



# CORPORATE DIRECTORY

# ABN 46 106 346 918

# **Directors**

Mr. Peter Ingram Chairman

**Mr. Anthony Rovira** Managing Director

**Dr Wolf Martinick**Non Executive Director

# **Registered Office**

Level 1, 34 Colin Street West Perth WA 6005 (08) 9481 2555

# **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 Perth WA 6000 Telephone: 1300 787 272

# **Auditors**

BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008

#### **Internet Address**

www.azureminerals.com.au

# **Stock Exchange Listing**

Shares AZS

# CONTENTS

Chairman's Letter
Review of Operations
Directors' Report
Corporate Governance Statement
Financial Statements
Consolidated Statement of Profit or Loss and Other Comprehensive Income29
Consolidated Statement of Financial Position30
Consolidated Statements of Changes in Equity31
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements
Directors' Declaration56
Independent Auditor's Report57
Auditor's Declaration of Independence
ASX Additional Information62

# CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Over the last year we built on the solid platforms set in 2018 and I have much pleasure in presenting to you the Annual Report of Azure Minerals Limited for the year ending 30 June 2019.

Two important recent and exciting events have occurred: the initiation of mining at the Oposura zinc-lead-silver deposit in early July and the buy-out of Teck's interest in the Alacran silver-gold project.

Our Oposura project has progressed well with some significant advancements. On 15 October 2018 we announced the results of a Scoping Study for a large-scale mining and on-site processing operation which demonstrated the project to be an economically and technically robust, high-margin project. Based upon metals prices detailed in the Scoping Study, this project is estimated to generate a total positive EBITDA of A\$237 million and a NPV8 of A\$112 million, with an Internal Rate of Return of 76% and a payback period of 16 months.

At the time of reporting on the results of the Scoping Study we also advised on the possibility of taking the Oposura high-grade base metal project into production at the earliest possible time. Following a detailed assessment of the project, this has now occurred, with small-scale mining commencing in July. This is an important milestone for both the project and the Company and, while limited in scale at this stage, will provide positive cash flow to defray administrative and feasibility study costs. Importantly, it will also provide the Company with valuable information on concentrate grade and qualities together with mining information that will assist the definitive feasibility study that we now expect to be completed in 2020.

Of major importance for the company was the reacquisition of 100% of the Alacrán project. Alacrán's deposits, Mesa de Plata and Loma Bonita, together contain resources of more than 32 million ounces of silver and 150,000 ounces of gold and I am confident that, with our very successful exploration team back on the ground, there are further silver and gold discoveries to be made.

As a result of the transaction to re-acquire Alacrán, we also welcome Teck Resources Limited as a substantial shareholder with 19.9% of the voting shares of the Company.

I also wish to express my thanks to Deutsche Balaton, a significant and substantial shareholder of the Company, which, after receiving approval at a General Meeting of shareholders in July 2019, subscribed for Convertible Notes to the value of \$2 million.

I take this opportunity to thank our Management and staff, both here in Perth and in our Mexican office. They continue to demonstrate high levels of competence both technically and administratively.

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 26 November 2019.

Yours sincerely

Peter A J Ingram Chairman



### Overview

The past 12 months have been transformational for Azure Minerals Limited ("Azure" or "the Company"), with the successful transition from explorer to miner by advancing its flagship Oposura zinc-lead-silver project into production while continuing to explore its high-quality project portfolio.

Azure has taken Oposura from an advanced-stage exploration project to a small-scale mining and toll treatment operation while continuing to progress the Definitive Feasibility Study ("DFS") into a large-scale mining and on-site processing operation. Positive cash flow from this early-stage production is expected in the 4th Quarter of 2019, which will support funding of the DFS and provide general working capital for the Company.

Importantly, Azure has regained 100% ownership and control of its very exciting Alacrán silver and gold project, following the withdrawal of its partner Teck Resources Limited. Alacrán hosts resources in excess of 32 million ounces of silver and 150,000 ounces of gold in the Mesa de Plata and Loma Bonita deposits, with very strong exploration upside for more discoveries. There will be a very strong focus on further exploration for silver and gold in the forthcoming year.



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

# **Oposura Project (100% AZURE)**

When the Company acquired the Oposura zinc-lead-silver project in mid-2017, the potential of the project was well understood, as this advanced-stage, high-grade opportunity provided obvious, near-term, production potential. Strategies were implemented that provided the best path forward to advance Oposura rapidly to production.

Over the past year, Azure has made significant progress towards delivering near-term positive cash flow by implementing a small-scale mining and toll processing operation, with mining commencing in July 2019 and processing in September 2019.

As part of a longer-term strategy, a Scoping Study was published in October 2018, confirming that a large-scale mining and on-site processing operation at Oposura would be an economically and technically robust, high-margin project. The study highlighted low operating and capital costs, high-value concentrates, strong operating cashflows and a payback period of about 16 months. Most importantly it indicated that the cash costs would likely be in the lowest quartile of world zinc producers.

Azure is actively progressing both the near-term and longer term strategies with the small-scale mining and toll treatment operation funding the required studies into a large-scale mining and on-site processing operation.

## **Scoping Study**

In October 2018 Azure completed a Scoping Study for a large-scale mining and on-site processing operation which highlighted Oposura as an economically and technically robust, high-margin project (refer ASX: 15 October 2018).

Based upon metals prices detailed in the Scoping Study, this project is expected to generate a total positive EBITDA of A\$237 million and a NPV8 of A\$112 million, with an IRR of 76% and a payback period of 16 months.

Low operating and capital costs, high-value concentrates, strong operating cashflows and, most importantly, a C1 cash cost (per pound of payable zinc production) in the lowest quartile of world zinc producers, all support the positive project economics.

The Study demonstrated that the optimal mining rate will be approximately 500,000tpa from a combination of open pit and underground mining operations, at Life of Mine (LOM) average grades of 4.6% Zn, 2.6% Pb and 15.9g/t Ag, delivering an initial mine life of 5.3 years.

Table 1: Oposura Scoping Study results

Item	Approximate Value or Rang	e
NDV © 00/ (piga tau)	Range	A\$106 – \$113.5 million
NPV @ 8% (pre-tax)	Preferred model	A\$112 million
IDD (ave to )	Range	73% - 77%
IRR (pre-tax)	Preferred model	76%
	Range	A\$494 – \$508 million
LOM gross revenue	Preferred model	A\$506 million
EDITO A /LONA)	Range	A\$229 – \$239 million
EBITDA (LOM)	Preferred model	A\$237 million
Payback period		16 months
Average LOM cash (C1) costs		A\$0.56/lb zinc (US\$0.42/lb zinc)
Year 1 C1 cash costs		A\$0.18/lb zinc (US\$0.14/lb zinc)
Pre-production CAPEX (includes Capital Co	ntingency of 25%)	A\$69.9 million
Mining, crusher & DMS throughput rate		500,000tpa
Mill & flotation circuit throughput rate (pos	t-DMS)	295,000tpa
Initial mine life		5.3 years
Average annual production of metal in con	centrate	19,000t of zinc 10,000t of lead 145,000oz of silver
First lead-silver & zinc concentrate shipmer	nts	Targeted for 2021



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

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

From the first month of the mining schedule, high-grade mineralisation will be exploited from low strip ratio open pits. It is expected that minimal pre-stripping of the open pits will be required due to the presence of significant quantities of near-surface mineralisation.

The processing flowsheet comprises two-stage crushing followed by ore sorting utilising Dense Media Separation (DMS) to reject waste material and to feed an upgraded product to the milling and flotation circuit at approximately 295,000tpa at LOM average grades of 7.5% Zn, 4.1% Pb and 24.5g/t Ag.

The Study demonstrated high metal recoveries and clean, commercial-grade concentrates with:

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

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

The Scoping Study was followed by the commencement of the DFS which is ongoing and is expected to be completed in mid-2020.

### Definitive Feasibility Study ("DFS")

Following the successful Scoping Study, a DFS commenced with activities comprising:

- East Zone infill and extensional drilling completed with updated Mineral Resource;
- Open pit and underground mine planning and scheduling;
- Geotechnical studies;
- Initial hydrological drilling into potential aquifers;
- Condemnation / sterilisation drilling on plant site and tailings storage facility;
- Perth company Mintrex Pty Ltd awarded contract for detailed engineering design and costings (Capex and Opex) for Oposura processing plant;
- Detailed deposit-wide variability metallurgical testwork; and
- Potential financiers and concentrate off-take partners undertake site visits and due diligence.

DFS activities are continuing and results are expected to be released in mid-2020.

## **Drilling and Mineral Resource Upgrade**

Drilling undertaken during the past year focused on infill and extension drilling in and around the East Zone resource. Excellent results were delivered, confirming strong confidence in the width, grade and continuity of mineralisation, resulting in a 20% increase in the East Zone Mineral Resource and enabling most of the East Zone Mineral Resource to be classified within the JORC Indicated Resource category.

The updated total Mineral Resource for Oposura is:

Table 2: Updated Mineral Resource

Oposura Mineral Resource Estimate (at a 1.5% Zinc Equivalent Cut-Off Grade)*										
	Tonnes	Grade	Grade							
	Mt	Zn (%)	Zn (%) Pb (%) Zn+Pb (%) Ag (g/t)							
Indicated	2.5	5.3	2.9	8.2	19					
Inferred	0.6	3.4	2.1	5.6	15					
TOTAL	3.1	5.0 2.7 7.7 18								
Contained Metal	-	153,000t	84,000t	237,000	1,780,000oz					

<sup>\*</sup> Refer ASX: 8 May 2019 for full details of the Mineral Resource and metal equivalence formula

Note: Totals may not add exactly due to rounding

# Oposura Project (100% AZURE) (Continued)

Significantly, 85% of the contained metal within the updated total Mineral Resource has now been classified in the Indicated Mineral Resource category, which provides confidence in the continuity of grade and widths of the mineralisation. The increased tonnage of Indicated Resources represents approximately six years of production based on the Scoping Study throughput rate of 500,000tpa, further supporting and enhancing the potential of this project.

The new Mineral Resource continues to display significant upside potential for further expansion with mineralisation remaining open in several directions, particularly into the Central Zone.

Drilling also identified significant areas of high-grade mineralisation within the East Zone resource which offered immediate accessibility for open pit and underground mining. This was a key development for the Company, as it provided a pathway for nearterm, small-scale mine development and cash flow.

#### Small-Scale, High-Grade Mining and Toll Treatment Operation

In June 2019, the Azure Board approved the commencement of a small-scale mining and toll processing operation, to exploit easily-accessible, high-grade mineralisation at Oposura.

This operation is expected to deliver early cash flow to the Company to support the completion of the Feasibility Study and provide general working capital.

The small-scale mining operation is focused on exploiting easily accessible, high-grade, massive sulphide mineralisation from the East Zone Mineral Resource. Mining is being carried out in two phases, initially by a starter open pit which will be followed by underground extraction.

Open pit mining exploited high-grade mineralisation situated on the eastern side of the East Zone Mineral Resource. Selective mining techniques were employed to ensure maximum ore recovery with minimal dilution by surrounding waste rock.

The massive sulphide mineralisation occurs at or very close to surface and, in some places, was already fully exposed by historical prospecting. Overburden comprised weathered rock which was removed by bulldozer and excavator, with minimal drilling and blasting required, ensuring low mining costs.





# Oposura Project (100% AZURE) (Continued)

Since early July, open pit mining extracted and stockpiled approximately 6,100 tonnes of ore, which is more than that estimated from the original resource drilling (hole spacing of approximately 25m x 25m). Based upon RC grade control drilling (hole spacing of 4m x 4m) and systematic stockpile sampling, the grade of the ore mined is estimated to be 13.4% zinc and 10.7% lead.

Within the western part of the open pit, 2,100 tonnes of ultra-high-grade massive sulphide ore was mined at an average grade of 24.0% Zn and 18.3% Pb (a combined 42.3% Zn+Pb), with some parts of this zone containing zinc and lead grades exceeding a combined 50% Zn+Pb. This ultra-high-grade ore was stockpiled separately as a potential Direct Shipping Ore (DSO) product.

Within the open pit, the relatively flat-lying, high-grade massive sulphide zone varied in thickness from two to four metres and demonstrated excellent continuity of the overall mineralised horizon and the internal high-grade, massive sulphide zones.

During open pit mining, the western pit wall was cut back to provide portal access for the underground mining operation. The portal and subsequent drive will access the historical Tunnel D which will then be side-stripped to provide 3m x 3m mechanised access to the western high-grade zone. Underground development will be undertaken in ore, which will help to offset establishment costs.

Tunnel D is a 250m-long drive which traverses high-grade, zinc-rich mineralisation along the level. Mechanised underground mining will be carried out by the room and pillar method to ensure maximum ore recovery while minimising dilution. Mining studies indicate that the massive sulphide ore can be extracted at a production rate of at least 100 tonnes per day, with the option of mining at a higher rate if additional processing capacity becomes available.

Ore processing under a toll treatment arrangement with a third-party processing plant is scheduled to commence in the December quarter and the sale of zinc and lead-silver concentrates is expected to deliver positive cash-flow to the Company in late 2019. This will support funding of the Definitive Feasibility Study into a large-scale mining and on-site processing operation and provide general working capital to the Company.

# Alacran Project (100% AZURE)

Project operator Minera Teck S.A. de C.V. ("Teck"), a 100%-owned subsidiary of Canada's largest diversified resource company, Teck Resources Limited continued its exploration efforts at Alacrán over the past 12 months, completing numerous drill programs focused on testing the project's porphyry copper potential.

In May 2019, Azure announced that it had accepted a right of first offer proposal from Teck for Azure to acquire all of Teck's rights and interests in the Alacrán Project, resulting in Azure regaining 100% ownership and control of Alacrán.

Azure's previous exploration on Alacrán discovered the near-surface, high-grade Mesa de Plata silver deposit and the adjacent Loma Bonita gold-silver deposit, with resources of:

#### Mesa de Plata (ASX: 1 December 2016):

27.4Moz silver in 10.5Mt @ 82g/t Ag

Includes an at-surface high-grade resource of: 15.5Moz silver in 1.8Mt @ 275g/t Ag

### Loma Bonita (ASX: 21 December 2016):

150,000oz gold & 4.8Moz silver in 5.4Mt @ 0.9g/t Au & 28g/t Ag

## Mesa De Plata Silver Deposit

The Mesa de Plata silver deposit outcrops as a strongly silicified, flat-lying horizon which forms a prominent ridge. Silver mineralisation starts at surface with the mineralised zone having a true thickness of up to 80 metres.

The deposit is highlighted by the outcropping High-Grade Zone which contains more than 15 million ounces of silver with an average grade of 275g/t Ag. Covering an area of 400m x 150m, this strongly silicified, silver-rich zone is the uppermost part of the deposit and forms a 20m-thick capping. There is widespread exposure of ultra-high-grade silver mineralisation at surface, making it very attractive from a mining economics point of view.

Some of the better drill intersections from the High-Grade Zone include:

- 10.5m @ 1,044g/t Ag from 2.0m within 18.0m @ 655g/t Ag from 2.0m in MDPD-001
- 18.7m @ 530g/t Ag from 28.8m within 70.9m @ 176g/t Ag from surface in MDPD-002
- 13.5m @ 738g/t Ag from surface within 58.5m @ 225g/t Ag from surface in MDPC-034
- 18.0m @ 408g/t Ag from 3.0m within 45.0m @ 204g/t Ag from surface in LM-07

# Alacran Project (100% AZURE) (Continued)

#### Loma Bonita Gold & Silver Deposit

Azure's initial mineral resource for Loma Bonita contains 150,000oz of gold and 4.8Moz of silver.

Table 2: Loma Bonita Mineral Resource (in accordance with the 2012 JORC Code)

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

Note: for details refer to ASX announcement dated December 21, 2016

The mineralised zone is constrained to the west by erosion into a valley but remains open to the north, south, east and at depth downdip. Being open in several directions, there is good potential that further drilling will significantly increase the size of the resource.

This open-ended potential is supported by the following mineralised drill intersections which confirm that the mineralisation remains open in the following directions:

To the east: MDPC-131 intersected 47.2m @ 2.79g/t Au & 33g/t Ag (ASX: 15 November 2016);

To the south: MDPC-098 intersected 24.4m @ 0.72g/t Au & 13g/t Ag (ASX: 28 September 2016); and

To the north: MDPC-135 intersected 16.8m @ 1.17g/t Au & 86g/t Ag (ASX: 15 November 2016).

Follow-up drilling to test the potential of these extensions is planned for later in 2019.

Alacrán also holds significant potential outside of the Mesa de Plata and Loma Bonita silver and gold deposits, with previous exploration by Azure and Teck providing a valuable technical database. Several high priority precious metal and base metal targets have been designated for follow-up work, and there is strong potential to discover more mineralisation and add further value to the project.

During the past year, exploration partner Teck Resources completed a Phase 2 drill program comprising 21 holes focused on testing for significant copper deposits:

- 16 holes for 9,147m at Cerro Alacrán;
- 4 holes for 988m at Cerro San Simon; and
- 1 hole for 404m at Cerro Colorado.

The holes at Cerro Alacrán targeted a porphyry-style copper mineralisation which lies beneath a supergene blanket of copper oxides and chalcocite (an acid-soluble copper sulphide mineral) previously drilled by the Mexican Geological Survey and by Grupo Mexico.

Several holes intersected broad zones (greater than 100m drilled width) of copper mineralisation within the oxide zone (turquoise), the sulphide transition zone (chalcocite), and deeper, primary porphyry-styles, with mineralisation hosted in strongly altered volcanic breccias and intrusive rocks extending from surface to depths of around 800m.

Better drill intercepts included:

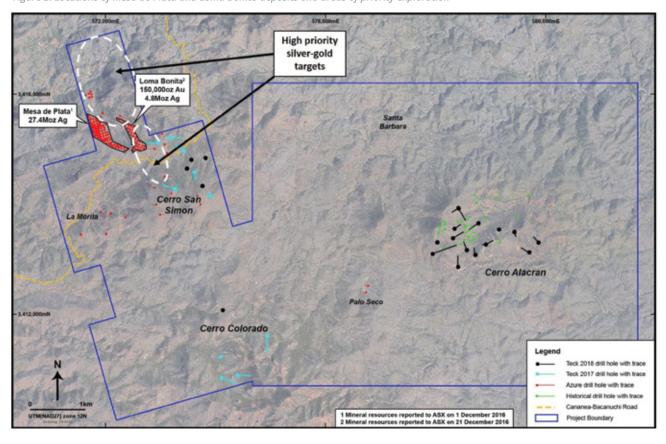
- ALA-18-001 118.0m @ 0.17% Cu from 164.5m
- ALA-18-003 131.7m @ 0.25% Cu from 42.3m
- ALA-18-011 137.0m @ 0.19% Cu from 418.9m
- ALA-18-014 177.3m @ 0.21% Cu from 587.2m

Copper mineralisation has been confirmed at Cerro Alacrán over an area of at least 2.0km x 1.5km and it remains open in most directions, providing room for both lateral expansion and depth extensions. This supports the concept of a large mineralised system, confirming the prospectivity of Cerro Alacrán to host a porphyry-associated, significant-sized, copper-molybdenum-gold deposit.

However, while widespread porphyry-hosted copper mineralisation was confirmed at Cerro Alacrán, it did not meet Teck's expectations for further testing and 100% ownership and control of the property has been returned to Azure (refer ASX: 6 May 2019).



Figure 3: Locations of Mesa de Plata and Loma Bonita deposits and areas of priority exploration



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 2019.

#### **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 metals 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. The Group has four main projects: Alacrán (silver, gold, copper), Oposura (zinc, lead, silver) where Azure is undertaking a Preliminary Econominc Assessment ("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 2019 was \$9,735,486 (2018: \$9,220,519). Included in this loss figure is \$7,097,949 (2018: \$5,813,830) of exploration expenditure written off. Refer to notes 1(c) and 6 to the financial statements.

# **Review Of Operations**

	2019	2018
Basic loss per share (cents)	(8.77)	(10.06)
Diluted loss per share (cents)	(8.77)	(10.06)

## **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.



# **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 Management 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

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

# Significant Events After The Reporting Date

Since the end of the financial year, the Company issued Convertible Notes with a face value of \$2 million. The notes are for a period of 24 months with interest payable 6 months in arrears at an interest rate of 12.5% per annum.

On 28 August 2019 it was announced that the agreement between the Company and Minera Teck S.A. de C.V. ("Teck") whereby Azure would acquire all of Teck's rights and interests in the Alacrán Project had been completed. This resulted in Azure regaining 100% ownership of the Alacran project and issuing 27,545,566 fully paid shares at a deemed \$0.12 per share to Teck.

During September 2019 a dispute over the recovery of IVA (the Mexican equivalent of GST) has been finalised with the Mexican tax authorities. This has resulted in the recovery of Mx\$10,337,075, approximately \$767,000 Australian dollars previously written off. A fee of 15% is payable to the Company's legal and tax advisors.

No other 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 requirement, but may be required to report in the future.

#### 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 (later 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 within that institution.

Mr. Ingram's previous directorships include: Managing Director of Metana Minerals NL and Eastmet Limited, both successful gold mining companies; 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**

500,055 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 2011. 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**

806,000 ordinary shares in Azure Minerals Limited, of which 109,669 are held indirectly 1,500,000 options over ordinary shares in Azure Minerals Limited



#### Information on Directors

#### 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**

Nil

#### Former Directorships in the last 3 years

Weatherly International Plc Sun Resources NL Oro Verde Limited

## **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 Bachelor's 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'	Directors' Meetings Audit & Risk Committee				neration & on Committee	
Name	А	В	Α	В	Α	В	
Peter Anthony John Ingram	12	12	1	1	-	-	
Anthony Paul Rovira	12	12	-	-	-	-	
Wolf Gerhard Martinick	12	12	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.

# **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.



# **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/CFO, 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		
Directors								
Peter Anthony Ingram	2019	50,000	-	-	4,748	25,744	80,492	32.0
Chairman	2018	50,000	-	-	4,749	78,825	133,574	59.0
Anthony Paul Rovira	2019	416,500	-	-	25,000	51,487	492,987	10.4
Managing Director	2018	358,250	100,000	-	25,002	157,650	640,902	24.6
Wolf Gerhard Martinick	2019	45,000	-	-	4,276	25,744	75,020	34.3
Non Executive	2018	45,000	-	-	4,276	78,825	128,101	61.5
Executives								
Brett Dickson	2019	183,600	-	-	-	36,041	219,641	16.4
Company Secretary	2018	168,720	45,960	-	-	110,355	325,035	33.4
Tetal	2019	695,100	-	-	34,024	139,016	868,140	16.0
Total	2018	621,970	145,960	-	34,027	425,655	1,227,612	34.6

# **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 2019 or 2018. During the year 1,350,000 options were granted as remuneration and no options were exercised during the year. During the year 1,350,000 (2018: 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 (2018: 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. (2018: 1,350,000).

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 1,350,000 (2018: nil) options lapsed. 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.



# **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 2018 and 2019 financial years

Effective 1 January 2018 the STI plan was terminated. For 2017 calendar year (2018 financial year) executives were awarded 72% of their possible bonus.

#### 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. 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.

# **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** *2019*

	Balance at beginning of year	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at end of year	Vested at 30 June	
						Vested & Exercisable	Unvested
Directors							
Wolf Gerhard Martinick	750,000	250,000	-	(250,000)	750,000	750,000	-
Peter Anthony Ingram	750,000	250,000	-	(250,000)	750,000	750,000	-
Anthony Paul Rovira	1,500,000	500,000	-	(500,000)	1,500,000	1,500,000	-
Executives							
Brett Dickson	1,050,000	350,000	-	(350,000)	1,050,000	1,050,000	-
Total	4,050,000	1,350,000	-	(1,350,000)	4,050,000	4,050,000	-

# **Shareholdings of key management personnel** 2019

	Balance 1 July Ord	Granted Ord	On Exercise of Options Ord	Purchased Ord	Balance 30 June Ord	Balance Indirectly Held Ord
Directors						
Wolf G Martinick	265,000	-	-	-	265,000	215,000
Peter A Ingram	330,055	-	-	170,000	500,055	500,055
Anthony P Rovira	526,000	-	-	280,000	806,000	109,667
Executives						
Brett Dickson	-	-	-	-	-	-
Total	1,121,055	-	-	450,000	1,571,055	824,722

# **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 Brett Dickson and Anthony Rovira are directors. During the year Oro Verde Limited paid sub-lease fees totalling \$4,800 (2018: \$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 \$121,359 (2018: \$111,216).



# **Remuneration Report (Audited)**

# **Directors and executive options**

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

#### 2019

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	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	1,310,000	-	-	1,310,000	-	-
28 Apr '16	30 Nov '18	120*	2.2	40,000	-	-	40,000	-	-
7 Dec '16	30 Nov '19	94*	1.4	1,350,000	-	-	-	1,350,000	1,350,000
20 Nov '17	30 Nov '20	58*	1.6	1,350,000	-	-	-	1,350,000	1,350,000
30 Nov '18	30 Nov '21	29	10.3	-	1,350,000	-	-	1,350,000	1,350,000
				4,050,000	1,350,000	-	1,350,00	4,050,000	4,050,000
Weighted	d average ex	kercise price		\$0.91	\$0.29		\$1.20	\$0.60	\$0.60

## 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	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
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

<sup>\*</sup> shown on a post consolidation basis

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2018: 2.4 years)

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

	Consc	olidated
	2019	2018
Options issued to directors and other executives	139,016	425,655

# **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 2019.

## **Company's Share Price Performance**



## 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 2019.

	2010	2018	2017	2016	2015
Basic loss per share (cents)	(8.77)	(10.06)*	(0.42)	(0.53)	(0.13)

<sup>\*</sup>After 1:20 share consolidation

## Voting and comments made at the company's 2018 Annual General Meeting

Azure Minerals Limited received approximately 85% of "yes" votes on its remuneration report for the 2018 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**



#### 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 29,708,850 unissued ordinary shares in respect of which options are outstanding.

			Total Number of options
Balance at the beginning of the year			29,358,850
Share option movements during the year	Issued	Other	
Exercisable at 29 cents, on or before 30 November 2021	2,200,000		2,200,000
Options Lapsed		(1,850,000)	(1,850,000)
Total options issued, exercised and lapsed in the year to 30 June 2019			350,000
Total number of options outstanding as at 30 June 2019 and at the date o	f this report		29,708,850

The balance is comprised of the following

Date granted	Expiry date	Exercise price (cents)	Number of options
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
30 Nov 2018	30 Nov 2021	29.0	2,200,000
Total number of options outstanding at the date of this re	29,708,850		

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 \$17,150 (2018: \$18,247) 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

### **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:

	Consolic	dated
1. Audit Services	2019	2018 \$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	42,935	44,000
BDO Castillo Miranda y Compañía, S.C. (BDO México)		
Audit and review of financial reports of Mexican subsidiaries	23,497	27,662
2. Non audit Services Audit-related services		
Taxation Services BDO Corporate Tax (WA) Pty Ltd		
Tax compliance services	10,455	12,710
Total remuneration for non-audit services	10,455	12,710

# **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 50.

# **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.

**Peter Ingram** 

Chairman

Perth, 26 September 2019.



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 2018/2019 financial year (**Reporting Period**). The information in this statement is current at 25 September 2019. This statement was approved by a resolution of the Board on 25 September 2019.

#### 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 Dr Wolf Martinick as a director at its 2018 Annual General Meeting.

23

## 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)	6 out of 19 (32%)
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.



#### 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 13.

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 12.

## **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.

#### 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 12. 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 & Finance and attends 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 13.

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 2018 and the full-year ended 30 June 2019, 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 2018, 31 December 2018, 31 March 2019 and 30 June 2019 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 30 November 2018.

## 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.



#### 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.

## 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 14 of the Company's Annual Report for year ended 30 June 2019.

#### **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

YEARENDED30JUNE

	Notes	Consolidated		
		2019 (\$)	2018 (\$)	
Revenue from continuing activities	5	45,983	85,748	
Expenditure				
Depreciation	6	(54,337)	(56,841)	
Salaries and employee benefits expense		(595,516)	(917,284)	
Directors fees		(95,000)	(95,000)	
Exploration expenses	6	(4,610,484)	(5,813,830)	
Capitalised exploration written off	6	(2,487,465)	-	
Travel expenses		(250,887)	(326,319)	
Promotion expenses		(108,563)	(84,801)	
Administration expenses		(391,590)	(303,960)	
Consulting expenses		(78,432)	(247,491)	
Insurance expenses		(27,890)	(24,078)	
Share based payment expense	26	(226,543)	(646,365)	
Other expenses		(854,762)	(790,298)	
Loss before income tax		(9,735,486)	(9,220,519)	
Income tax expense	7	-	-	
Loss for the year		(9,735,486)	(9,220,519)	
Other comprehensive income / (loss)				
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translation of foreign operations		750,516	(619,125)	
Other comprehensive income/(loss) for the year net of tax		750,516	(619,125)	
Total comprehensive loss for the Year		(8,984,970)	(9,839,644)	

The loss for the year and total comprehensive loss for the year is fully attributable to the owners of Azure Minerals Limited

Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share (cents per share)	22	(8.77)	(10.06)
Diluted loss per share (cents per share)	22	N/A	N/A

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 2019

	Notes	2019	2018
Assets		(\$)	(\$)
Current Assets			
	18	650.249	6 502 162
Cash and cash equivalents		650,348	6,593,163
Trade and other receivables	8	783,603	810,207
Total Current Assets		1,433,951	7,403,370
Non-Current Assets			
Available for sale investments		948	948
Plant and equipment	10	154,783	174,278
Capitalised exploration expenditure	11	5,567,921	7,940,514
Total Non-Current Assets		5,723,652	8,115,740
Total Assets		7,157,603	15,519,110
Liabilities			
Current Liabilities			
Trade and other payables	13	623,113	268,193
Provisions	14	169,802	154,141
Total Current Liabilities		792,915	422,334
Non-Current Liabilities			
Provisions	14	107,764	81,425
Total Non-Current Liabilities		107,764	81,425
Total Liabilities		900,679	503,759
Net Assets		6,256,924	15,015,351
Equity			
Contributed equity	15	80,732,475	80,732,475
Reserves	16	4,375,969	3,398,910
Accumulated losses	16	(78,851,520)	(69,116,034)
Total Equity		6,256,924	15,015,351

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

## 30 June 2019

	Issued Share Capital \$	Share Option Reserve \$	Available for Sale Assets Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	80,732,475	5,161,768	(39,996)	(1,722,862)	(69,116,034)	15,015,351
Loss for period	-	-	-	-	(9,735,486)	(9,735,486)
Other comprehensive loss						
Exchange differences on translation of foreign operations	-	-	-	750,516	-	750,516
Total other comprehensive loss	-	-	-	750,516		750,516
Total comprehensive loss for the period	-	-	-	750,516	(9,735,486)	(8,984,970)
Transactions with owners in their o	capacity as own	ers:				
Share based payments (Note 26)	-	226,543	-	-	-	226,543
Total transactions with owners	-	226,543	-	-	-	226,543
Balance as at 30 June 2018	80,732,475	5,388,311	(39,996)	(972,346)	(78,851,520)	6,256,924

# *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 own	ers:				
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

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 2019

	Notes	2019	2018
		(\$)	(\$)
Cash Flows From Operating Activities			
Payments to suppliers and employees		(2,121,947)	(2,836,787)
Interest received		65,996	80,211
Expenditure on mining interests		(3,766,445)	(5,651,775)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18(b)	(5,822,396)	(8,408,351)
Cash Flows From Investing Activities			
Payments for plant and equipment		(25,112)	(38,988)
Acquisition Payments for projects	11	(18,531)	(2,203,012)
Proceeds from sale of plant and equipment		357	16,928
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(43,286)	(2,225,072)
Cash Flows From Financing Activities			
Proceeds from issue of ordinary shares		-	8,210,000
Share issue costs		-	(505,472)
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	7,704,528
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,865,682)	(2,928,895)
Cash and cash equivalents at the beginning of the financial year		6,593,163	9,699, 949
Effect of exchange rate changes on cash and cash equivalents		(77,133)	(177,891)
Cash And Cash Equivalents At End Of Year	18(a)	650,348	6,593,163

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 financial assets at fair value through other comprehensive income or P&L.

### 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.

#### **GOING CONCERN**

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2019 of \$9,735,486 (2018: \$9,220,519) and experienced net cash outflows from operating activities of \$5,822,396 (2018: \$8,408,351). At 30 June 2019, the Consolidated Entity had net current assets of \$641,036 (2018: \$6,981,036).

The ability of the Consolidated Entity to continue as a going concern is dependent on securing additional funding either through the issue of further shares, convertible notes (refer note 21) or a combination of both in order to continue to actively explore its mineral properties.

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that on successful completion of fund-raising activities referred to above there will be sufficient funds to meet the Consolidated Entity's working capital requirements and as at the date of this report the Consolidated Entity believes it can meet all liabilities as and when they fall due.

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Consolidated Entity will continue to be successful in securing additional funds through the issue of further shares, convertible notes (refer note 21) or a combination of both as and when the need to raise working capital arises.

Should the Consolidated Entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Consolidated Entity is unable to continue as a going concern.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# (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.

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.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

## (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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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.

#### 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 Black Scholes or 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



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (I) 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.

## (o) 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.

#### (p) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition. Upon initial adoption of AASB 9, the Group made such an election in respect of the equity investment in Wolfeye Resource Corp.

#### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (q) 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 financial assets at fair value through other comprehensive income or P&L) 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.

### (r) 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.

## (s) Adoption of new and amended accounting standards

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2018. The adoption of these standards and amendments did not result in a material adjustment to the amounts or disclosures in the current or prior year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

From 1 July 2018 the Group had applied, for the first time, AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9). The nature and effect of these changes are disclosed below.

#### Adoption of AASB 15

AASB 15 and its related amendment supersede AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations and it applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services a customer.

At 1 July 2018 and at 1 July 2019 it was determined that the adoption of AASB 15 had no impact on the Group.

#### Adoption of AASB 9

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (s) Adoption of new and amended accounting standards (Continued)

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has adopted AASB 9 retrospectively in accordance with the standard. Changes in accounting polices resulting from the adoption of AASB 9 did not have a material impact on the Company's consolidated financial statements on transition or during the half-year.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however it eliminates the previous AASB 139 categories for financial assets held to maturity, loans and receivables and available for sale financial assets. Under AASB 9, on initial recognition a financial asset is classified as measured at either:

- (a) Amortised cost;
- (b) Fair Value through Other Comprehensive Income ("FVOCI") debt investment;
- (c) FVOCI equity investment; or
- (d) Fair Value through Profit or Loss ("FVTPL").

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that it initially measured at the transaction price) is initially measured at fair value plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on recognition is recognised in profit or loss.

As of 30 June 2018 and 30 June 2019, the Group's financial instruments consist of cash and cash equivalents, receivables, financial investments and trade and other payables.

Cash and cash equivalents and other receivables previously designated as receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

Financial investments are measured at FVOCI as upon initial application of AASB 9, an irrevocable election was made to classify equity investments as such.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss ("ECL") model to be applied as opposed to an incurred credit loss model under AASB 139. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to the lifetime expected credit loss. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information. The result of the assessment is as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial Liability at amortised cost	Financial liability at amortised cost
Investment in Equity instruments – Financial assets at fair value through other comprehensive income or P&L	Financial assets at fair value	Financial assets at fair value

In accordance with AASB 9, where the directors concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL.

The change in classification has not resulted in any re-measurement adjustment at 1 July 2018.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (t) New Accounting Standards and Interpretations not yet mandatory or early adopted

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 statement of financial position 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 statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The Group has not yet determined the impact on the Group's financial statements.

No other issued but not yet effective accounting standard is expected to have a material effect on the amounts in the financial statements or the accounting policies applied by the group.

#### 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
- Currency 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.

#### **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 or Mexico.

#### **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 C	arrying Amount
	Note	2019	2018
Trade and other receivables	8	36,807	95,764
Cash and cash equivalents	18	650,348	6,593,163



## 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### **Expected credit losses**

None of the Company's other receivables are past due (2018: 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 expected credit 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 2019 the Group does not have any collective expected credit 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

The Group has provided a financial guarantee of \$94,475 (2018: \$94,475) to secure its office lease. Otherwise the Group only provides guarantees to wholly-owned subsidiaries.

#### 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 2019							
Trade and other payables	623,113	623,113	623,113	-	-	-	-
30 June 2018							
Trade and other payables	268,193	268,193	268,193	-	-	-	-

#### **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.

## 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Exposure to currency risk**

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

	2019 USD	2018 USD
Trade receivables	43,765	-
Trade payables	163,438	99,118
Gross statement of financial position	207,203	99,118
Forward exchange contracts	-	-
Net exposure	207,203	99,118

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
AUD/USD	1.3985	1.2904	1.4241	1.3501

#### 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 2018.

Consolidated	
	Profit or loss
30 June 2019	
USD	20,720
30 June 2018	
USD	9,912

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 C	Consolidated Carrying Amount	
	2019	2018	
Variable rate instruments			
Short term cash deposits	508,909	6,454,118	



## 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate risk (CONTINUED)

#### 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 2019 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 \$6,503 higher /lower (2018 – change of 100 basis points \$65,932 higher/lower).

#### 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	2019		2019		20	)18
	Carrying amount	Fair value	Carrying amount	Fair value		
Trade and other receivables	136,763	136,763	810,207	810,207		
Cash and cash equivalents	650,348	650,348	6,593,163	6,593,163		
Other financial assets	948	948	948	948		
Trade and other payables	(623,113)	(623,113)	(268,193)	(268,193)		

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.

## 3. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

### **Share options**

The Company measures the cost of equity-settled transactions with employees, including directors, 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.

### **Impairment of Exploration and Evaluation Asset**

The Group assesses impairment of non-financial assets each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. During the year, an impairment charge was recorded against the Group's Promontorio Project based on a valuation reflecting the fair value of the Project. The determination of an exploration project's Fair Value requires management to make certain estimates and use significant judgement.

#### 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.

As a result, the operating segment information is as disclosed in the primary statements, and notes to the financial statements, throughout this report.

#### 5. OTHER INCOME

	30 June 2019 \$	30 June 2018 \$
Other income		
Bank interest	45,626	80,150
Other	357	5,598
Total revenues from continuing operations	45,983	85,748

### 6. EXPENSES

	30 June 2019 \$	30 June 2018 \$
Loss before income tax includes the following specific expenses		
Depreciation of plant and equipment	54,337	56,841
Exploration expenditure	4,610,484	5,813,830
Capitalised exploration written off	2,487,465	-
Operating lease expenses	72,158	64,948
Superannuation	70,344	53,096



## 7. INCOME TAX

	30 June 2019 \$	30 June 2018 \$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-

	30 June 2019 \$	30 June 2018 \$
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(9,735,486)	(9,220,519)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(2,677,259)	(2,535,643)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	62,299	177,750
Capitalised Exploration written off	701,982	-
Sundry items	76,580	83,607
	(1,836,398)	(2,274,286)
Movement in unrecognised temporary differences	(87,330)	(92,586)
Difference in overseas tax rates	_	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,923,728	2,366,870
Income tax expense	-	-

	30 June 2019 \$	30 June 2018 \$
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 27.5%)		
On Income Tax Account		
Prepayments	3,969	3,512
Depreciation of plant and equipment	(10,915)	(11,674)
Provisions	76,331	64,781
Carry forward tax losses	9,012,812	8,727,853
Carry forward tax losses – foreign	9,258,127	8,181,177
Other – tenement	600,100	600,100
	18,940,424	17,565,749
Deferred Tax Liabilities (at 27.5%)	-	-

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

	2019	2018
Current		
Prepayment of insurance premiums	17,166	12,770
Sundry Receivables (a)	766,437	797,437
	783,603	810,207

(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.

No expected credit loss allowance has been recognised at 30 June 2019 (30 June 2018: Nil)

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

#### 9. FINANCIAL ASSETS

	2019	2018 \$
Listed shares at fair value (a)		
Wolfeye Resource Corp.	948	948

(a) Financial assets 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.

	2019	2018 \$
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



# Notes to the Consolidated Financial Statements

## 10. PLANT AND EQUIPMENT

	Furniture, fittings and equipment \$	Motor Vehicles	Exploration Equipment \$	Total \$
At 1 July 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
Year ended 30 June 2019				
Opening net book value	102,991	12,729	58,559	174,279
Additions	22,692	-	2,033	24,725
Disposals	-	-	-	-
Depreciation on disposals	-	-	-	-
Depreciation charge	(36,813)	(8,175)	(9,333)	(54,321)
Foreign exchange translation adjustment	3,837	1,011	5,252	10,100
Closing net book value	92,707	5,565	56,511	154,783
At 30 June 2019				
Cost	302,836	86,701	107,728	497,265
Accumulated depreciation	(210,129)	(81,136)	(51,217)	(342,482)
Net book amount	92,707	5,565	56,511	154,783

## 11. CAPITALISED EXPLORATION EXPENDITURE (NON-CURRENT)

	2019	2018 \$
At Cost	8,603,854	7,940,514
Reconciliations		

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

	2019	2018
Opening net book amount	7,940,514	6,131,024
Additions(a)	18,531	2,203,013
Impairment (b)	(3,183,459)	-
Foreign exchange translation adjustment	792,335	(393,523)
Closing net book amount	5,567,921	7,940,514

- (a) The following payments were made to acquire projects during the Year: \$18,531 was made to acquire additional concessions for the Oposura Project.
- (b) The impairment charge of \$3,183,459 arose in relation to the Group's Promontorio project in Mexico. During the period, a valuation of the Group's projects was performed for the purposes of an independent expert report. The impairment was recorded in order to reduce the carrying value of the project from its carrying value to the preferred fair value as disclosed in the valuation.

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 I	Holding*
			2019 %	2018 %
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

<sup>\*</sup>Percentage of voting power is in proportion to ownership.

## 13. TRADE AND OTHER PAYABLES (CURRENT)

	2019 \$	2018
Trade payables	623,113	268,193
	623,113	268,193

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.



### 14. PROVISIONS

	2019	2018 \$
Current		
Employee benefits	169,802	154,141
Non-Current		
Employee benefits	107,764	81,425

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			
	2019 Number of shares	\$	2018 Number of shares	\$
Ordinary shares fully paid				
Total consolidated contributed equity	110,999,992	80,732,475	110,999,992	80,732,475

(b) Movements in ordinary share capital	Consolidated			
	2019 Number of shares	\$	2018 Number of shares	*
		7		ų.
1 July opening balance	110,999,992	80,732,475	1,672,653,595	73,027,947
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)
30 June closing balance	110,999,992	80,732,475	110,999,992	80,732,475

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

(c) Movements in unlisted options on issue - 2019						
Exercise Price (cents)	Expiry	Opening Balance	Issued	Lapsed	Shares cancelled from 1:20 Consolidation	Closing Balance
120*	30 November 2018	1,850,000	-	(1,850,000)	-	-
94*	30 November 2019	2,050,000	-	-	-	2,050,000
58*	30 November 2020	2,050,000	-	-	-	2,050,000
29	30 November 2021	-	2,200,000	-	-	2,200,000
110*	11 September 2019	9,725,511	-	-	-	9,725,511
45**	30 April 2020	13,683,339	-	-	-	13,683,339
		29,358,850	2,200,000	(1,850,000)	-	29,708,850

## 15. CONTRIBUTED EQUITY (CONTINUED)

(c) Movements in unlisted options on issue - 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

<sup>\*</sup>Exercise price adjusted for the 1:20 consolidation completed on 30 November 2017.

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

	2019	2018
Accumulated losses		
Balance at beginning of year	69,116,034	59,895,515
Loss for the year	9,735,486	9,220,519
Balance at end of year	78,851,520	69,116,034
Share-based payments reserve		
Balance at beginning of year	5,161,768	4,515,403
Movement during the year	226,543	646,365
Balance at end of year	5,388,311	5,161,768
Financial asset 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	(1,722,862)	(1,103,737)
Movement during the year	750,516	(619,125)
Balance at end of year	(972,346)	(1,722,862)
Total Reserves	4,375,969	3,398,910

<sup>\*\*</sup> Issued after the 1:20 share consolidation



### 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.

#### Financial asset reserve

This reserve records fair value changes on investments held at Fair Value through Other Comprehensive Income. 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)	2019	2018
Cash and cash equivalents comprises:		
- cash at bank and in hand	141,439	139,045
- short-term deposits	508,909	6,454,118
Closing cash and cash equivalents balance	650,348	6,593,163

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	2019	2018
Net loss	(9,735,486)	(9,220,519)
Depreciation of non current assets	54,337	56,841
Share based payment expense	226,543	646,365
Capitalised exploration written off	2,487,465	-
Proceeds from sale of project	-	11,330
Profit on sale of equipment	(357)	(16,928)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	1,092,558	(2,297,776)
(Increase)/decrease in prepayments	1,018	(3,123)
Increase/(decrease) in trade and other payables	9,526	2,344,986
Increase/(decrease) in provisions	42,000	70,474
Net cash outflow from operating activities	(5,822,396)	(8,408,350)

### (c) Non-cash financing and investing activities

There have been no non-cash financing and investing activities during the 2019 year (2018: Nil).

### 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:

	2019	2018
Not later than one year	173,773	101,528

(b) Lease expenditure commitments	2019	2018
Operating leases (non cancellable):		
Minimum lease payments:		
not later than one year	166,848	141,780
later than one year and not later than five years	83,424	212,670
Aggregate lease expenditure contracted for at reporting date	250,272	354,450

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 (2018: Nil).

### 21. EVENTS OCCURING AFTER REPORTING DATE

Since the end of the financial year, the Company issued Convertible Notes with a face value of \$2 million. The notes are for a period of 24 months with interest payable 6 months in arrears at an interest rate of 12.5% per annum.

On 28 August 2019 it was announced that the agreement between the Company and Minera Teck S.A. de C.V. ("Teck") whereby Azure would acquire all of Teck's rights and interests in the Alacrán Project had been completed. This resulted in Azure regaining 100% ownership of the Alacran project and issuing 27,545,566 fully paid shares at a deemed \$0.12 per share to Teck.

During September 2019 a dispute over the recovery of IVA (the Mexican equivalent of GST) has been finalised with the Mexican tax authorities. This has resulted in the recovery of Mx\$10,337,075, approximately \$767,000 Australian dollars previously written off. A fee of 15% is payable to the Company's legal and tax advisors.

No other 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	2019	2018
Net loss	(7,395,547)	(9,220,519)
Loss used in calculating basic loss per share	(7,395,547)	(9,220,519)

(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	110,999,992	91,637,139

#### (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.



#### 23. AUDITOR'S REMUNERATION

	2019	2018
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:		
Tax compliance services	10,455	10,455
An audit or review of the financial report of the entity	42,935	44,000
	53,390	54,455
Remuneration of other auditors of subsidiaries		
Audit or review of financial report of subsidiaries	23,497	27,662

### 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of key management personnel by compensation	2019	2018
Short-term	695,100	767,930
Post employment	34,024	34,027
Share-based payment	139,016	425,655
	868,140	1,227,612

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*	
			2019 %	2018 %
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

<sup>\*</sup>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 (2018: \$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 \$121,359 (2018: \$111,216). In addition, the Company paid fees of \$44,895 (2018: \$31,481) to Rox Resources Limited for the provision of office secretarial support.

#### 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
2019		'	1						
19 Nov '15	30 Nov '18	120*	2.1	1,560,000	-	-	(1,560,000)	-	-
28 Apr '16	30 Nov '18	120*	2.2	290,000	-	-	(290,000)	-	-
7 Dec '16	30 Nov '19	94*	1.4	2,050,000	-	-	-	2,050,000	2,050,000
20 Nov '17	30 Nov '20	58*	1.6	2,050,000	-	-	-	2,050,000	2,050,000
19 Dec '18	30 Nov '21	29	10.3	-	2,200,000	-	-	2,200,000	2,200,000
				5,950,000	2,200,000	-	(1,850,000)	6,300,000	6,300,000
Weighted a	average exe	ercise price		\$0.90	\$0.29	-	\$1.20	\$0.60	\$0.60
2018									
19 Nov '15	30 Nov '18	120*	2.1	31,200,000	-	-	(29,640,000)	1,560,000	1,560,000
28 Apr '16	30 Nov '18	120*	2.2	5,800,000	-	-	(5,510,000)	290,000	290,000
7 Dec '16	30 Nov '19	94*	1.4	41,000,000	-	-	(38,950,000)	2,050,000	2,050,000
20 Nov '17	30 Nov '20	58*	1.6	-	41,000,000	-	(38,950,000)	2,050,000	2,050,000
				78,000,000	41,000,000	-	(113,050,000)	5,950,000	5,950,000
Weighted	average exe	ercise price		\$0.053 **	\$0.029**	-	\$0.045**	\$0.90*	-

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2018: 1.4 years).

<sup>\*</sup> After 1:20 Share consolidation

<sup>\*\*</sup> Prior 1:20 share consolidation



## 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:

	2019	2018
Weighted average exercise price (cents)	29.0	2.9
Weighted average life of the option (years)	3.0	3.0
Weighted average underlying share price (cents)	19.0	2.6
Expected share price volatility (%)	100	100
Risk free interest rate (%)	2.1	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.

The options vested immediately and the total exp enses arising from share-based payment transactions recognised during the year were as follows:

	Conso	lidated
	2019	2018 \$
Options issued to directors and executives	226,543	646,365

## 27. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

	2019 \$	2018 \$
Statement of Financial Position		<u> </u>
Current assets	6,779,045	15,104,818
Total assets	6,830,727	15,167,137
Current liabilities	(466,040)	(224,097)
Total liabilities	(573,803)	(305,522)
Net assets	6,256,924	14,861,615
Shareholder's equity		
Issued capital	80,732,475	80,732,475
Reserves	5,348,315	5,121,772
Accumulated loses	(79,823,866)	(70,992,632)
	6,256,924	14,861,615

## (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities or guarantees as at 30 June 2019 or 30 June 2018.

## (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 2019 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:

Peter Ingram Chairman

Perth, 26 September 2019





Tel: +61 8 6382 4600 Fax: +61 8 6382 4601 www.bdo.com.au 38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

#### 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 2019, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2019 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.

## Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.



#### 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. In addition to the matter described in the *Material uncertainty* related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Recoverability of Capitalised Exploration Expenditure

#### Key audit matter

As disclosed in Note 11 to the financial report, the carrying value of capitalised exploration expenditure represents a significant asset of the Group.

Refer to Notes 1(c) and 3 of the financial report for a description of the accounting policy and significant judgements applied to capitalised exploration expenditure.

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.

## How the matter was addressed in our audit

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 there are any other facts or circumstances existing to suggest impairment testing was required;
- Reviewing the basis of impairment recorded by management and the methodology used to determine fair value for compliance with the relevant accounting standards; and
- Assessing the adequacy of the related disclosures in Notes 1(c), 3 and 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 2019, 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.

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 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 14 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Azure Minerals Limited, for the year ended 30 June 2019, 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

Dean Just

Director

Perth, 26 September 2019



## **DECLARATION OF INDEPENDENCE**



Tel: +61 8 6382 4600 Fax: +61 8 6382 4601 www.bdo.com.au 38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

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

As lead auditor of Azure Minerals Limited for the year ended 30 June 2019, 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, 26 September 2019

The number of shareholders, by size of holding, in each class of share as at 31 August 2019 are:

	Ordinar	y shares
	Number of holders	Number of shares
1 - 1,000	1,117	473,536
1,001 - 5,000	945	2,663,872
5,001 - 10,000	419	3,228,635
10,001 - 100,000	893	29,564,655
100,001 and over	144	102,614,860
	3,518	138,545,558
The number of shareholders holding less than a marketable parcel of shares are:	1,745	1,728,811

## (b) Twenty largest shareholders

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

		Listed ordin	ary shares
		Number of shares	Percentage of ordinary shares
1	TECK RESOURCES LIMITED	27,545,566	19.88
2	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	10,293,113	7.43
3	DEUTSCHE BALATON AKTIENGESELLSCHAFT	10,000,000	7.22
4	BNP PARIBAS NOMS PTY LTD <drp></drp>	6,328,834	4.57
5	YANDAL INVESTMENTS PTY LTD	5,000,000	3.61
6	HSBC CUSTODY NOMINEES <australia></australia>	4,914,057	3.55
7	CITICORP NOMINEES PTY LTD	4,152,948	3.00
8	MR NEIL JAMES WADDINGTON	1,116,308	0.81
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,073,525	0.77
10	J & B SMITH SUPERANNUATION PTY LTD <loch a="" c="" cu="" fraser="" m="" sf="" tra=""></loch>	1,020,000	0.74
11	MR BRIAN GREGORY WALSH	938,270	0.68
12	WIP FUND MANAGEMENT PTY LTD <porter a="" c="" f="" family="" s=""></porter>	833,000	0.60
13	DE LYNDSAY GEORGE MCDONALD GORDON	822,481	0.59
14	MR PETER MURRAY NICHOLAS	800,000	0.58
15	BNP PARIBAS NOMINEES PTY LTD <ib au="" drp="" noms="" retailclient=""></ib>	781,812	0.56
16	MR ANTHONY PAUL ROVIRA	696,333	0.50
17	MR JOHN WILLIAM ROGERS	533,257	0.38
18	CALYERUP PTY LTD <the a="" c="" cecelia="" f="" s="" st=""></the>	500,056	0.36
18	SENESCHAL (WA) PTY LTD <winston a="" c="" f="" fam="" s="" scotney=""></winston>	500,000	0.36
20	MR GARRY TEMPLE	500,000	0.36
		78,349,560	56.55

## (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
Teck Resources Limited	27,545,566
Delphi Unternehmensberatung Aktiengesellschaft	10,293,113
Deutsche Balaton Aktiengesellschaft	10,000,000

## (d) Voting rights

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



## (e) Schedule of interests in mining tenements

Project	Common Name	Minerals	Tenement	Percentage held
posura	El Monstruo De Plom	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		100%
	Los Fieles 2	All Minerals	223473	100%
Ali-i-			230617	
ara Alicia	Sara Alicia	All Minerals	165539	100%
Tecolote	Tecolote R2	All Minerals	245544	100%
	El Tecolote III	All Minerals	234586	100%
omontorio	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%
so Negro	El Sahuaro	All Minerals	243322	100%
	Oso Negro	All Minerals	application	100%
anchita	Panchita	All Minerals	212767	100%
arierite	Dona Panchita	All Minerals	192097	100%
an Augustin	San Augustin1	All Minerals	238325	100%
ZOC	Tizoc	All Minerals	246589	100%
acran¹	Kino 3	All Minerals	166312	100%
acian				
	Kino 2 Kino 4	All Minerals All Minerals	166313 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%
	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%
	LIAIGCIGIT	All Willier als	201017	10070

#### **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)

	Indicate	d Mine	ral Reso	ource	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

## **Alacrán Project**

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

(first released to ASX on 1 December 2016)

Zone	Measure	d Mineral Re	source	Indicate	d Mineral Re	esource	Total Mineral Resource			
	Tonnes	Silver		Tonnes	Silv	Silver		Silver		
	(Mt)	(g/t Ag)	(Moz)	(Mt)	(g/t Ag)	(Moz)	(Mt)	(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	



## **Tables of Minerals Resources (Continued)**

**Table 3: Loma Bonita JORC Code Indicated and Inferred Mineral Resource** (first released to ASX on 21 December 2016)

Cut-Off Grade	JORC Code	JORC Code Toppes (Mt)		ld	Silver		
(g/t Au)	Classification	Tonnes (Mt)	(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 Con Cut off		Gra	ade			Contair	ned 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

## **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	



## **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 (%) =  $(Cu\% \times 0.979) + (Au (g/t) \times 0.6077) + (Ag (g/t) \times 0.0120)$ .

#### 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 (%) =  $(Cu\% \times 0.95) + (Au (g/t) \times 0.4729) + (Ag (g/t) \times 0.0091)$ .

## Zinc Equivalency Statement:

#### Oposura:

Zinc Equivalency % US\$:

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

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

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.



#### Address.

Level 1, 34 Colin Street West Perth, WA 6005

#### Postal address:

PO Box 493 West Perth, WA 6872

P: +61 8 9481 2555 F: +61 8 9485 1290

E: admin@azureminerals.com.au

www.azureminerals.com.au