

ASX: AZS

18 AUGUST 2014

RIO TINTO AGREES TO EARN-IN & JOINT VENTURE WITH AZURE AT PROMONTORIO

Major Porphyry Copper Deposit Targeted

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to announce that it has agreed terms for an Earn-In and Joint Venture Agreement ("the Agreement") with Kennecott Exploration Company ("Kennecott"), part of the Rio Tinto Group, to explore for copper on its 100%-owned Promontorio Project, located in the Mexican state of Chihuahua. Formal legal documentation of this Agreement is in progress and is expected to be finalised shortly.

Key Points:

- **Total value of Earn-in and Joint Venture Agreement worth up to approximately US\$95 million to Azure**
- **US\$2 million of expenditure committed by Kennecott within the first 12 months**
- **Kennecott to reimburse Azure US\$250,000 upon execution of the Agreement**
- **Kennecott will earn a 51% interest in the Promontorio Project by spending US\$20 million within 6 years**
- **Kennecott will earn an additional 29% interest (for a total 80% interest) by spending a further US\$25 million over the following 6 years (totalling US\$45 million over 12 years)**
- **Upon formation of a 51:49 Joint Venture ("JV"), and to recognise the value already established at the Cascada and Promontorio deposits, Kennecott will credit Azure's JV account with an amount equal to five times (5x) Azure's total exploration and acquisition expenditures to that date (Azure has spent approximately US\$10 million to date)**
- **Azure retains the right to continue its ongoing exploration activities on the Cascada and Promontorio deposits during the earn-in phase**

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Azure's Managing Director, Tony Rovira, welcomed the strong interest and involvement of Kennecott as confirmation of the excellent potential of the Promontorio Project, stating;

"Azure is delighted to join with Rio Tinto / Kennecott, one of the world's largest and most respected mining and exploration companies, to explore for very large copper deposits at Promontorio. Kennecott's interest in the Promontorio Project and the terms of the proposed Earn-In / Joint Venture Agreement demonstrate the enormous potential of Promontorio.

"This Agreement will enable a significant acceleration in the current exploration and development programs at Promontorio. Importantly for Azure, the Agreement allows us to advance our own exploration efforts around Cascada, while concurrently Kennecott will activate exploration throughout Azure's large land holding during the initial earn in phase,.

"Northern Mexico and southern Arizona together form one of the world's great copper mining provinces and it is a real coup for Azure, as one of the very few ASX listed companies with exposure to this area, to secure Kennecott's involvement."

DETAILS OF THE EARN-IN AND JOINT VENTURE

Azure has moved to accelerate exploration of its Promontorio Project by agreeing to terms with Kennecott whereby Kennecott can earn up to an 80% interest by spending US\$45 million on exploring and developing the significant copper potential of this project.

Key terms of the Agreement include:

Kennecott has committed to sole-fund an initial, minimum expenditure commitment of US\$2 million or 2,000m diamond drilling, whichever occurs first, to be completed within 12 months of the Agreement being finalised. The initial work program will include airborne and ground geophysical surveys, mapping and sampling covering the entire 10,000ha Promontorio Project (see Figure 1). Defined targets will then be tested with diamond drilling.

At the end of the first 12 months of the Agreement, Kennecott may elect to continue its exploration for a further five years and, through spending a total of US\$20 million (inclusive of the minimum commitment) within a period of 6 years, earn an initial 51% interest in the project. At this point a joint venture ("JV") will be formed.

Upon earning its 51% interest in the project, Kennecott may elect to earn an additional 29% interest (for a total interest in the JV of 80%) by spending a further US\$25 million within a further 6 year period, taking total earn-in expenditures to US\$45 million.

In addition, to account for the considerable value already created by Azure with the definition of the Promontorio and Cascada deposits, upon the formation of the JV Kennecott will credit Azures' JV account with an amount equivalent to five times Azures' total expenditure at Promontorio to the date of the formation of the JV.

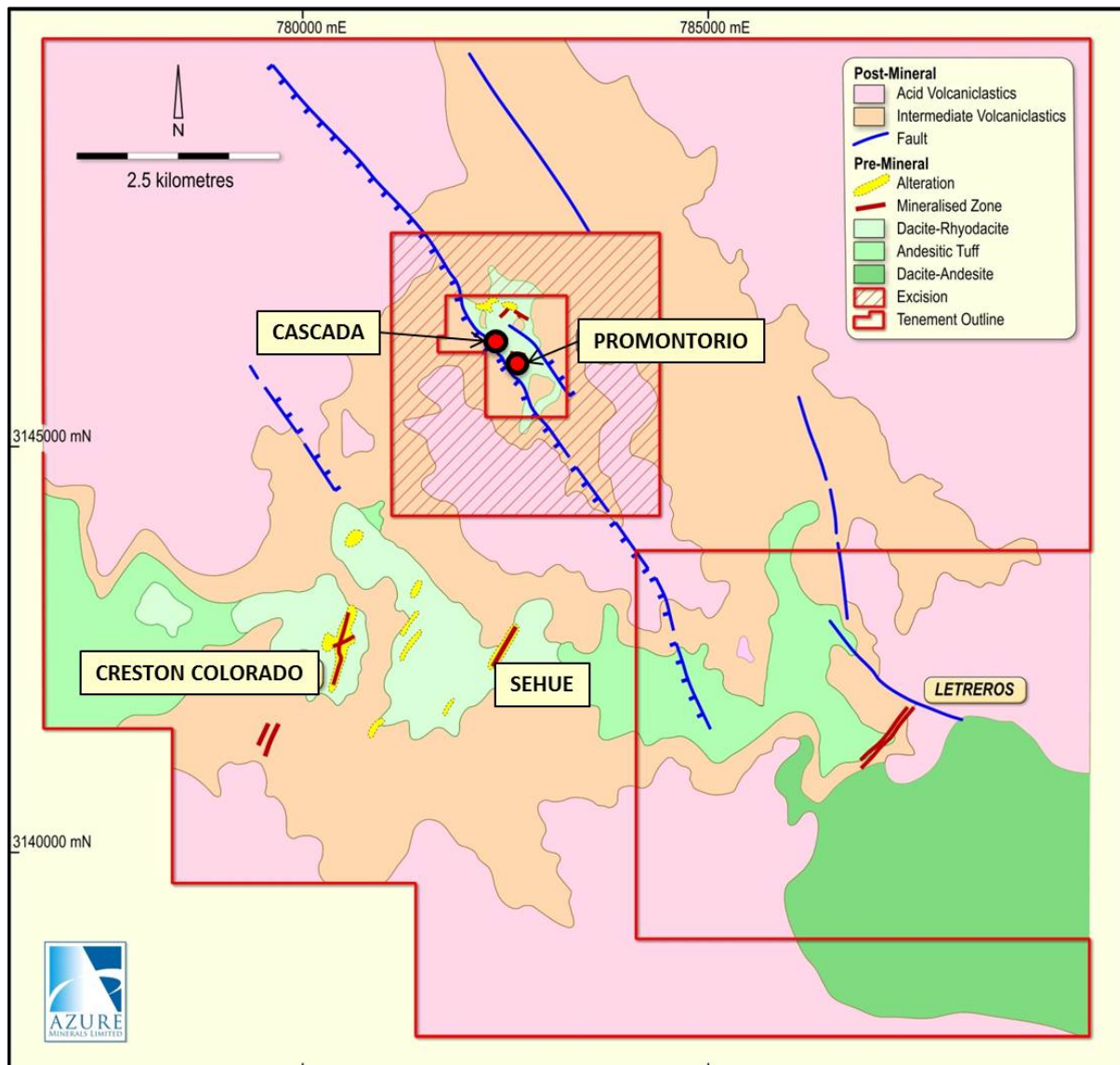
It is expected that at the date of execution of formal documentation Azure will have spent approximately US\$10 million on exploration and acquisition at Promontorio leading to approximately US\$50 million being credited to its JV account at the formation of the JV. The funds credited will cover Azures' future cash contributions to the JV as the Project progresses.

Kennecott may withdraw from the project at any time after satisfying the minimum expenditure commitment of US\$2 million or 2,000m diamond drilling.

Azure will be Project Operator during the initial stage of the Agreement, managing and staffing all activities out of the Company's Hermosillo office, under the direction of and with technical assistance from Kennecott. Planning of work programs has commenced and field work will start as soon as practicable after the Agreement is signed.

Additionally, until such time as Kennecott has earned its initial 51% interest, Azure may continue its ongoing exploration activities on the Cascada and Promontorio deposits.

Figure 1: Geology of Greater Promontorio Project Area



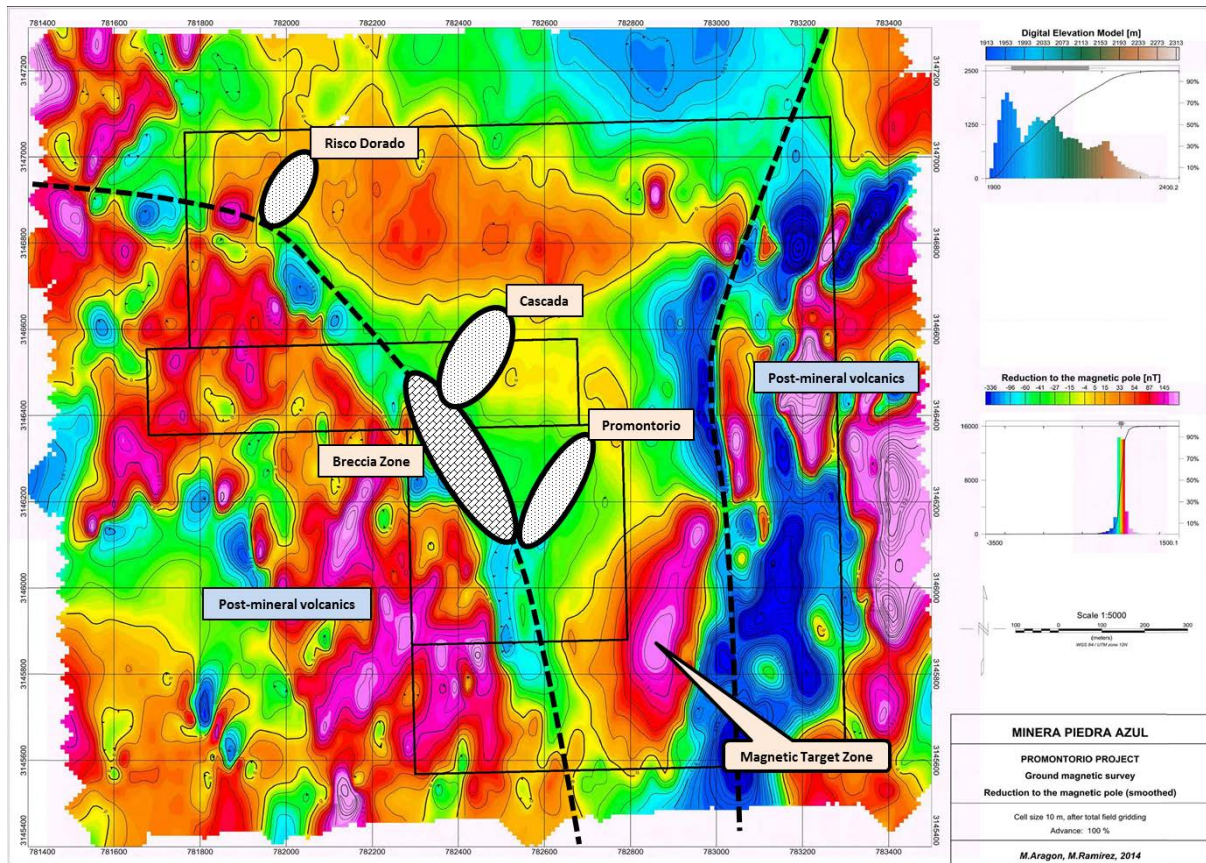
PROMONTORIO PROJECT

Successful exploration over the past twelve months has delivered good progress at the Promontorio Project. Initially considered a high grade but relatively small copper-gold-silver deposit, Azure's recent discoveries, including the Cascada deposit, mineralised hydrothermal breccias and porphyry-hosted copper mineralisation, signal that Promontorio is now of a scale where it can be considered as a potential company-making project of significant size.

With multiple styles of precious and base metal mineralisation, Promontorio could host deposits ranging from large, bulk-tonnage resources to smaller, high grade bodies, which augurs well for a large scale, long-life mining operation. Azure's belief in the merits of the project and its potential development upside is supported by the strong interest of Kennecott.

Kennecott will initially undertake regional scale, deep-seeking geophysical surveys, including aeromagnetics, Induced Polarisation ("IP") and magneto-telluric ("MT") surveys, detailed surface exploration, and deep diamond drilling.

Figure 2: Deposits and Targets in Central Promontorio, Overlying Ground Magnetics



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