AZURE MINERALS LTD

Australia's Leading Explorer in Mexico

ASX: AZS

17 February 2016

DRILLING PERMIT APPROVED FOR LOMA BONITA

Highlights:

- Approval granted for next phase of drilling on the Alacrán Project
- Diamond drilling has started at Loma Bonita gold-silver prospect
- Drilling also planned for Cerro Enmedio and Cerrro Colorado

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to advise that it has received approval for the Phase 4 drilling program at the Alacrán Project, located in the northern Mexican state of Sonora.

Targets to be tested in this program, as shown in Figures 1 & 2, include Loma Bonita (targeting epithermal gold-silver mineralisation), Cerro Enmedio (a geophysical target possibly representing intrusive-related mineralisation), and a newly identified prospect in the southern part of the project area called Cerro Colorado which has potential for porphyry-related mineralisation. The number of holes and meterage to be drilled is dependent upon results.

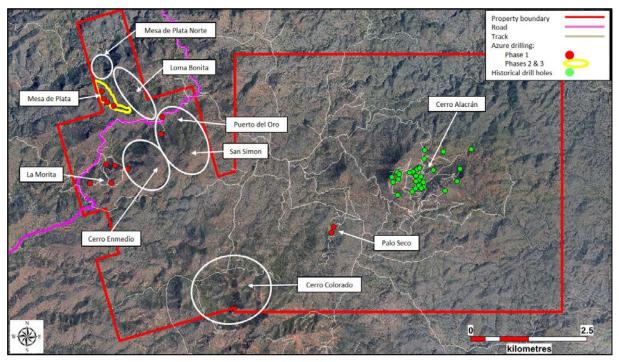


Figure 1: Target areas within Alacrán Project

The first stage of this drilling campaign will be focused on testing the high priority **Loma Bonita** prospect, where extensive, highly significant gold and silver grades have been identified by surface sampling (ASX: 16 & 21 October 2015). This mineralisation is hosted in residual quartz (both vuggy and strongly silicified) similar to that which hosts the silver mineralisation at Mesa de Plata. The drill rig has been mobilised to site and drilling of the first hole has commenced.

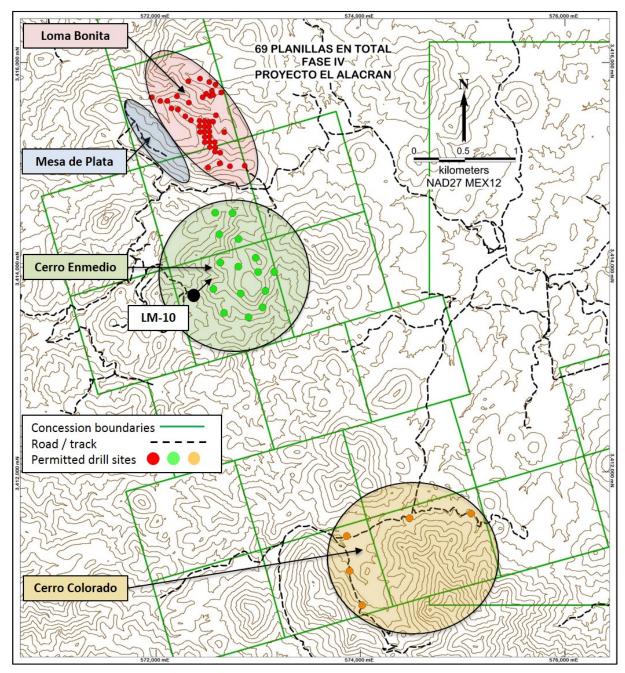


Figure 2: Target areas within western Alacrán with approved drill sites

Cerro Enmedio, located between one to two kilometres south of Loma Bonita, presents as a strong IP chargeability anomaly (ASX: 2 July 2015) situated at a depth of between 300m-500m below surface. Azure previously drilled one hole (LM-10) near this area (ASX: 6 October 2015), targeting the southwestern edge of the chargeability anomaly, but due to limitations with the drill rig, the hole was terminated at a down-hole depth of 290m, well short of the 500m target. Importantly, the hole intersected rocks with potassic alteration, pyrite mineralisation and abundant quartz veinlets, features that suggest the nearby presence of porphyry style

mineralisation. The Company has been granted a permit for the construction of access roads and drill pads in order to test Cerro Enmedio and drilling will be undertaken following the Loma Bonita drilling.

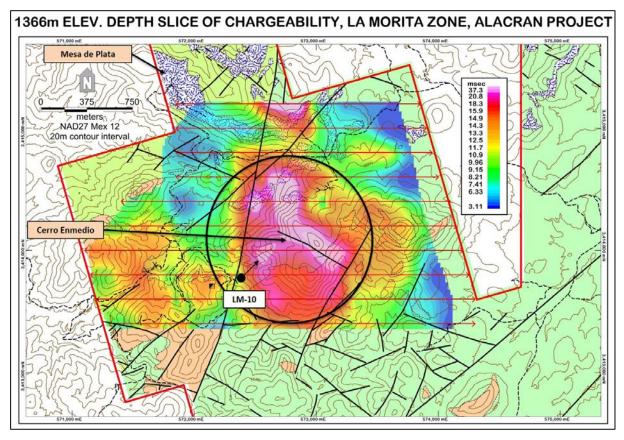


Figure 3: Cerro Enmedio target showing IP chargeability anomaly

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Information in this report that relates to previously reported Exploration Results has been crossedreferenced in this report to the date that it was reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement.

APPENDIX 1

ALACRÁN BACKGROUND

Alacrán is located in the northern Mexican state of Sonora approximately 50km south of the USA border. The property covers 54km² of highly prospective exploration ground in the middle of the Laramide Copper Province. This is one of North America's most prolific copperproducing districts, extending from northern Mexico into the southern United States.

Alacrán lies in close proximity to several large copper mines, including being 15km from the world class, giant Cananea Copper Mine operated by Grupo Mexico. This is one of Mexico's premier mining districts, with world class production of copper together with significant amounts of gold, silver and molybdenum.

There is excellent access to and within the property, via a sealed highway from Hermosillo, capital of the state of Sonora, and existing mine roads and ranch tracks. The nearby town of Cananea is a mining-friendly jurisdiction with experienced exploration and mining services, as well as physical infrastructure including roads, railway, airport, electrical power and water.

Commercial and artisanal mining occurred within the project area in the early 20th century, ending in 1913 due to the Mexican Revolution. Since that time, Alacrán has seen only limited exploration and its potential for hosting large porphyry copper deposits and smaller high grade precious and base metal deposits remains largely untested by modern exploration techniques.

The Anaconda Copper Mining Company explored the property intermittently from the 1930's to the 1960's. Data relating to this work is held in the Anaconda Geological Documents Collection, part of the American Heritage Centre in the University of Wyoming. Azure has visited the library and retrieved copies of numerous technical reports and maps.

Between the 1960's and the early 1980's, the Consejo de Recursos Minerales (Mexican Geological Survey) carried out occasional exploration programs, including drilling 6 holes at the Cerro Alacrán prospect in 1970 and undertaking geophysical surveys over the Palo Seco and La Morita prospects in 1981.

Grupo Mexico S.A.B.de C.V. ("Grupo Mexico") then acquired the project and drilled 26 holes at Cerro Alacrán in the 1990's. This drilling, which was restricted to an area of approximately 50 hectares, outlined a large body of near-surface, copper oxide and chalcocite (copper sulphide) mineralisation. The size, grade and the extent of this mineralised body is yet to be defined as a mineral resource to JORC standards.

Minera Teck S.A. de C.V. ("Teck"), a Mexican subsidiary of Canadian company Teck Resources Limited, acquired the property from Grupo Mexico in 2013 and undertook data compilation and limited surface exploration.

Azure Minerals acquired the rights to the project in December 2014 through its fully owned Mexican subsidiary Minera Piedra Azul S.A. de C.V.

Azure has signed an Agreement with Teck to acquire 100% of the property, subject to an underlying back-in right retained by Teck and a 2% NSR retained by Grupo Mexico. Teck is Canada's largest diversified resource company. Grupo Mexico is Mexico's largest and one of the world's largest copper producers.