6,985,541)
Other comprehensive loss						
Exchange differences on translation of foreign operations	-	-	-	(103,010)	-	(103,010)
Total other comprehensive loss	-	-	-	(103,010)	-	(103,010)
Total comprehensive loss for the period	-	-	-	**(103,010)**	**(6,985,541)**	**(7,088,551)**
Transactions with owners in their capacity as owners:						
Issue of share capital, net of transaction costs	7,445,965	-	-	-	-	7,445,965
Share based payments	-	565,185	-	-	-	565,185
Total transactions with owners	7,445,965	565,185	-	-	-	8,011,150
Balance as at 30 June 2018	**73,027,947**	**4,515,403**	**(39,996)**	**(1,103,737)**	**(59,895,515)**	**16,504,102**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 ($)	2017 ($)
Cash flows from operating activities			
Payments to suppliers and employees		**(2,836,787)**	(2,469,194)
Interest received		**80,211**	146,261
Other revenue		**-**	132,144
Expenditure on mining interests		**(5,651,775)**	(5,849,257)
Reimbursement of exploration expenditure		**-**	1,017,087
Net Cash Outflow from Operating Activities	18(b)	**(8,408,351)**	(7,022,959)
Cash flows from investing activities			
Payments for plant and equipment		**(38,988)**	(18,076)
Acquisition Payments for projects		**(2,203,012)**	(26,892)
Proceeds from sale of plant and equipment		**16,928**	-
Proceeds from sale of projects		**-**	140,190
Net Cash (Outflow) Inflow from Investing Activities		**(2,225,072)**	95,222
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**8,210,000**	7,810,085
Share issue costs		**(505,472)**	(470,205)
Net Cash Inflow from Financing Activities		**7,704,528**	7,339,880
Net Increase/(Decrease) in Cash and Cash Equivalents		**(2,928,895)**	412,143
Cash and cash equivalents at the beginning of the financial year		**9,699, 949**	9,387,160
Effect of exchange rate changes on cash and cash equivalents		**(177,891)**	(99,354)
Cash and Cash Equivalents at End of Year	18(a)	**6,593,163**	9,699,949

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Azure Minerals Limited as an individual entity and the consolidated entity consisting of Azure Minerals Limited and its subsidiaries.

Basis of Preparation

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Azure Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRSs

The consolidated financial statements of Azure Minerals Limited and the separate financial statements of Azure Minerals Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention except for available-for-sale financial asset which is accounted for at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(a) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisitions method of accounting is used to account for business combinations by the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Azure Minerals Limited.

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (Continued)

Depreciation

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(c) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

g) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is Azure Minerals Limited's functional and presentation currency. The functional currency of Australian subsidiary (Azure Mexico Pty Ltd) is the Australian dollar. The functional currency of the Mexican overseas subsidiaries (Minera Piedra Azul CV de SA, Minera Azure CV de SA, Minera Capitana CV de SA and Servicios AzuPerth CV de SA) is the Mexican Peso.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(h) Trade and other payables

Liabilities for trade creditors are recognised initially at fair value and subsequently at amortised cost.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (Continued)

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(j) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(k) Contributed Equity

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received

(l) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(n) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interests in joint ventures

The Groups share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and statement of financial position.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chairman.

(q) Investments and Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised at fair value on initial recognition. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position (note 8).

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using effective interest method.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the profit or loss. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivative, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flow, are used to determined fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Provisions

Provisions for legal claims, and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2d below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

(u) Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Changes in accounting policies (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- physical products which are sent to the customer, where revenue is recognised upon shipment or arrival of goods, dependent on the terms that have been agreed with the customer;
- cloud services fees, which are recognised over the service period;
- software license fees, which are recognised over the license period;
- maintenance fees, for which contracts are generally one year with revenue recognised over the contract period; and
- installation fees, which are recognised upon the completion of product installation.

In relation to cloud services, software licence, and maintenance fees, the Group recognises a contract liability where payments received exceed the services rendered.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

Since the release of this standard, the Group has not yet made an assessment of the impact of this standard.

The application date of this standard is for annual reporting periods beginning on or after 1 January 2019.

2 . FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Notes to the Consolidated Financial Statements

2 . FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents. For the Company it arises from receivables due from subsidiaries.

Cash and Cash Equivalents

The Group manages its credit risk on cash and cash equivalents by only dealing with banks licensed to operate in Australia.

Trade and other receivables

As the Group operates in the mining exploration sector, it generally does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Presently, the Group undertakes exploration and evaluation activities exclusively in Mexico. At the reporting date there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Consolidated Carrying Amount	
	Note	2018 $	2017 $
Trade and other receivables	8	**810,207**	960,236
Cash and cash equivalents	18	**6,593,163**	9,699,949

Impairment losses

None of the Company's other receivables are past due (2017: nil).

The Group operates in the mining exploration sector and generally does not have trade receivables and is therefore not materially exposed to credit risk in relation to trade receivables. Other receivables are principally value added taxes withheld by third parties and due to the Group from sovereign governments, as such the Group does not consider it is exposed to any significant credit risk.

The allowance accounts in respect of other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2018 the Group does not have any collective impairments on its other receivables.

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. There are no guarantees outstanding (2017: Nil)

Notes to the Consolidated Financial Statements

2 . FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities at amortised cost:

Consolidated							
	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2018							
Trade and other payables	268,193	268,193	268,193	-	-	-	-
30 June 2017							
Trade and other payables	334,284	334,284	334,284	-	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United Sates Dollar (USD) and Mexican Peso (MxP).

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

	2018 USD	2017 USD
Trade receivables	**-**	-
Trade payables	**99,118**	79,388
Gross statement of financial position	**99,118**	79,388
Forward exchange contracts	**-**	-
Net exposure	**99,118**	79,388

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
AUD/USD	**1.2904**	1.3280	**1.3501**	1.3010

Notes to the Consolidated Financial Statements

2 . FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to currency risk (Continued)

Sensitivity analysis

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and decrease loss, before tax, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

Consolidated	
	Profit or loss
30 June 2018	
USD	**9,912**
30 June 2017	
USD	7,939

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the Groups financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings therefore is not exposed to interest rate risk in this area. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying Amount	
	2018	2017
Variable rate instruments		
Short term cash deposits	**6,454,118**	9,464,501

Cash flow sensitivity analysis for variable rate instruments

The Group has reviewed the likely movements in interest rates and considers that a movement of +/- 100 basis points is reasonable.

Group Sensitivity

At 30 June 2018 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been $ 65,932 higher /lower (2017 – change of 100 basis points $96,999 higher/lower).

Notes to the Consolidated Financial Statements

2 . FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	810,207	810,207	960,236	960,236
Cash and cash equivalents	6,593,163	6,593,163	9,699,949	9,699,949
Other financial assets	-	-	-	-
Trade and other payables	(268,193)	(268,193)	(334,284)	(334,284)

The methods and assumptions used to estimate the fair value of instruments are:

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Capital Management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.
There were no changes in the Group's approach to capital management during the year.
Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Currently no deferred tax assets have been recognised as it is not probable that future taxable profits will be available to utilise those temporary differences.

Share options

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binominal formula. For options issued in this financial year, the assumptions detailed as per Note 26 were used.

Receivables

Impairments on receivables are made when a judgement is made that the likely hood of recovery is low. Consideration is given to the length of time the debt has been outstanding, the debtors past history of payment together with any legal advice received on the probability of recovery in making that determination.

Notes to the Consolidated Financial Statements

4. SEGMENT INFORMATION

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on this criteria, management has determined that the company has one operating segment being mineral exploration in Mexico. As the company is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	30 June 2018 $	30 June 2017 $
Revenue from external sources	-	-
Reportable segment profit (loss)	(5,846,640)	(4,172,310)
Reportable segment assets	8,776,997	7,162,893
Reportable segment liabilities	(198,237)	(158,774)
Reconciliation of reportable segment loss		
Reportable segment profit (loss)	(5,846,640)	(4,172,310)
Other profit		
Unallocated:		
- Salaries and wages	(1,012,284)	(795,776)
- Travel and accommodation	(326,319)	(319,836)
- Office costs	(790,983)	(707,761)
- Other corporate expenses	(580,180)	(403,484)
- Share based payments	(646,365)	(565,185)
- Depreciation	(17,748)	(21,189)
Loss before tax	(9,220,519)	(6,985,541)
Reconciliation of reportable segment assets		
Reportable segment assets	8,776,997	7,162,893
Unallocated:		
- Cash	6,593,163	9,699,949
- Trade and other receivables	87,481	76,701
- Investments	948	948
- Office plant and equipment	60,521	62,987
Total assets	15,519,110	17,003,478
Reconciliation of reportable segment liabilities		
Reportable segment liabilities	(198,237)	(158,774)
Unallocated:		
- Trade and other payables	(69,956)	(175,510)
- Provisions	(235,566)	(165,092)
Total liabilities	(503,759)	(499,376)

Notes to the Consolidated Financial Statements

5. REVENUE FROM CONTINUING OPERATIONS

	30 June 2018 $	30 June 2017 $
Other revenues		
Bank interest	**80,150**	170,087
Back-in right on project	**-**	140,190
Rental and overhead fees	**-**	132,144
Other	**5,598**	-
Total revenues from continuing operations	**85,748**	442,421

6. EXPENSES

	30 June 2018 $	30 June 2017 $
Loss before income tax includes the following specific expenses		
Depreciation of plant and equipment	**56,841**	57,545
Exploration expenditure	**5,813,830**	5,758,221
Exploration expenditure reimbursement	**-**	(1,353,280)
Operating lease expenses	**64,948**	36,758
Superannuation	**53,096**	37,825

7. INCOME TAX

	30 June 2018 $	30 June 2017 $
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-

	30 June 2018 $	30 June 2017 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(9,220,519)**	(6,985,541)
Tax at the Australian tax rate of 27.5% (2017: 30%)	**(2,535,643)**	(2,095,662)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**177,750**	169,556
Sundry items	**83,607**	110,122
	(2,274,286)	(1,815,984)
Movement in unrecognised temporary differences	**(92,584)**	(102,256)
Difference in overseas tax rates	**-**	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**2,366,870**	1,918,240
Income tax expense	**-**	-

Notes to the Consolidated Financial Statements

7. INCOME TAX (CONTINUED)

	30 June 2018 $	30 June 2017 $
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Prepayments	**3,512**	3,395
Depreciation of plant and equipment	**(11,674)**	(12,583)
Provisions	**64,781**	57,028
Carry forward tax losses	**8,727,853**	8,203,290
Carry forward tax losses – foreign	**8,181,177**	5,854,477
Other – tenement	**600,100**	654,600
	17,565,749	14,760,207
Deferred Tax Liabilities (at 30%)	**-**	-

Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which deductible temporary differences can be utilised.

In addition to the above Australian estimated future income tax benefits the consolidated entity has incurred significant expenditure in Mexico, some of which should give rise to taxable deductions. At this stage the company is unable to reliably estimate the quantity of such future tax benefits.

There are no franking credits available.

8. TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Current		
Prepayment of insurance premiums	**12,770**	14,890
Sundry Receivables (a)	**797,437**	945,346
	810,207	960,236

(a) These amounts generally arise from activities outside the usual operating activities. Interest is not usually charged and collateral is not obtained. For the Group the receivable principally arises from consumption taxes paid to third party suppliers for which a refund from tax authorities is expected.

The carrying amount of trade and other receivables are assumed to approximate their fair values due to their short-term nature.

There are no impaired sundry receivables and no past due but not impaired receivables.

(b) Refer to note 2 for information on the risk management policy of the Group and the credit quality of the Groups receivables

9. AVAILABLE FOR SALE INVESTMENTS

	2018 $	2017 $
Listed shares at fair value (a)		
Wolfeye Resource Corp.	**948**	948

(a) Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. Wolfeye Resource Corp. is listed on the Toronto Venture Exchange. Fair value has been determined directly by reference to published quotations on active markets (Level 1). The fair value of these financial assets has been based on the closing quoted bid prices at reporting date, excluding transaction costs. Also refer to Note 2 – Financial Risk Management.

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Notes to the Consolidated Financial Statements

9. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

	2018 $	2017 $
At Cost	**40,944**	40,944
Impairment	**-**	-
Fair value adjustment to reserve (Note 16)	**(39,996)**	(39,996)
Fair value at 30 June	**948**	948

10. PLANT AND EQUIPMENT

	Furniture, fittings and equipment $	Motor Vehicles $	Exploration Equipment $	Total $
At 1 July 2016				
Cost	306,276	110,431	100,549	517,256
Accumulated Depreciation	(176,164)	(57,116)	(29,936)	(263,216)
Net Book Amount	130,112	53,315	70,613	254,040
Year ended 30 June 2017				
Opening net book value	130,112	53,315	70,613	254,040
Additions	16,249	-	981	17,230
Disposals	-	-	(2,883)	(2,883)
Depreciation on disposals	-	-	2,883	2,883
Depreciation charge	(35,792)	(13,739)	(8,014)	(57,545)
Foreign exchange translation adjustment	(317)	(1,135)	(952)	(2,404)
Closing net book value	110,252	38,441	62,628	211,321
At 30 June 2017				
Cost	322,373	109,481	97,855	529,709
Accumulated depreciation	(212,121)	(71,040)	(35,227)	(318,388)
Net book amount	**110,252**	**38,441**	**62,628**	**211,321**
Year ended 30 June 2018				
Opening net book value	110,252	38,441	62,628	211,321
Additions	30,120	-	9,052	39,172
Disposals	(75,745)	(23,731)	(4,280)	(103,756)
Depreciation on disposals	75,025	13,349	4,242	92,616
Depreciation charge	(34,122)	(13,298)	(9,422)	(56,842)
Foreign exchange translation adjustment	(2,540)	(2,032)	(3,661)	(8,233)
Closing net book value	**102,990**	**12,729**	**58,559**	**174,278**
At 30 June 2018				
Cost	269,278	79,326	96,748	445,352
Accumulated depreciation	(166,288)	(66,597)	(38,189)	(271,074)
Net book amount	**102,990**	**12,729**	**58,559**	**174,278**

Notes to the Consolidated Financial Statements

11. CAPITALISED EXPLORATION EXPENDITURE (NON-CURRENT)

	2018 $	2017 $
At Cost	**7,940,514**	6,131,024
Reconciliations		

Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the current financial year

	2018 $	2017 $
Opening net book amount	**6,131,024**	6,104,133
Additions(a)	**2,203,013**	26,891
Disposals	**-**	-
Foreign exchange translation adjustment	**(393,523)**	-
Closing net book amount	**7,940,514**	6,131,024

(a) The following payments were made to acquire projects during the Year: $1,943,946 (Oposura), $180,234 (Sara Alicia), $46,624(EL Sahuaro) and $32,209 (Promontorio).

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale.

12. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Class of shares	Equity Holding*	
			2018 %	2017 %
Azure Mexico Pty Ltd	Australia	Ordinary	**100**	100
Minera Piedra Azul, S.A. de C.V	Mexico	Ordinary	**100**	100
Minera Capitana S.A. de C.V	Mexico	Ordinary	**100**	100
Azu-Perth S.A. de C.V.	Mexico	Ordinary	**100**	100
Minera Azure, S.A. de C.V.	Mexico	Ordinary	**100**	100

*Percentage of voting power is in proportion to ownership.

13. TRADE AND OTHER PAYABLES (CURRENT)

	2018 $	2017 $
Trade payables	**268,193**	334,284
Joint venture contribution received in advance	**-**	-
	268,193	334,284

Information about the Groups financial risk management policies is disclosed in note 2.

The carrying amount of trade and other payables are assumed to approximate their fair values due to their short-term nature.

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Notes to the Consolidated Financial Statements

14. PROVISIONS

	2018 $	2017 $
Current		
Employee benefits	**154,141**	97,445
Non-Current		
Employee benefits	**81,425**	67,647

The provisions for employee benefits include accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. Based on past experience employee entitlements that represent annual leave are presented as current and employee entitlements that are in relation to long serve leave are present as non-current.

15. CONTRIBUTED EQUITY

(a) Share capital	Consolidated			
	2018 Number of shares	$	2017 Number of shares	$
Ordinary shares fully paid				
Total consolidated contributed equity	**110,999,992**	**80,732,475**	1,672,653,595	73,027,947

(b) Movements in ordinary share capital	Consolidated			
	2018 Number of shares	$	2017 Number of shares	$
1 July opening balance	1,672,653,595	73,027,947	1,464,260,045	65,581,982
Issue at $0.038 per share	-	-	207 993 950	7,903,770
Issue at $0.031 per share	-	-	400,000	12,400
Shares cancelled from 1:20 share consolidation	(1,589,020,269)	-	-	-
Issue at $0.30 per share	27,366,666	8,210,000	-	-
Share issue expenses	-	(505,472)	-	(470,205)
30 June closing balance	110,999,992	80,732,475	1,672,653,995	73,027,947

Funds raised from the share issues during the 2018 were used to progress the company's exploration activities

(c) Movements in unlisted options on issue - 2017						
Exercise Price (cents)	Expiry	Opening Balance	Issued	Lapsed	Shares cancelled from **1:20 Consolidation**	Closing Balance
5.8	30 June 2017	25,000,000	-	(25,000,000)	-	-
6.0	30 November 2018	37,000,000	-	-	-	37,000,000
4.7	30 November 2019	-	41,000,000	-	-	41,000,000
4.5	30 November 2016	25,924,075	-	(25,924,075)	-	-
5.5	11 September 2019	-	194,508,539	-	-	194,508,539
		87,924,075	**235,508,539**	**(50,924,075)**	**-**	**272,508,539**

Notes to the Consolidated Financial Statements

15. CONTRIBUTED EQUITY (CONTINUED)

(c) Movements in unlisted options on issue (Continued) - 2018						
Exercise Price (cents)	**Expiry**	**Opening Balance**	**Issued**	**Lapsed**	Shares cancelled from **1:20 Consolidation**	**Closing Balance**
120*	30 November 2018	37,000,000	-	-	(35,150,000)	1,850,000
94*	30 November 2019	41,000,000	-	-	(38,950,000)	2,050,000
58*	30 November 2020	-	41,000,000	-	(38,950,000)	2,050,000
110*	11 September 2019	194,508,539	-	-	(184,783,028)	9,725,511
45**	30 April 2020	-	13,683,339	-	-	13,683,339
		272,508,539	**54,683,339**	**-**	**(297,833,028)**	**29,358,850**

*Exercise price adjusted for the 1:20 consolidation completed on 30 November 2017.

** Issued after the 1:20 share consolidation

Further information on options issued is set out in Note 26.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. For further information on Capital Management refer to Note 2.

16. RESERVES AND ACCUMULATED LOSSES

	2018 $	**2017 $**
Accumulated losses		
Balance at beginning of year	**59,895,515**	52,909,974
Loss for the year	**9,220,519**	6,985,541
Balance at end of year	**69,116,034**	59,895,515
Share-based payments reserve		
Balance at beginning of year	**4,515,403**	3,950,218
Movement during the year	**646,365**	565,185
Balance at end of year	**5,161,768**	4,515,403
Available-for-sale assets reserve		
Balance at beginning of year	**(39,996)**	(39,996)
Revaluation	**-**	-
Balance at end of year	**(39,996)**	(39,996)
Foreign currency translation reserve		
Balance at beginning of year	**(1,103,737)**	(1,000,727)
Movement during the year	**(619,125)**	(103,010)
Balance at end of year	**(1,722,862)**	(1,103,737)

Notes to the Consolidated Financial Statements

16. RESERVES AND ACCUMULATED LOSSES (CONTINUED)

(a) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Available-for-sale assets reserve

This reserve records fair value changes on available-for-sale investments. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the statements of foreign subsidiaries.

17. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

18. STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents (refer note 2)	2018 $	2017 $
Cash and cash equivalents comprises:		
- cash at bank and in hand	**139,045**	235,448
- short-term deposits	**6,454,118**	9,464,501
Closing cash and cash equivalents balance	**6,593,163**	9,699,949

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(b) Reconciliation of the net loss after income tax to the net cash flows from operating activities	2018 $	2017 $
Net loss	**(9,220,519)**	(6,985,541)
Depreciation of non current assets	**56,840**	57,545
Share based payment expense	**646,365**	565,185
Non-cash exploration expense	**-**	12,400
Proceeds from sale of project	**11,330**	(140,190)
Profit on sale of equipment	**(16,928)**	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(2,297,776)**	330,760
(Increase)/decrease in prepayments	**(3,123)**	3,781
Increase/(decrease) in trade and other payables	**2,344,986**	(890,440)
Increase/(decrease) in provisions	**70,474**	23,541
Net cash outflow from operating activities	**(8,408,351)**	(7,022,959)

(c) Non-cash financing and investing activities

There have been no non-cash financing and investing activities during the 2018 year (2017: Nil).

Notes to the Consolidated Financial Statements

19. COMMITMENTS

(a) Exploration commitments

The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments which are expected to be met in the normal course of business are as follows:

	2018 $	2017 $
Not later than one year	**101,528**	100,821

(b) Lease expenditure commitments	2018 $	2017 $
Operating leases (non cancellable):		
Minimum lease payments:		
not later than one year	**141,780**	119,076
later than one year and not later than five years	**212,670**	297,690
Aggregate lease expenditure contracted for at reporting date	**354,450**	416,766

The property lease is a non-cancellable lease with a five-year term ending 31 December 2020, rent is payable monthly in advance. The lease allows for subletting of all leased areas and excess office space has been sub-let the related third parties as disclosed in Note 25(c).

20. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the company at reporting date (2017: Nil).

21. EVENTS OCCURING AFTER REPORTING DATE

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

22. LOSS PER SHARE

(a) Reconciliation of earnings to profit or loss	2018 $	2017 $
Net loss	(9,220,519)	(6,985,541)
Loss used in calculating basic loss per share	(9,220,519)	(6,985,541)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	Number of shares 2018	Number of shares 2017
Weighted average number of ordinary shares used in calculating basic loss per share	91,637,139	1,668,981,646

(c) Effect of dilutive securities

Options on issue at reporting date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered antidilutive. Accordingly diluted loss per share has not been disclosed.

Notes to the Consolidated Financial Statements

23. AUDITOR'S REMUNERATION

	2018 $	2017 $
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:		
Tax compliance services	**10,455**	11,105
An audit or review of the financial report of the entity	**44,000**	40,925
	54,455	52,030
Remuneration of other auditors of subsidiaries		
Audit or review of financial report of subsidiaries	**27,662**	37,885

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of key management personnel by compensation	2018 $	2017 $
Short-term	**767,930**	659,900
Post employment	**34,027**	48,775
Share-based payment	**425,655**	372,195
	1,227,612	1,080,870

For further information refer to the Remuneration Report included as part of the Directors' Report.

25. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is Azure Minerals Limited.

(b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Class of shares	Equity Holding*	
			2018 %	2017 %
Azure Mexico Pty Ltd	Australia	Ordinary	**100**	100
Minera Piedra Azul, S.A. de C.V	Mexico	Ordinary	**100**	100
Minera Capitana, S.A. de C.V	Mexico	Ordinary	**100**	100
Servicios AzuPerth, S.A. de C.V	Mexico	Ordinary	**100**	100
Mineral Azure S.A. de C.V.	Mexico	Ordinary	**100**	100

*Percentage of voting power is in proportion to ownership

No other provision for doubtful debts have been raised in relation other outstanding balances, and no other expense has been recognised in respect of bad or doubtful debts due from related parties.

(c) Other Related Transactions

The Company has entered into a sub-lease agreement on normal commercial terms with Oro Verde Limited, a company of which Wolf Martinick and Brett Dickson are directors. During the year Oro Verde Limited paid sub-lease fees totalling $4,800 (2017: $4,800).

The Company has also entered into a sub-lease agreement on normal commercial terms with Rox Resources Limited, a company of which Brett Dickson is a Director. During the year Rox Resources Limited paid sub-lease fees totalling $ 111,216 (2017: $90,309).

Notes to the Consolidated Financial Statements

26. SHARE-BASED PAYMENTS

No options have been issued pursuant to an Employee Share plan.

Employee and consultants option plan

The establishment of the Azure Minerals Limited – Employees and Contractors Option Incentive Plan ("Plan") was approved by shareholders at the Annual General Meeting. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights. No options are on issue pursuant to the plan.

(a) Director, executive and employee options

Set out below are summaries of current directors, executives & employees options granted.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2017									
25 Sept '13	30 June '17	5.8	3.2	25,000,000	-	-	(25,000,000)	-	-
19 Nov '15	30 Nov '18	6.0	2.1	31,200,000	-	-	-	31,200,000	31,200,000
28 Apr '16	30 Nov '18	6.0	2.2	5,800,000	-	-	-	5,800,000	5,800,000
7 Dec '16	30 Nov '19	4.7	1.4	-	41,000,000	-	-	41,000,000	41,000,000
				62,000,000	**41,000,000**	**-**	**(25,000,000)**	**78,000,000**	**78,000,000**
Weighted average exercise price				$0.059	$0.047	-	$0.058	$0.053	$0.053
2018									
19 Nov '15	30 Nov '18	6.0	2.1	31,200,000	-	-	-	31,200,000	31,200,000
28 Apr '16	30 Nov '18	6.0	2.2	5,800,000	-	-	-	5,800,000	5,800,000
7 Dec '16	30 Nov '19	4.7	1.4	41,000,000	-	-	-	41,000,000	41,000,000
20 Nov '17	30 Nov '20	2.9	1.6	-	41,000,000	-	-	41,000,000	41,000,000
				78,000,000	**41,000,000**	**-**	**-**	**119,000,000**	**119,000,000**
Weighted average exercise price				$0.053	$0.029	-	-	$0.045	$0.045

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2017: 1.8 years).

Notes to the Consolidated Financial Statements

26. SHARE-BASED PAYMENTS (CONTINUED)

(a) Director, executive and employee options (Continued)

Fair value of options granted.

During the 2018 financial year the weighted average fair value of the options granted was 1.58 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2018	2017
Weighted average exercise price (cents)	2.9	4.7
Weighted average life of the option (years)	3.0	3.0
Weighted average underlying share price (cents)	2.6	2.7
Expected share price volatility (%)	100	100
Risk free interest rate (%)	1.9	1.9

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Consolidated	
	2018 $	2017 $
Options issued to directors and executives	646,365	565,185

27. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $	2017 $
Statement of Financial Position		
Current assets	**15,104,818**	16,780,414
Total assets	**15,167,137**	16,844,704
Current liabilities	**(224,097)**	(340,602)
Total liabilities	**(305,522)**	(340,602)
Net assets	**14,861,615**	16,504,102
Shareholder's equity		
Issued capital	**80,732,475**	73,027,947
Reserves	**5,121,772**	4,475,407
Accumulated loses	**(70,992,632)**	(60,999,252)
	14,861,615	16,504,102

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(c) Contracted commitments for the acquisition of property, plants or equipment

The parent entity did not have any commitments for the acquisition of property, plants or equipment.

Directors' Declaration

The directors of the company declare that:

(1) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.

(2) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(3) The directors have been given the declaration by the chief executive officer and chief financial officer as required by section 295A of the Corporations Act 2001.

(4) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

P. Ingram

Peter Ingram
Chairman

Perth, 11 September 2018

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of Azure Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Azure Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Recoverability of Capitalised Exploration Expenditure

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 11 to the financial report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 3 and Note 11 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

BDO

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Azure Minerals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 11 September 2018

Declaration of Independence

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor of Azure Minerals Limited for the period ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azure Minerals Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 11 September 2018

ASX Additional Information

The number of shareholders, by size of holding, in each class of share as at 4th September 2018 are:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	1,155	497,801
1,001 - 5,000	1,063	3,019,342
5,001 - 10,000	463	3,580,402
10,001 - 100,000	961	31,033,658
100,001 and over	130	72,868,789
	3,772	110,999,992
The number of shareholders holding less than a marketable parcel of shares are:	1,735	1,549,363

b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	10,658,836	9.60
2	DEUTSCHE BALATON AKTIENGESELLSCHAFT	10,000,000	9.01
3	CITICORP NOMINEES PTY LIMITED	7,709,337	6.95
4	BNP PARIBAS NOMS PTY LTD <DRP>	6,378,451	5.75
5	YANDAL INVESTMENTS PTY LTD	5,000,000	4.50
6	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	3,781,877	3.41
7	J & B SMITH SUPERANNUATION PTY LTD <LOCH M FRASER SF A/C>	1,020,000	0.92
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	955,548	0.86
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	908,487	0.82
10	DR LYNDSAY GEORGE MCDONALD GORDON	700,481	0.63
11	MR BRIAN GREGORY WALSH	629,500	0.57
12	MR PETER MURRAY NICHOLAS	570,000	0.51
13	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	505,000	0.45
14	SENESCHAL (WA) PTY LTD <WINSTON SCOTNEY FAM SF A/C>	500,000	0.45
15	MR GARRY TEMPLE	500,000	0.45
16	MR NEIL JAMES WADDINGTON	464,112	0.42
17	MR DIRK KEIZER + MRS LENA KEIZER <THE KEIZER A/C>	462,792	0.42
18	STADJOY PTY LTD <BRADAM TRADING A/C>	450,001	0.41
18	MR JOHN WILLIAM ROGERS	433,257	0.39
20	MR ANTHONY PAUL ROVIRA	416,333	0.38
		52,044,012	**46.89**

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Deutsche Balaton Aktiengesellschaft	14,742,670
Drake Private Investments LLC	5,843,113

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

ASX Additional Information

(e) Schedule of interests in mining tenements

Project	Common Name	Minerals	Tenement	Percentage held
Oposura	El Monstruo De Plomo	All Minerals	180473	100%
	Don Genaro	All Minerals	180474	100%
	El Crestón De Plomo	All Minerals	180475	100%
	Candelaria	All Minerals	180476	100%
	El Hueco	All Minerals	180477	100%
	Campo De Plomo	All Minerals	180602	100%
	Oposura Número 2	All Minerals	180603	100%
	Oposura Número 4	All Minerals	180604	100%
	Oposura Número 6	All Minerals	180605	100%
	El Encinal	All Minerals	223473	100%
Sara Alicia	Sara Alicia	All Minerals	165539	100%
El Tecolote	El Tecolote	All Minerals	243923	100%
	El Tecolote III	All Minerals	234586	100%
Promontorio	Hidalgo	All Minerals	235270	100%
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio 1	All Minerals	245495	100%
	Promontorio 2	All Minerals	245496	100%
	Promontorio 3	All Minerals	245497	100%
	Promontorio 4	All Minerals	245505	100%
	Promontorio 5	All Minerals	245500	100%
	Promontorio 6	All Minerals	245498	100%
	Promontorio 7	All Minerals	245506	100%
	Promontorio 8	All Minerals	245507	100%
	Promontorio 9	All Minerals	245501	100%
	Promontorio 10	All Minerals	245499	100%
	Promontorio 11	All Minerals	245502	100%
	Promontorio 12	All Minerals	245503	100%
	Promontorio 13	All Minerals	245504	100%
Oso Negro	El Sahuaro	All Minerals	243322	100%
	Oso Negro	All Minerals	application	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
San Augustin	San Augustin1	All Minerals	238325	100%
Alacran1	Kino 3	All Minerals	166312	100%
	Kino 2	All Minerals	166313	100%
	Kino 4	All Minerals	166314	100%
	Kino 8	All Minerals	166315	100%
	Kino 9	All Minerals	166316	100%
	Kino 10	All Minerals	166317	100%
	Kino 11	All Minerals	166318	100%
	Kino 15	All Minerals	166365	100%
	Hidalgo No. 4	All Minerals	166366	100%
	Kino 16	All Minerals	166367	100%

ASX Additional Information

Project	Common Name	Minerals	Tenement	Percentage held
Alacran1	Hidalgo No. 3	All Minerals	166368	100%
	Hidalgo No. 2	All Minerals	166369	100%
	Hidalgo No. 5	All Minerals	166370	100%
	Hidalgo No. 6	All Minerals	166371	100%
	Hidalgo No. 8	All Minerals	166372	100%
	Hidalgo No. 7	All Minerals	166373	100%
	Hidalgo	All Minerals	166374	100%
	Hidalgo No. 9	All Minerals	166375	100%
	San Simon	All Minerals	166376	100%
	San Simon No. 2	All Minerals	166377	100%
	El Alacran	All Minerals	201817	100%

[1] Teck Resources Limited has elected to exercise its back-in right to earn a 51% interest in the Alacrán concessions.

Tables of Minerals Resources

Mineral Resources Estimation Governance Statement

Governance of Azure's mineral resources is a responsibility of the Executive Management of the Company.

The Promontorio, Cascada, Mesa de Plata and Loma Bonita mineral resources have not changed since last year. The Oposura mineral resource is a new resource this financial year and its first estimate was released to ASX on 4 July 2018.

Azure has ensured that its mineral resources estimates are subject to appropriate levels of governance and internal controls. The mineral resources reported have been estimated by independent external consultants who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimations. Additionally, the Company carries out regular internal peer reviews of processes and contractors engaged.

Azure has reported its Promontorio mineral resources on an annual basis in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC code) 2004 Edition.

Azure has reported its Oposura, Cascada and Mesa de Plata mineral resources on an annual basis in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC code) 2012 Edition.

Competent Persons named by Azure are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and/or of a "Recognised Professional Organisation", as included in a list on the JORC and ASX websites.

Oposura Project

Table 1: Oposura Resource Estimate - June 2018 - using a 1.5% Zinc Equivalent Cut-Off Grade
(first released to ASX on 4 July 2018)

	Indicated Mineral Resource				Inferred Mineral Resource				Total Mineral Resource			
	Tonnes	Grade			Tonnes	Grade			Tonnes	Grade		
Zone	(Mt)	Zn (%)	Pb (%)	Ag (g/t)	(Mt)	Zn (%)	Pb (%)	Ag (g/t)	(Mt)	Zn (%)	Pb (%)	Ag (g/t)
East	0.5	5.0	3.7	19.4	0.5	4.8	2.7	16.7	1.0	4.9	3.2	18.5
West	1.6	5.4	2.6	16.5	0.3	3.3	2.1	14.3	1.9	5.0	2.6	16.2
Total	**2.1**	**5.3**	**2.9**	**17.2**	**0.8**	**4.3**	**2.5**	**16.5**	**2.9**	**5.0**	**2.8**	**17.0**

ASX Additional Information

Tables of Minerals Resources (Continued)

Alacrán Project

Table 2: Mesa de Plata JORC Code Measured and Indicated Mineral Resource

(first released to ASX on 1 December 2016)

Zone	Measured Mineral Resource			Indicated Mineral Resource			Total Mineral Resource		
	Tonnes (Mt)	Silver		Tonnes (Mt)	Silver		Tonnes (Mt)	Silver	
		(g/t Ag)	(Moz)		(g/t Ag)	(Moz)		(g/t Ag)	(Moz)
High Grade	1.21	307.4	12.0	0.54	201.7	3.5	1.75	274.7	15.5
Mid-Grade	8.43	43.0	11.7	0.28	36.2	0.3	8.71	42.8	12.0
Total	**9.64**	**76.2**	**23.6**	**0.82**	**145.4**	**3.8**	**10.46**	**81.6**	**27.4**

Table 3: Loma Bonita JORC Code Indicated and Inferred Mineral Resource

(first released to ASX on 21 December 2016)

Cut-Off Grade (g/t Au)	JORC Code Classification	Tonnes (Mt)	Gold		Silver	
			(g/t)	(kOz)	(g/t)	(Moz)
≥ 0.5	Indicated Mineral Resource	2.87	1.25	115.7	33.9	3.14
	Inferred Mineral Resource	0.5	1.0	15	18	0.3
	Total	**3.4**	**1.2**	**131**	**32.0**	**3.4**
≥ 0.21	Indicated Mineral Resource	4.20	0.95	128.5	30.1	4.07
	Inferred Mineral Resource	1.2	0.6	22	18	0.7
	Total	**5.4**	**0.9**	**150**	**28**	**4.8**

Promontorio Project

Table 4: Cascada Mineral Resource above a 0.5% Cu Equivalent Cut-off within the Resource Constraining Shell

(first released to ASX on 7 May 2015)

Within Constraining Shell Cut off > 0.5% CuEq		Grade				Contained Metal			
Classification	Tonnage	Cu	Au	Ag	CuEq	Cu	Au	Ag	CuEq
	(tonnes)	(%)	(g/t)	(g/t)	(%)	(tonnes)	(oz)	(oz)	(tonnes)
Indicated	**810,000**	**1.1**	**1.4**	**28**	**2.0**	**9,000**	**36,000**	**720,000**	**15,900**
Inferred	1,140,000	0.7	1.7	26	1.8	8,400	63,200	960,000	20,000
Total	**1,950,000**	**0.9**	**1.6**	**27**	**1.8**	**17,400**	**99,200**	**1,680,000**	**35,900**

Table 5: Cascada Mineral Resource above a 1.0% Cu Equivalent Cut-off below the Resource Constraining Shell

Below Constraining Shell Cut off > 1.0% CuEq		Grade				Contained Metal			
Classification	Tonnage	Cu	Au	Ag	CuEq	Cu	Au	Ag	CuEq
	(tonnes)	(%)	(g/t)	(g/t)	(%)	(tonnes)	(oz)	(oz)	(tonnes)
Indicated	**30,000**	**1.0**	**0.8**	**17**	**1.5**	**300**	**700**	**20,000**	**400**
Inferred	80,000	1.3	2.7	22	2.7	1,100	7,300	60,000	2,300
Total	**110,000**	**1.2**	**2.3**	**21**	**2.4**	**1,400**	**8,000**	**80,000**	**2,700**

ASX Additional Information

Promontorio Project (Continued)

Table 6: Cascada Mineral Resource Total within and below the Resource Constraining Shell

Total Resource		Grade				Contained Metal			
Classification	**Tonnage**	**Cu**	**Au**	**Ag**	**CuEq**	**Cu**	**Au**	**Ag**	**CuEq**
	(tonnes)	**(%)**	**(g/t)**	**(g/t)**	**(%)**	**(tonnes)**	**(oz)**	**(oz)**	**(tonnes)**
Indicated	**840,000**	**1.1**	**1.4**	**27**	**1.9**	**9,200**	**36,700**	**740,000**	**16,300**
Inferred	1,230,000	0.8	1.8	26	1.8	9,500	70,500	1,020,000	22,300
Total	**2,070,000**	**0.9**	**1.6**	**27**	**1.9**	**18,700**	**107,200**	**1,760,000**	**38,600**

Table 7: Promontorio Project Mineral Resource

(first released to ASX on 10 May 2013)

Total Resource		Grade				Contained Metal			
Classification	**Tonnage**	**Cu**	**Au**	**Ag**	**CuEq**	**Cu**	**Au**	**Ag**	**CuEq**
	(tonnes)	**(%)**	**(g/t)**	**(g/t)**	**(%)**	**(tonnes)**	**(oz)**	**(oz)**	**(tonnes)**
Indicated	**610,000**	**2.7**	**1.7**	**56**	**4.4**	**16,700**	**32,500**	**1,090,000**	**26,700**
Inferred	230,000	1.8	1.5	56	3.3	4,100	11,300	410,000	7,500
Total	**840,000**	**2.5**	**1.6**	**56**	**4.1**	**20,800**	**43,800**	**1,500,000**	**34,200**

ASX Additional Information

Competent Person Statement:

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.

The information in this report that relates to the Mineral Resource for the Promontorio deposit was prepared and first disclosed to the ASX on 10 May 2013 under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to Mineral Resources for the Cascada deposit is extracted from the report "Cascada Mineral Resource Estimate" created and released to ASX on 7 May 2015 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Mesa de Plata deposit is extracted from the report "Mesa de Plata Mineral Resource" created and released to ASX on 1 December 2016 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Loma Bonita deposit is extracted from the report "Loma Bonita Mineral Resource" created and released to ASX on 21 December 2016 and is available to view on www.asx.com.

The information in this report that relates to Mineral Resources for the Oposura deposit is extracted from the report "Oposura Mineral Resource" created and released on the ASX on 4 July 2018 and is available to view on www.asx.com.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Copper Equivalency Statements:

Promontorio:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date 2 April 2013: US$3.25/lb for Cu, US$1,450/oz for Au and US$27.50/oz for Ag.

The CuEq grade accounts for the following metal recoveries: 97.9% for Cu, 93.4% for Au, and 97.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.979) + (Au (g/t) x 0.6077) + (Ag (g/t) x 0.0120).

Cascada:

Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date of 30 October 2014: US$3.40/lb for Cu, US$1,470/oz for Au and US$25.00/oz for Ag.

The CuEq grade accounts for the following metal recoveries: 95.0% for Cu, 75.0% for Au, and 85.0% for Ag.

It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.

The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.95) + (Au (g/t) x 0.4729) + (Ag (g/t) x 0.0091).

Zinc Equivalency Statement:

Oposura:

Zinc Equivalency % US$:

Zinc equivalent values in US$ are determined by the following factors:

Zn Eq = ((%Zn x 0.875 x 0.85)+(%Pb x 0.85 x 0.95)+(g/t Ag x 0.67 x 0.70))/(%Zn x 0.875 x 0.85)

Commodity prices used in this MRE:

Zinc $3,107.50/t, Lead $2,411/t (spot price, LME, 2018. www.lme.com, cited 0:00 GMT 20/06/2018)

Silver $16.20/oz (spot price, NYSE, 2018. www.kitco.com, cited 0:00 GMT 20/06/2018)

Concentrate recoveries used in this MRE: Zn 87.5%, Pb 85%, Ag 67% (Locked Cycle and Batch Flotation tests: Azure Minerals Ltd, 2018.)

Smelter recoveries used in this MRE: Zn 85%, Pb 95%, Ag 70% (International Benchmarks: Azure Minerals Ltd, 2018)

It is the opinion of Azure Minerals Ltd that all the elements included in the calculation have a reasonable potential to be recovered and sold

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