

Azure Minerals Limited

ABN 46 106 946 918

Interim Financial Statements

For the Half-Year Ended 31 December 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Azure Minerals Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AZURE MINERALS LIMITED

CORPORATE INFORMATION

ABN 46 106 346 918

Directors

Peter Anthony John Ingram (Chairman)

Anthony Paul Rovira (Managing Director)

Wolf Gerhard Martinick (Non-Executive Director)

Company Secretary

Brett Dickson

Registered Office

Level 1, 34 Colin Street

WEST PERTH WA 6005

(08) 9481 2555

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 2, 45 St, Georges Terrace

PERTH WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Website

www.azureminerals.com.au

ASX Code

Shares AZS

AZURE MINERALS LIMITED

CONTENTS

	<u>Page</u>
Financial Statements	
Directors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7
Directors' Declaration	12
Auditor's Review Report	13
Auditor's Independence Declaration	15

AZURE MINERALS LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Azure Minerals Limited and the entities it controlled (“Azure” or “the Group”) at the end of, or during, the half-year ended 31 December 2016.

1. General information

Directors

The following persons were directors of Azure Minerals Limited during all or part of the half-year as indicated below, and up to the date of this report:

Peter Ingram
Anthony Rovira
Wolf Martinick

2. Project Review

Alacran Project

During the period, Azure completed US\$5 million aggregate expenditure on the Alacrán Project and delivered notice to Minera Teck S.A. de C.V., a subsidiary of Teck Resources Limited (“Teck”) that it had achieved this milestone. Pursuant to the terms of the Alacrán Option/Shareholders agreement signed in December 2014 Azure now holds a 100% legal and beneficial interest in the project.

Subsequent to this milestone, late in December 2016, Teck advised Azure that it had exercised its right to earn back an ownership interest in the project. Teck may re-acquire a 51% interest in the Project by sole funding US\$10 million in expenditures on the Project over the next 4 years and making cash payments to Azure of US\$0.5 million.

During the earn-in phase, Teck will be project operator and will direct all exploration activity.

Pursuant to the terms of the Agreement, this US\$10 million expenditure is to be made in accordance with the following schedule:

<u>On or Before:</u>	<u>Cumulative Aggregate Work Expenditures (US\$)</u>
First anniversary of Notice	\$2,000,000
Second anniversary of Notice	\$4,000,000
Fourth anniversary of Notice	\$10,000,000

Additionally, upon reaching its 51% interest, Teck may further increase its interest to 65% by sole funding an additional US\$5 million of expenditure within two years and making cash payments of US\$1.5 million to Azure.

The specific work program for 2017 is yet to be finalised however it will include minimum expenditure of US\$2,000,000 million in the first year in order for Teck to retain its back-in right.

Promontorio Project

In early January 2017, Kennecott Exploration Mexico SA de CV (“Kennecott”) advised that it had elected not to complete the Stage 2 commitments of the Earn in and Joint Venture Agreement required to earn a 51% interest in the Project.

Kennecott, part of the Rio Tinto Group, had conducted exploration programs over Promontorio since early 2015, with total expenditure of approximately US\$4.0 million. While the results of these programs confirmed the prospectivity of Promontorio, including the presence of a copper mineralised porphyry system, Azure understands they don't meet the requirements of the Rio Tinto Group to progress with further exploration activity.

Following Kennecott's decision to withdraw, Azure has received expressions of interest from several major mining companies to become involved in the Project. Discussions are progressing, with a number of parties currently conducting due diligence.

New Projects

Consistent with the strategy of leveraging our technical and exploration abilities, and with a strong cash balance, Azure is conducting due diligence on several precious and base metal project opportunities in Mexico and in other jurisdictions.

AZURE MINERALS LIMITED

3. Review of Operations and Results

The operating loss after income tax of the Group for the period was \$4,822,041 (2015: \$3,031,544). Included in this loss figure is \$4,642,469 (2015: \$2,460,352) of exploration expenditure written off.

Net cash outflows from operating activities for the period were \$4,988,786 (2015: \$2,368,359).

4. Other items

Significant Changes in State of Affairs

During the financial period the Group raised \$7,339,880 (after expenses) through the issue of 207,993,950 shares issued at \$0.038 each.

No other significant changes in the Group's state of affairs occurred during the reporting period.

Changes in Controlled Entity

There have been no changes in controlled entities during the half-year.

5. Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 15.

This report is made in accordance with a resolution of the Board of Directors:



Anthony Rovira
Managing Director
West Perth
Date: 15 March 2017

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Consolidated	
	Note	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	11,762,144	9,387,160
Trade and other receivables	6	963,551	1,306,374
Total Current Assets		12,725,695	10,693,534
Non-Current Assets			
Available-for-sale investments	15	948	948
Capitalised exploration expenditure	7	5,576,504	6,104,133
Plant and equipment	8	228,370	254,040
Total Non-Current Assets		5,805,822	6,359,121
TOTAL ASSETS		18,531,517	17,052,655
LIABILITIES			
Current Liabilities			
Trade and other payables		293,904	1,329,601
Provisions		97,445	91,589
Total Current Liabilities		391,349	1,421,190
Non-Current Liabilities			
Provisions		65,222	49,962
Total Non-Current Liabilities		65,222	49,962
TOTAL LIABILITIES		456,571	1,471,152
NET ASSETS		18,074,946	15,581,503
Equity			
Contributed equity	9	73,027,947	65,581,982
Reserves		2,779,014	2,909,495
Accumulated losses		(57,732,015)	(52,909,974)
TOTAL EQUITY		18,074,946	15,581,503

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated	
		31 Dec 2016 \$	31 Dec 2015 \$
Continuing Operations			
Other income		229,199	196,813
Depreciation and amortisation		(28,324)	(10,246)
Exploration expenditure		(4,642,469)	(2,460,352)
Exploration expenditure recovered		1,500,019	950,382
Salaries and wages		(330,942)	(430,280)
Consultants		(184,603)	(60,003)
Director fees		(47,500)	(47,500)
Travel and accommodation		(194,747)	(72,205)
Promotion		(66,687)	(35,131)
Insurance		(11,204)	(10,962)
Other administration expenses		(76,569)	(68,156)
Share based payments		(565,185)	(662,002)
Other expenses		(403,029)	(321,902)
		(4,822,041)	(3,031,544)
Loss from continuing operations before income tax			
Income tax expense		-	-
		(4,822,041)	(3,031,544)
Loss from continuing operations after income tax			
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit and loss</i>			
-			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Changes to available-for-sale financial assets, net of tax	4	-	-
Exchange differences on translation of foreign operations		(695,666)	(749,275)
Other comprehensive (income)/loss for the period net of tax		(695,666)	(749,275)
		(5,517,707)	(3,780,819)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss (cents per share)	11	(0.29)	(0.28)

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

31 December 2016

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2016	65,581,982	3,950,218	(39,996)	(1,000,727)	(52,909,974)	15,581,503
Loss for period						
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(695,666)	-	(695,666)
Total other comprehensive income/(loss)	-	-	-	(695,666)	-	(695,666)
Total comprehensive income/(loss) for the period	-	-	-	(695,666)	(4,822,041)	(5,517,707)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	7,445,965	-	-	-	-	7,445,964
Share based payments	-	565,185	-	-	-	565,185
Total transaction with owners	7,445,965	565,185	-	-	-	8,011,150
Balance at 31 December 2016	73,027,947	4,515,403	(39,996)	(1,696,393)	(57,732,015)	18,074,946

31 December 2015

Consolidated

	Issued Share Capital \$	Share Option Reserve \$	Asset-for- Sale-Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2015	51,121,569	3,161,492	(39,996)	(58,208)	(46,656,589)	7,528,268
Loss for period	-	-	-	-	(3,031,544)	(3,031,544)
Other comprehensive income						
Changes to available for-sale financial assets, net of tax	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(749,275)	-	(749,275)
Total other comprehensive income/(loss)	-	-	-	(749,275)	-	(749,275)
Total comprehensive income/(loss)for the period				(749,275)	(3,031,544)	(3,780,819)
Transactions with owners in their capacity as owners:						
Issue of share capital net of transaction costs	6,560,600	-	-	-	-	6,560,600
Share based payments	-	662,002	-	-	-	662,002
Total transaction with owners	6,560,600	662,002	-	-	-	7,222,602
Balance at 31 December 2015	57,682,169	3,823,494	(39,996)	(807,483)	(49,688,133)	10,970,051

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

AZURE MINERALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,423,312)	(1,086,065)
Payments for exploration expenditure	(4,817,921)	(2,414,847)
Proceeds from mineral properties rights reimbursement	1,023,248	950,382
Other income	132,509	175,463
Interest received	96,690	6,708
	<hr/>	<hr/>
Net cash outflow from operating activities	(4,988,786)	(2,368,359)
Cash flows from investing activities		
Payment for plant and equipment	(15,477)	(32,041)
Sale/(Acquisition) of mineral properties	140,578	(190,165)
	<hr/>	<hr/>
Net cash in/(outflow) from investing activities	125,101	(222,206)
Cash flows from financing activities		
Proceeds from capital raising (net of costs)	7,339,880	6,560,600
	<hr/>	<hr/>
Net cash inflow from financing activities	7,339,880	6,560,600
Net increase/(decrease) in cash and cash equivalents	2,476,195	3,970,035
Cash and cash equivalents at the beginning of the half-year	9,387,160	1,775,412
Effects of exchange rate changes in cash and cash equivalents	(101,211)	(55,878)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	11,762,144	5,689,569

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and *the Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2016 and public announcements made by Azure Minerals Limited during the interim reporting period in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 30 June 2016 and the corresponding half year interim reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2016 that have been applied by the Group. The 30 June 2016 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half-year.

NOTE 3 OPERATING SEGMENTS

The Group 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 criterion, management has determined that the Group has one operating segment being mineral exploration in Mexico. As the Group 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 Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 3 OPERATING SEGMENTS (Cont'd)

	CONSOLIDATED	
	31 Dec 2016	31 Dec 2015
	\$	
Other income from external sources	132,509	175,463
Reportable segment loss	(3,202,271)	(2,168,796)
Reportable segment assets	6,825,425	5,749,544
Reportable segment liabilities	(185,709)	(138,452)
	31 Dec 2016	31 Dec 2015
Reconciliation of reportable segment loss		
Reportable segment loss	(3,202,271)	(2,168,796)
Other profit		
Unallocated:		
- Salaries and wages	(330,942)	(430,280)
- Travel and accommodation	(194,747)	(72,205)
- Other corporate expenses	(1,083,486)	(357,797)
- Depreciation	(10,595)	(2,466)
Loss before tax	<u>(4,822,043)</u>	<u>(3,031,544)</u>

NOTE 4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

Exchange differences on translation of foreign operations	<u>(695,666)</u>	<u>(749,275)</u>
---	------------------	------------------

NOTE 5 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents are comprised the following:

	31 Dec 2016	30 Jun 2016
	\$	\$
Cash at bank and in hand	11,704,060	9,329,076
Short term deposits	58,084	58,084
	<u>11,762,144</u>	<u>9,387,160</u>

NOTE 6 RECEIVABLES

The Group has recorded trade and other receivables of \$963,551. Included in this total is an amount of \$581,510 attributable to Minera Azure C.A. de C.V. ("MA") a 100% owned, Mexican incorporated subsidiary of the Company which is in dispute with Mexican tax authorities. This amount relates to a claim made by MA for the refund of IVA paid (the Mexican equivalent of GST). Mexican tax authorities initially declined the claim after which MA initiated court proceedings to recover the full amount. The court provided a decision in favour of MA, however, the Mexican tax authority has appealed the decision. The Company is confident the appeal will be dismissed with a ruling expected in April 2017.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 7 CAPITALISED EXPLORATION EXPENDITURE

	CONSOLIDATED	
	31 Dec 2016	30 Jun 2016
	\$	\$
At Cost	5,576,504	6,104,133
Reconciliations		
Movements in the carrying amounts of capitalised expenditure between the beginning and end of the current financial period		
Opening net book amount	6,104,133	4,913,687
Foreign exchange adjustment	(527,629)	(657,485)
Additions	-	1,847,931
Closing net book amount	5,576,504	6,104,133

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

NOTE 8 PLANT AND EQUIPMENT

During the six months ended 31 December 2016, the Group acquired assets with a cost of \$15,477 (six months to 30 June 2016: \$159,966). No assets were sold during the six months ended 31 December 2016 (six months to 30 June 2016: Nil).

NOTE 9 ISSUED CAPITAL

	Shares	\$
Balance as at 1 July 2015	995,020,107	51,121,569
Share placement at \$0.0098	10,154,346	100,000
Share placement at \$0.016	95,312,500	1,525,000
Share placement at \$0.036	145,000,000	5,220,000
Share issue expenses	-	(284,400)
Balance as at 31 December 2015	1,245,486,953	57,682,169
Balance as at 1 July 2016	1,464,260,045	65,581,983
Share placement at \$0.038	207,993,950	7,903,770
Issue for projects at \$0.031	400,000	12,400
Share issue expenses	-	(470,206)
Balance as at 31 December 2016	1,672,653,995	73,027,947

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 9 ISSUED CAPITAL (Cont'd)

Options on issue as at 31 December 2016	Number
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 6.0 cents on or before 30 November 2018	31,200,000
Exercisable at 4.7 cents on or before 30 November 2019	41,000,000
	97,200,000

Options on issue as at 31 December 2015	Number
Exercisable at 5.8 cents on or before 30 June 2017	25,000,000
Exercisable at 4.5 cents on or before 30 November 2016	25,924,075
Exercisable at 6.0 cents on or before 30 November 2018	31,200,000
	82,124,075

NOTE 10 SHARE BASED PAYMENTS

During the financial period 41,000,000 options exercisable at 4.7 cents on or before 30 November 2019 were issued to directors and employees as part of their long term incentive remuneration. The fair value of these options granted was calculated as 1.38 cents each by using the Binomial option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	4.70
Weighted average life of options (years)	2.98
Weighted average underlying share price (cents)	2.70
Expected share price volatility	100%
Risk free interest rate	1.09%

NOTE 11 EARNINGS/ (LOSS) PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 1,665,369,953. Diluted loss per share is not considered dilutive and has therefore not been presented.

NOTE 12 COMMITMENTS AND CONTINGENCIES

There has been no significant change in the Group's commitments and contingent liabilities since the end of the last reporting period.

AZURE MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 13 RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2016 financial statements. During the period options exercisable at \$0.047 each which expire at 30 November 2019 were issued and short term incentive bonuses were paid as follows:

<i>Issued to</i>	Options Issued		Bonus Paid
	<i>Number Issued</i>	<i>Fair Value of Options</i>	\$
Anthony Rovira – Managing Director	10,000,000	\$137,850	-
Peter Ingram – Chairman	5,000,000	\$68,925	-
Wolf Martinick – Non Executive Director	5,000,000	\$68,925	-
Brett Dickson – Company Secretary	7,000,000	\$96,495	-

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2016.

NOTE 14 EVENTS AFTER THE REPORTING DATE

Since the end of the financial period a bonus of \$81,000 was paid to Mr. A Rovira (Managing Director) and a bonus of \$41,310 paid to Mr. B Dickson (Company Secretary).

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

NOTE 15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – the fair value is calculated using quoted market prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 31 December 2016	\$
	Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948
As at 30 June 2016	\$
	Level 1
<i>Recurring Fair value measures</i>	
Financial asset	
Available-for-sale investments	948

Due to their short term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

AZURE MINERALS LIMITED

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2016

In the Directors' opinion:

- (a) The financial statements and notes, as set out on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Azure Minerals Limited will be able to pay its debts as and when they become due and payable.

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



Anthony Rovira
Managing Director
West Perth
15 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azure Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azure Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Azure Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Azure Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azure Minerals Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just'. Above the signature, the letters 'BDO' are written in a stylized, cursive blue ink.

Dean Just

Director

Perth, 15 March 2017

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

As lead auditor for the review of Azure Minerals Limited for the half-year ended 31 December 2016, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 15 March 2017