

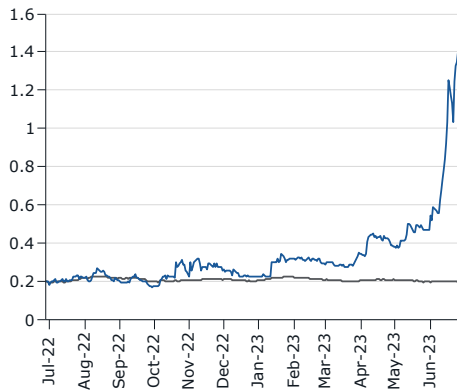
Rating
SPECULATIVE BUY

 Price Target
A\$2.25

AZS-ASX

 Price
A\$1.51
Market Data

52-Week Range (A\$) :	0.16 - 1.27
Avg Daily Vol (M) :	2.9
Market Cap :	591.2
Shares Out. (M) :	390.2
Enterprise Value :	571
NAV /Shr (A\$) :	2.25
P/NAV (x) :	0.68


 — AZS
 — S&P/ASX Emerging Companies (rebased)

Source: FactSet

Priced as of close of business 26 June 2023

Azure Minerals (AZS-ASX) is an Australian-based exploration company whose primary asset is the emerging, 60%-owned, Andover Project, located in the Pilbara Region of Western Australia. The company is amid the early stages of defining a potentially large scale, hard rock lithium discovery within 30km of port facilities. SQM has backed AZS early, investing cash to own 19.99% of the company.

A new Tier 1 lithium discovery is growing Andover fist

We initiate coverage of AZS with a price target of \$2.25; SPEC BUY

Azure Minerals (AZS-ASX) is an Australian-based exploration company whose primary asset is the emerging, 60%-owned, Andover Lithium Project, located in the Pilbara Region of Western Australia. The project is strategically located just 40 minutes drive from Karratha and is surrounded by world-class infrastructure such as railway, power, water and gas pipelines as well as nearby deep water ports (~30km to Cape Lambert versus ~120km for PLS to Port Hedland and ~680km for LTR to Geraldton).

AZS has been exploring Andover since October 2020, having acquired the project from veteran prospector Mark Creasy for 40m shares (19.1% of AZS, now diluted to 13.4%), with Creasy retaining a 40% interest in the project. AZS had initial success following up previous nickel prospectivity at Andover but in October 2022, realised the project area had substantial lithium prospectivity, and quickly shifted focus to return world-class drill intercepts including:

- **105m @ 1.26% Li₂O** from 256m (incl. 22.8m @ 3.57% Li₂O)
- **112.4m @ 1.05% Li₂O** from 263m (incl. 52.5m @ 1.36% Li₂O)

These rank Andover as the seventh-best Australian lithium asset in terms of interval x grade, and third behind Kathleen Valley and Mt Holland in terms of those not in production; after just 13 holes.

SQM gets in early: Before even drilling a single hole into the pegmatites at Andover, AZS attracted the attention of global lithium producer Sociedad Química y Minera de Chile S.A. (SQM-NYSE | Not Rated). In January 2023, SQM agreed to invest A\$20m to acquire a 19.99% interest in the company. Recall that in 2017, SQM took a 50% stake, at the project level, in Kidman Resources' Mt Holland Lithium Project, WA for A\$144m. Two years later, the remaining 50% was acquired by Wesfarmers (WES-ASX | Not Rated) for A\$776m (via acquisition of Kidman). SQM and WES, under the Covalent JV are developing the 186Mt Earl Grey deposit with first production mooted for 2024.

How big could Andover be: AZS has only scratched the surface, having drilled a 400m strike zone of pegmatites in a field of over 700 mapped pegmatites within a zone that stretches 9km x 5km. Suffice to say, the scale potential is massive, in our view. We have taken publicly available drill data from the 13 drill holes with assays at Andover and modelled mineralisation in Micromine. Our interpretation implies a mine inventory of 65-75Mt from the 400m strike already drilled. Given this 400m is part of a 2.2km long pegmatite trend, **we view a resource in the region of 100Mt as a realistic initial goal** for AP0011, AP0012 and the neighbouring pegmatites, and use this as the basis for our EV/Resource multiple valuation. This 100Mt does not include the exciting opportunities AZS has further afield at Andover, including Cuprum Via. For now, we centre our valuation on 100Mt and await further success but concede that 200Mt is not inconceivable for Andover over time.

What to expect over the coming months: AZS' plans are fluid given the early stage of discovery. For the remainder of 2023, the company plans to drill 40,000m of RC and diamond. Two rigs are currently active (25 holes drilled with assays pending for 12 holes at last count) with plans for 4-6 rigs to be operating in the coming month. AZS has 13 high priority pegmatite targets to test, that are defined by surface sampling. Metallurgical testwork is expected to kick off soon.

Valuation and recommendation: The discovery of lithium at Andover is in its infancy but already appears to have significant scale potential. Coupled with the strategic location of the project close to ports and other infrastructure, all in a Tier 1 jurisdiction that already hosts world-class lithium mines, we believe this bodes extremely well for AZS. We value AZS using a Resource multiple approach on a set of global developer peers with resources >40Mt. We value the early-stage AZS on an unfunded NAV basis. We initiate coverage with a SPECULATIVE BUY recommendation and a price target of \$2.25.

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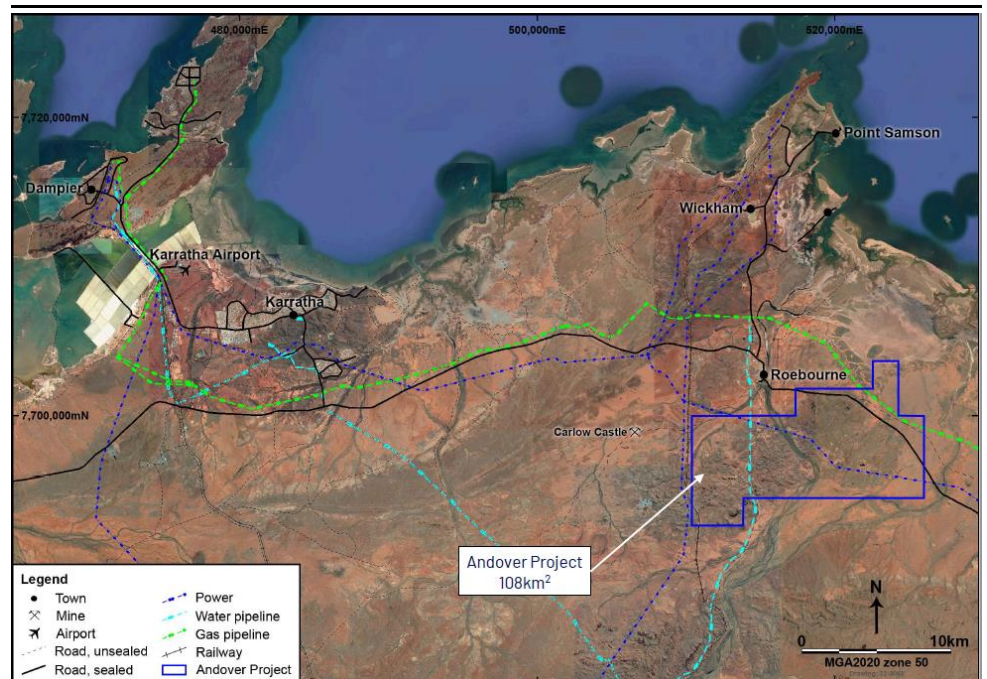
Overview

Azure Minerals (AZS-ASX) is an Australian-based exploration company whose primary asset is the emerging, 60%-owned, Andover Project, located in the Pilbara Region of Western Australia. AZS returned to WA from Mexico during COVID and acquired four projects from veteran prospector Mark Creasy for 40m shares (19.1% of AZS, now diluted to 13.4%), with Creasy retaining a 30-40% interest in the projects (Andover, Coongan, Turner River & Meentheena). Since October 2020, AZS has been exploring the Andover layered intrusive complex just south of Karratha, having negotiated a 60% ownership and no royalty with Creasy (40%), who is free-carried to a FID. AZS had initial success progressing Creasy's 2018 nickel discovery at Andover but since late-2022 has pivoted to primarily focus on the lithium potential at Andover, which is gaining significant market attention given the apparent size potential and strategic nature of the asset i.e. located close to infrastructure.

AZS projects include:

- Andover Li-Ni-Cu-Co Project, Pilbara – 60%
- Barton Gold Project, Goldfields – 100%
- Turner River Project, Pilbara – 70%
- Coongan Project, Pilbara – 70%
- Meentheena Project, Pilbara– 70% (relinquished in during the DecQ'22)

Figure 1: Andover Project location map



Source: Company reports

Corporate and finance

Capital structure

AZS currently has 390m ordinary shares on issue, with a further 16.8m options (various dates and exercise prices) currently all in the money; valued at \$10.36m.

Substantial shareholders include SQM (19.99%), Mark Creasy (Yandal) (13.38%) and Deutsche Balaton (12.15%).

Figure 2: AZS capital structure

Issued Shares	m		Price \$1.39	Date
AZSAV	m	390.24	0.49	30/06/2024
AZSAW	m	1.00	0.57	30/06/2024
AZSAX	m	1.50	0.65	30/06/2024
AZSAY	m	5.80	0.65	30/06/2024
Options	m	8.00	0.60	31/03/2026
Total Options	m	16.80	0.51	
Fully Diluted	m	407.036		

Source: Company reports

Balance sheet and liquidity

AZS had a reported cash position as at 31 March 2023 of A\$23.2m, following a \$20m strategic placement by SQM, undertaken at \$0.26 during the quarter. SQM now owns 19.99% of AZS. We expect AZS to end the JunQ'23 with A\$20m. Assuming a ramp-up in drilling activities at Andover, we estimate that current liquidity should be sufficient to see AZS funded for up to six months of drilling. While the second tranche payment of A\$6m in cash and A\$6m worth of shares for the July 2022 sale of AZS' Mexican assets to private company, Bendito Resource, is due in January 2024, we ascribe zero value to this in our model. Note that AZS currently owns 11.2m shares in Bendito Resource, previously valued at A\$4m.

Directors and management (full director bios [Directors and key management](#))

- Brian Thomas – Non-Executive Chairman
- Tony Rovira – Managing Director
- Hansjorg Plaggemars – Non-Executive Director
- Annie Guo – Non-Executive Director
- Brett Dickson – Company Secretary & CFO
- Graham Leaver – Exploration Manager
- James Dornan – Project Development Manager

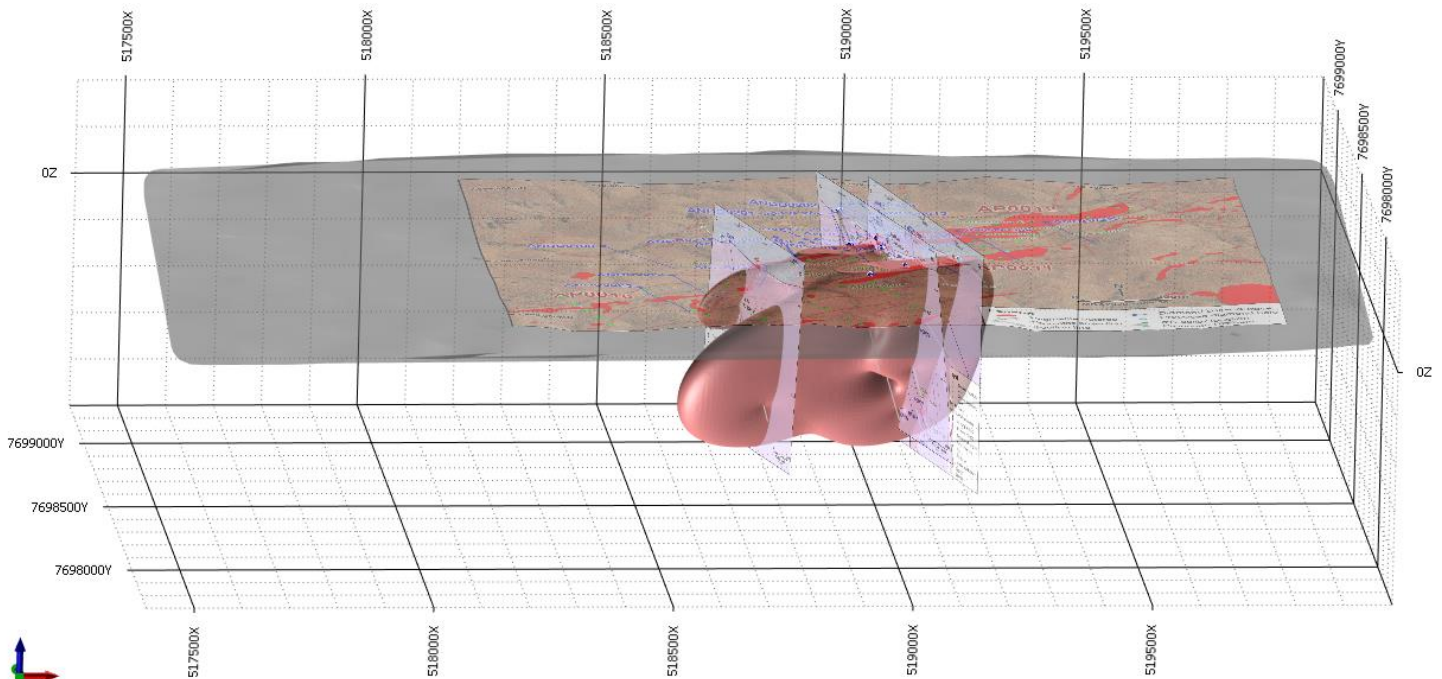
Valuation

Given the early-stage nature of Andover and lack of (lithium) mineral resource, there are too many unknowns to adequately model a production scenario and DCF valuation. Instead, we have opted to use a Resource multiple valuation approach.

CG modelling of the Andover lithium prospect

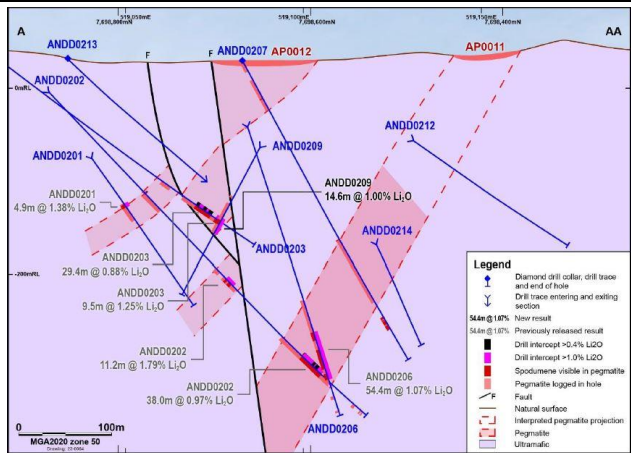
Prior to ascertaining a Resource Multiple valuation for AZS, we assessed likely resource size, albeit at this very early stage. We have taken drill data (collar, survey and mineralised intervals) from the 13 drill holes with assays released that target pegmatites at Andover, and modelled the 'deposit' using Micromine's Implicit Modelling module. Using a 0.3% Li₂O cut-off, our interpretation implies an inventory of **65-75Mt @ 1.1-1.2% Li₂O** from the 400m of strike currently reported at Andover. Note that we have extended our interpretation half the drill hole spacing along strike to close off our model, i.e. we model mineralisation over 600m strike, and down to 400m below surface. We have also extended the interpretation of the AP0011 pegmatite to surface and await receipt of ANDD0210, 212, 214 and 216 to confirm this interpretation. The western most section of our interpretation is only constrained by ANDD0215 and ideally requires a second data point (Figure 9). This data is as of 21 June 2023. Note that only a collar survey has been provided and therefore our model does not account for variations in downhole dip and azimuth. We have taken the reported mineralised intervals and converted them to 2m composites prior to modelling.

Figure 3: Oblique plan view of our modelled lithium mineralisation at Andover, with aerial photo and cross sections overlaid



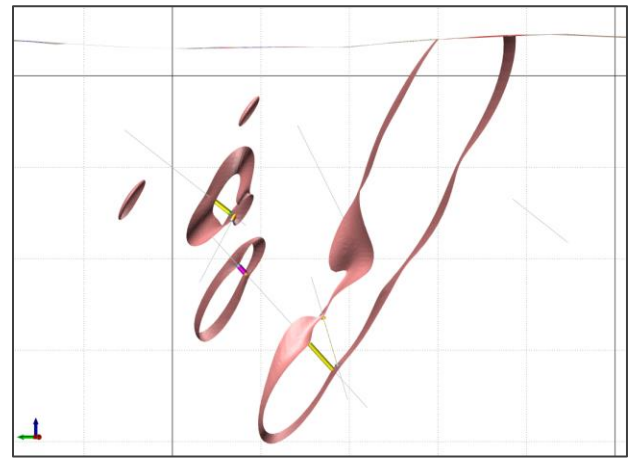
Source: Company reports, Canaccord Genuity estimates

Figure 4: Andover cross section A-AA



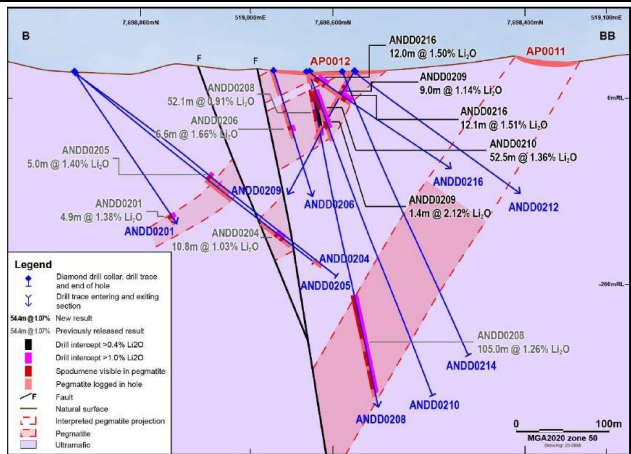
Source: Company reports

Figure 5: CGe interpretation along the section line A-AA



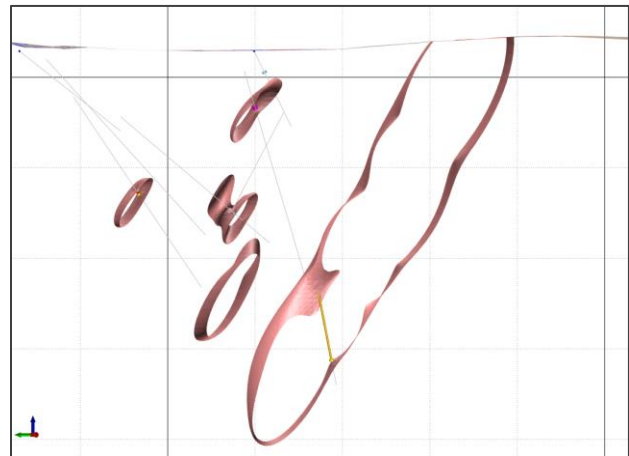
Source: Canaccord Genuity estimates

Figure 6: Andover cross section B-BB



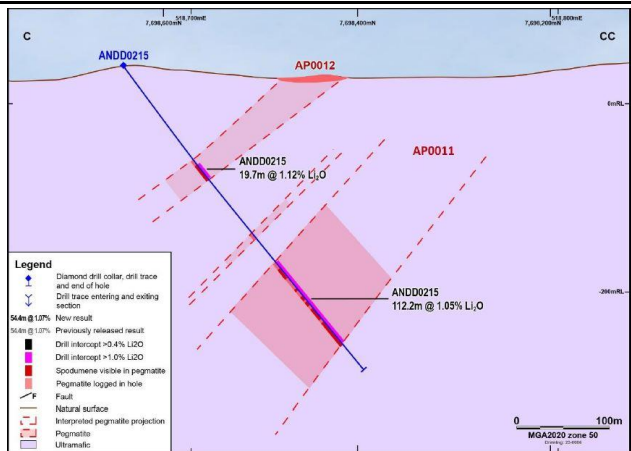
Source: Company reports

Figure 7: CGe interpretation along the section line B-BB



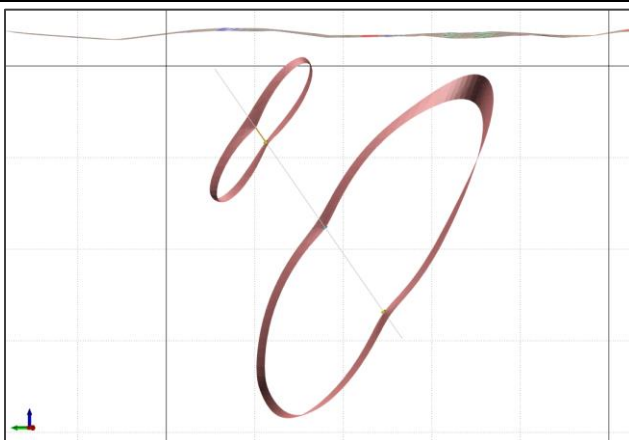
Source: Canaccord Genuity estimates

Figure 8: Andover cross section C-CC



Source: Company reports

Figure 9: CGe interpretation along the section line C-CC

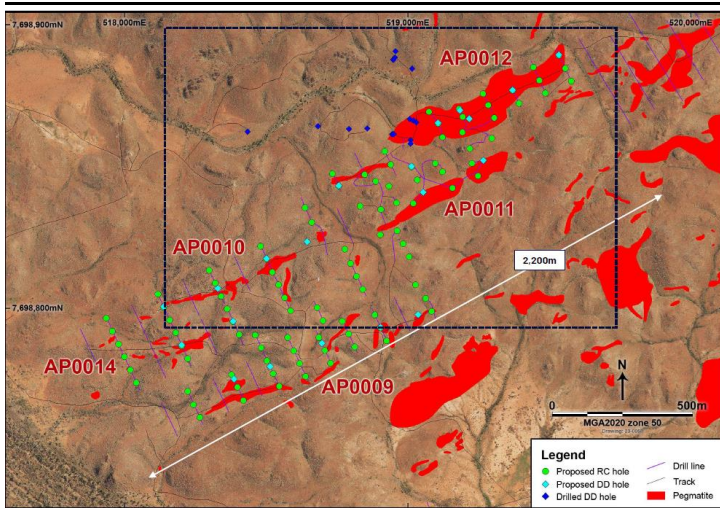


Source: Canaccord Genuity estimates

Resource multiple

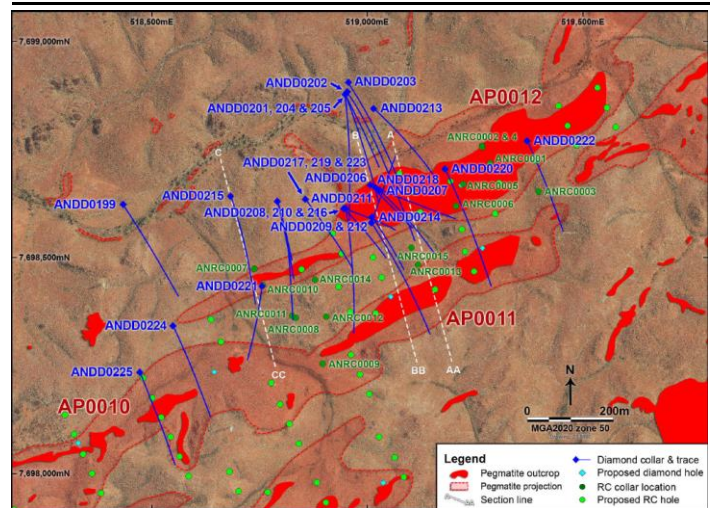
Our modelling suggests that 65-75Mt is initially achievable based on drilling completed over the 400m zone of the AP0011 and AP0012 pegmatites. Given only 400m of a potential 2.2km trend in the immediate vicinity of the current drill area has had assay results published, we view a resource in the region of 100Mt as a realistic initial goal for AP0011, AP0012 and the neighbouring AP009, 0010 & 0014 pegmatites (Figure 10, Figure 11) over time and use this as the basis for our EV/Resource multiple. This 100Mt does not include the exciting opportunities AZS has further afield at Andover, including Cuprum Via (AP0004, 0005, 006), the eastern extensions of AP0011 and AP0012 (AP0015, 0016 & 0017); and the Cristas and Collum prospects that require heritage clearance prior to drilling (Figure 12). We include value for these along with Andover nickel and AZS’s other Western Australian projects in our nominal exploration value.

Figure 10: Proposed area for extensional drilling



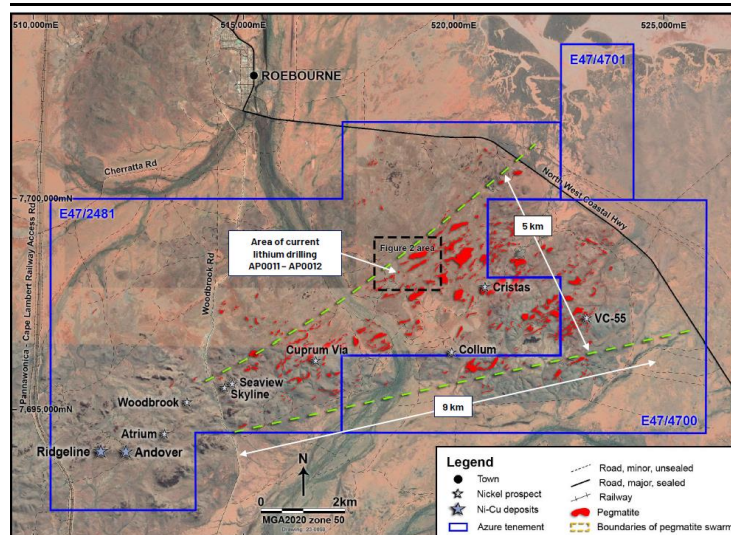
Source: Company reports

Figure 11: Current drill area



Source: Company reports

Figure 12: Broader Andover pegmatite field and target area



Source: Company reports

Our Resource multiple-based valuation approach is based on an implied Resource multiple (EV/Resource) for large global, hard rock lithium projects (>40Mt). We note that this does not account for the strategic location of Andover; beside a railway, a road, and water pipeline, and only 40 minutes' drive from Karratha and 30km from the port at Cape Lambert. By our calculations, an average EV/Resource of ~US\$10/t of resource implies 100Mt of resource for AZS would yield an EV of ~US\$612m for AZS (60%). Furthermore, this implies an EV of A\$1,529m on a 100% basis and A\$918m for 60% attributable, which we risk to 85% (Figure 13, Figure 14).

Figure 13: Global hard rock lithium comps for EV/Resource multiple

Code	EXCH.	Company	Asset/s	Stage	Location	100% Resource (Mt)	Grade (% Li2O)	Contained Resource (Mt LCE)	Ownership (%)	Attributable (Mt LCE)	Attributable (Mt)	Mkt cap (US\$m)	Cash (US\$m)	EV (US\$m)	EV/Resource (US\$/t)
LLL	ASX	Leo Lithium	Goulamina	Near term producer	Mali	211	1.4%	7.20	50%	3.6	105.5	864	118	745	7
LTR	ASX	Liontown Resources	Kathleen Valley	Near term producer	WA	156	1.4%	5.29	100%	5.3	156.0	4216	204	4013	26
FL	TSX	Frontier Lithium	PAK/Spark	Feasibility works	Ontario	59	1.5%	2.17	100%	2.2	58.5	313	13	300	5
GL1	ASX	Global Lithium	Manna/Marble Bar	Resource development	WA	50	1.0%	1.24	100%	1.2	50.0	260	47	213	4
LRS	ASX	Latin Resources	Colina	Resource development	Brazil	45	1.3%	1.50	100%	1.5	45.2	439	39	400	9
ALL	AIM	Atlantic Lithium	Ewoyaa	Feasibility works	Ghana	35	1.3%	1.08	50%	0.5	17.5	236	17	219	13
CRE	TSXV	Critical Elements	Rose	Feasibility works	Quebec	34	0.9%	0.76	100%	0.8	34.2	294	22	272	8
SAV	AIM	Savannah Resources	Mina do Barroso	Resource development	Portugal	28	1.1%	0.73	100%	0.7	28.0	100	9	91	3
GT1	ASX	Green Technology Metals	Seymour	Resource development	Ontario	23	1.1%	0.63	100%	0.6	22.5	127	27	100	4
KOD	AIM	Kodal Mineral	Bougouni	Near term producer	Mali	21	1.1%	0.58	100%	0.6	21.3	133	2	131	6
RCK	TSXV	Rock Tech Lithium	Georgia Lake	Feasibility works	Ontario	15	0.9%	0.33	100%	0.3	14.8	124	25	99	7
DLI	ASX	Delta Lithium	Mt Ida	Feasibility works	WA	13	1.2%	0.38	100%	0.4	12.7	308	60	248	19
ESS	ASX	Essential Metals	Pioneer Dome	Resource development	WA	11	1.2%	0.32	100%	0.3	11.2	71	6	66	6
Hard rock average															
8															
AZS	ASX	Azure Minerals (Implied)	Andover	Resource development	WA	100	1.1%	2.82	60%	1.7	60.0	628	16	612	10
Jurisdiction															
Tier 1 jurisdiction average															
Canada average															
ROW average															
Stage based multiples															
Resource Development															
Feasibility work															
Near term producer															
Scale based multiples															
Tonnage >40Mt															
Tonnage <40Mt															

Source: Company reports, Canaccord Genuity estimates

Net asset valuation

We value the early-stage AZS on an unfunded NAV basis, meaning future equity dilution has not been considered. Our NAV comprises our Andover Lithium Project valuation using a risked (to 85%) Resource multiple, net of corporate costs, cash and ITM option value.

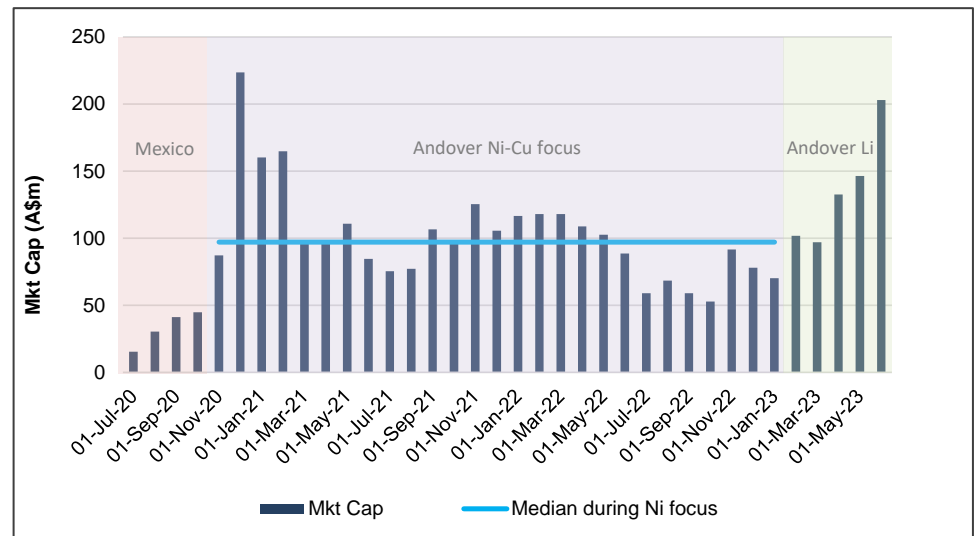
We have compiled the 310 published lithium rock chip samples (Figure 16, Figure 17) taken over the pegmatites at Andover. These highlight additional prospectivity away from the area of current drill focus, emphasising further exciting opportunity, particularly around Cuprum Via. Endowment of 200Mt is not inconceivable in our eyes (PLS-ASX's Pilgangoora has a 309Mt @ 1.14% Li₂O resource). We have ascribed a risked (50%) nominal value of A\$200m to further lithium upside, the nickel resources/exploration potential and other WA projects (noting that AZS had a median market value of ~A\$97m prior to any lithium discovery and was underpinned by its Andover Nickel Project - Figure 15).

Figure 14: CG NAV estimate

NET ASSET VALUATION					
DCF DISCOUNT RATE		12%			
	Spot AUD:USD	0.6676		Shares	390.2
	LT AUD:USD	0.7100		ITM Options	16.8
				New equity	0.0
				Diluted	407.0
	A\$m	RISK ADJ.	EQUITY	A\$m	DILUTED/SH
	Andover Lithium (~100Mt)	85%	60%	779.64	\$1.92
	Exploration & Other (incl Ni)	50%	100%	100.00	\$0.25
	Corporate	-7.73		-7.73	\$0.02
	Net Cash as at 31-Mar-23	23.25		23.25	\$0.06
	ITM options	10.36		10.36	\$0.03
	TOTAL	2365.92		905.51	\$2.22
				Target (Rounded)	\$2.25
				P/NAV	0.68 x

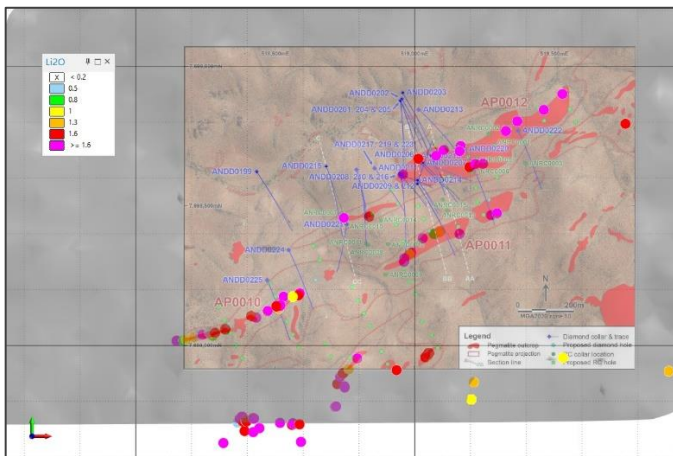
Source: Canaccord Genuity estimates

Figure 15: AZS market capitalisation during its focus on the Andover Nickel Project



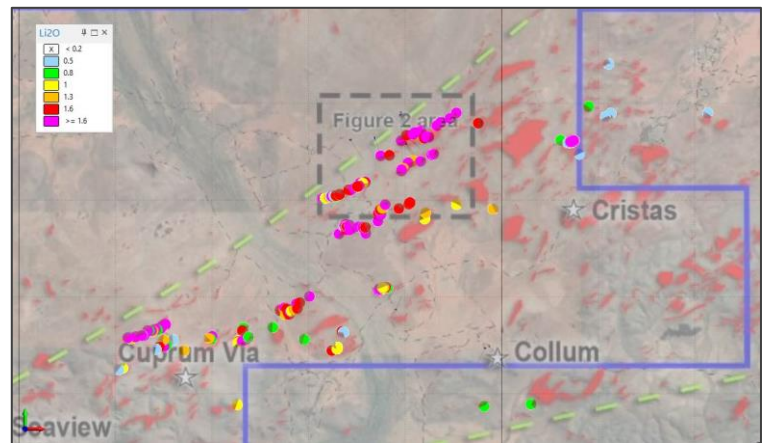
Source: FactSet

Figure 16: Rock chip samples taken around the current drill area



Source: Company reports, compiled by Canaccord Genuity

Figure 17: Rock chip samples taken over the broader Andover lithium prospects.



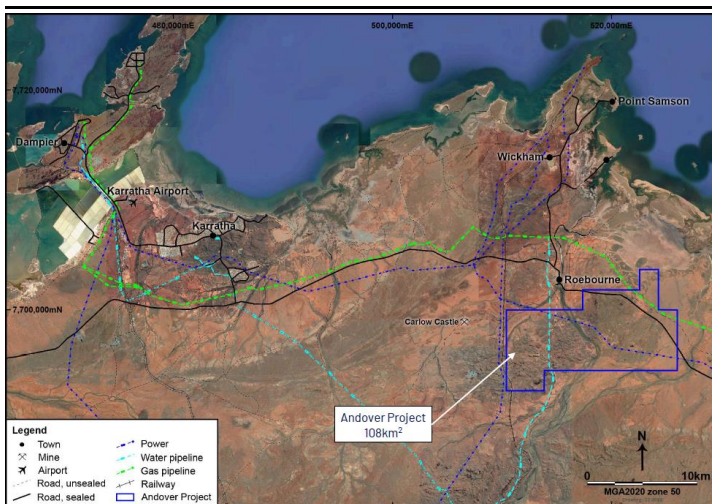
Source: Company reports, compiled by Canaccord Genuity
Note the lack of samples in the southeast corner due to lack of heritage access.

Asset overview: Andover Lithium and Ni-Cu-Co Project

Location, access and infrastructure

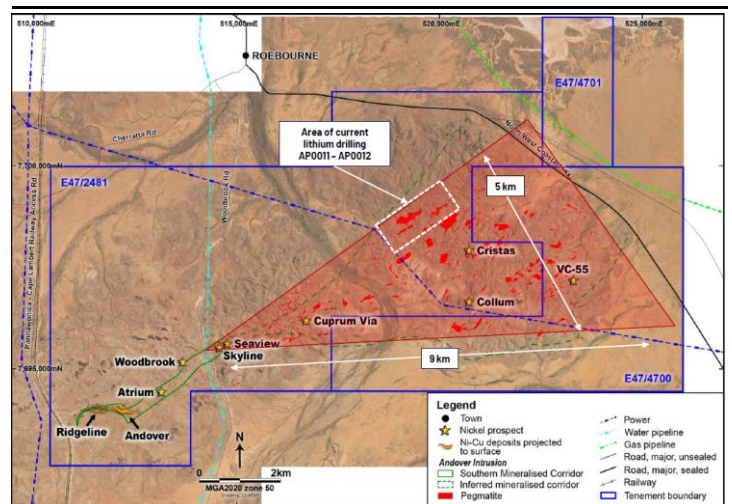
The Andover Project covers an area of 108.8km² and is located 50km southeast of Karratha and only a two-hour flight from Perth, Western Australian. The project is best accessed by road via the town of Roebourne, 5km to the north. Rio Tinto’s iron ore rail line and access road flanks the western tenement boundary at Andover, enroute to Cape Lambert 30km to the north. A powerline, and gas and water pipeline transect the project lending Andover to be remarkably well serviced and located, in our view.

Figure 18: Andover regional location map



Source: Company reports

Figure 19: Andover Project map



Source: Company reports

Background

AZS has been exploring Andover since October 2020, having acquired the project from veteran prospector Mark Creasy for 40m shares (19.1% of AZS, now diluted to 13.4%), with Creasy retaining a 40% interest in the project. Prior to this, AZS was focussed on the Alacrán Gold-Silver Project in Mexico until the onset of COVID-19.

AZS had initial success following up previous nickel prospectivity at Andover in late-2020 through to mid-2022. This culminated in the discovery of two deposits, numerous prospects, the completion of 200 diamond holes for ~80,000m and the definition of Mineral Resources at the Andover and Ridgeline deposits totalling 4.65Mt @ 1.11% Ni, 0.47% Cu & 0.05% Co (1.41% NiEq) for ~65kt of contained NiEq.

AZS first reported lithium-bearing pegmatites at Andover in October 2022 when it released rock chip results from an intensive six-month mapping and sampling program. The company initially identified more than 130 outcropping pegmatites which had surface exposure up to 500m long and 100m wide. This has since grown to over 700 as shown in Figure 19. AZS had previously intersected low-grade pegmatites in ANDD0133, when targeting nickel sulphides at VC-18 East in November 2021.

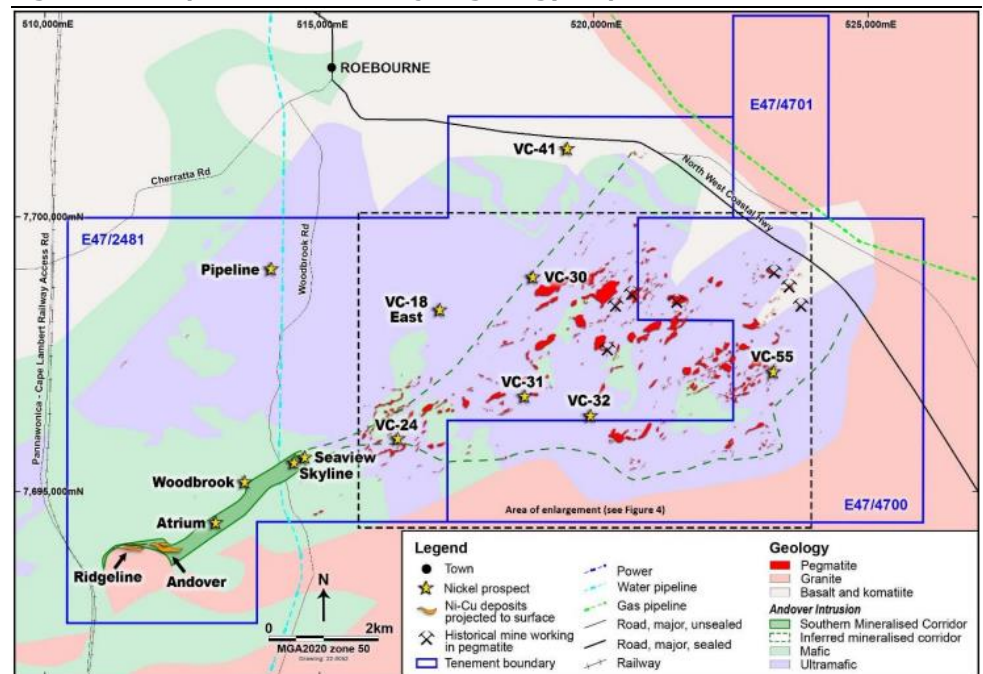
Geology and mineralisation

Given the recent uncovering of lithium mineralisation at Andover, AZS has not had ample opportunity (Annual Report, Resource Report) to adequately describe the updated geology in detail in the public domain. However, the GSWA 1:250,000 Geological Series Explanatory Notes mention that in 1872 mineralisation (copper and gold) was first discovered in the district, and between 1872 and 1888 copper and gold

was mined. Subsequent mineral exploration has revealed many more deposits of gold, copper, lead, zinc, nickel, and vanadium–titanium in the area. The government literature mentions small-scale production of pegmatite minerals and semi-precious stones. In particular, southeast of Roebourne, pegmatite dykes within the Andover Intrusion, near Mount Hall, were said to have been mined for beryl (Ellis, 1962), and tantalum and tin (Hickman, 1983). The dykes strike northeast within the ultramafic zone of the intrusion and are related to larger bodies of intrusive granite belonging to a late phase of the Harding Granitoid Complex.

AZS describes nickel sulphide mineralisation in its Andover maiden resource announcement, noting that the [nickel] mineralisation at the Andover Deposit is entirely hosted in a fractionated, low MgO gabbro with taxitic textures proximal to the mineralisation. The fractionated gabbro is hosted between massive norite in the hanging wall, and porphyritic gabbro in the footwall. The taxitic gabbro hosts high tenor disseminated to blebby sulphides with the proportion of sulphide increasing toward the matrix and massive sulphides constituting the higher-grade portions of the Andover Deposit. Ultramafic lithologies (websterite), locally containing blebby sulphides, are observed down plunge at the Andover Deposit, cross-cut by the taxitic gabbro with ultramafic xenoliths (+/- blebby sulphides) observed locally throughout. Small ultramafic clasts have been observed within the massive and semi-massive mineralisation within the Andover Deposit. The nickel tenor of the sulphides within the ultramafic, taxitic gabbro and massive sulphide accumulations are similar throughout the Andover Deposit. Higher grade copper mineralisation is constrained to the mineralised horizon, though is not coincident with the highest nickel grades. Higher copper grades correspond with bands of chalcopyrite distributed within the massive sulphides, as well as chalcopyrite-rich veins and stringers at the base of the thickest accumulation of massive sulphides.

Figure 20: Simplified Andover Project geology map



Source: Company reports

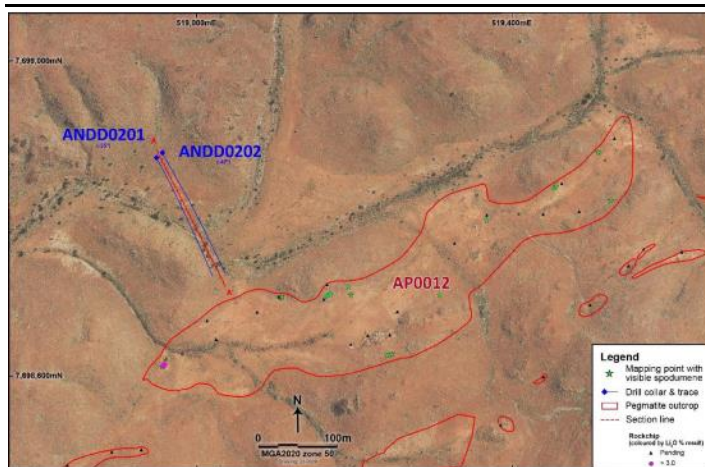
Work programs

AZS first reported lithium-bearing pegmatites at Andover in October 2022 when it released rock chip results. Mapping and sampling of pegmatites continued while areas were prepared for initial drill testing.

AZS' first economic intercept of lithium was returned in February 2023 when diamond drill hole ANDD0199, which was targeting the VC-30 VTEM nickel target, returned **7.2m @ 1.51% Li₂O** from 314m. This hole is located west of AP0012 in an area with no mapped pegmatite.

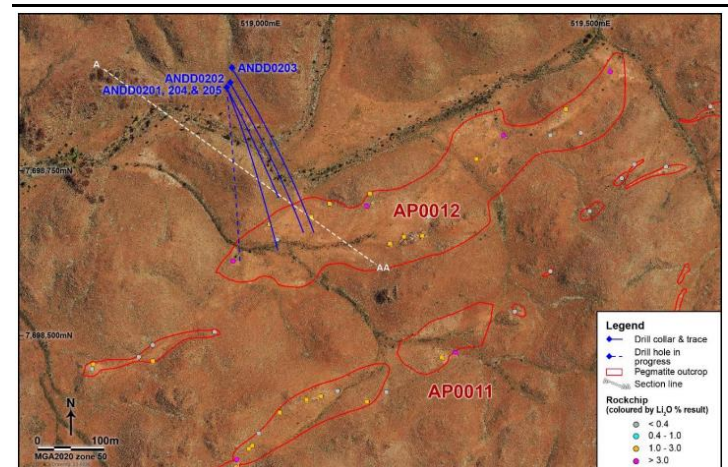
Visuals from AZS' first dedicated drilling into pegmatites at Andover were released in March 2023 when two diamond holes returned 22m and 27m-wide intervals of pegmatite. These holes targeted the AP0012 pegmatite, which had limited access due to heritage clearances at the time, so the holes were drilled from a pre-cleared area and targeted depth extension of AP0012 (Figure 21). Further drilling from cleared areas to the north of AP0012 returned further visuals in three diamond holes of up to 52.9m of pegmatite in hole ANDD0203 (Figure 22). Access to AP0012 and other priority pegmatites was granted in May 2023 with RC and diamond drilling commencing shortly after.

Figure 21: First pegmatite focussed drilling at Andover



Source: Company reports

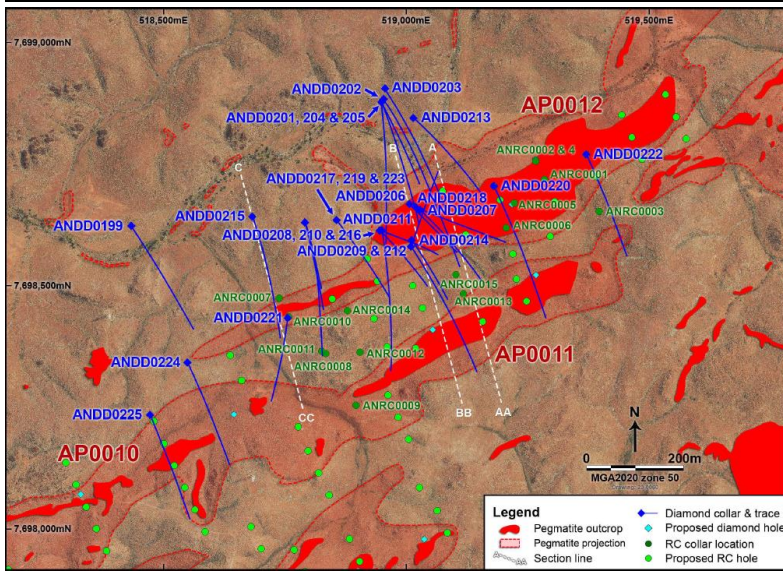
Figure 22: Second round of pegmatite focussed drilling at Andover



Source: Company reports

First assays were released in mid-June for the first 8 diamond holes (some holes have had partial assays released), with another batch released the following week. To date, results from 13 holes (some partial) have been released (Figure 24) with hole ANDD0208 returning a stunning **105m @ 1.26% Li₂O** from 256m. Based on S&P's drilling database, this intercept ranks just outside the top 20 individual drill intercepts for global hard rock lithium deposits/prospects i.e. only the best reported intercept per deposit has been tabulated (Figure 27). With only 13 drill holes completed, Andover already has the seventh best reported drill intercept of an Australian deposit/prospect and is third behind LTR's Kathleen Valley and Covalent's Mt Holland among those not in production.

Figure 23: Holes drilled to date and forward plan



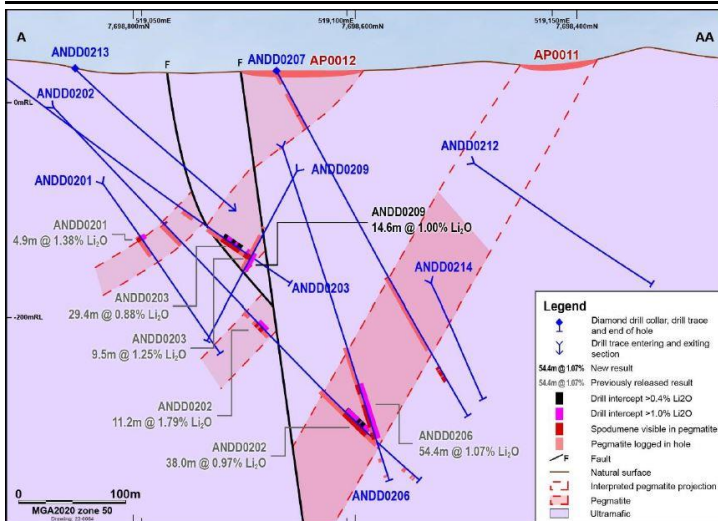
Source: Company reports

Figure 24: Assays released to date

Hole No	From	To	Interval	Grade (Li ₂ O %)
ANDD0199	313.9	321.1	7.2	1.51
ANDD0201	188.4	193.3	4.9	1.38
ANDD0202	325.7	336.9	11.2	1.79
ANDD0202	442	480	38.0	0.97
ANDD0203	268.3	297.7	29.4	0.88
ANDD0204	279.5	290.3	10.8	1.03
ANDD0205	186.7	191.7	5.0	1.40
ANDD0206	62.7	69.3	6.6	1.66
ANDD0206	310.5	364.9	54.4	1.07
ANDD0207	27.5	28	0.5	1.04
ANDD0208	22.3	74.4	52.1	0.91
ANDD0208	256.3	361.3	105.0	1.26
ANDD0209	19.1	28.1	9.0	1.14
ANDD0209	59.9	61.3	1.4	2.13
ANDD0209	205.9	220.5	14.6	1.00
ANDD0210	14.1	66.6	52.5	1.36
ANDD0215	130	149.7	19.7	1.12
ANDD0215	263.3	375.7	112.4	1.05
ANDD0216	13.4	25.4	12.0	1.50
ANDD0216	43.8	55.9	12.1	1.52

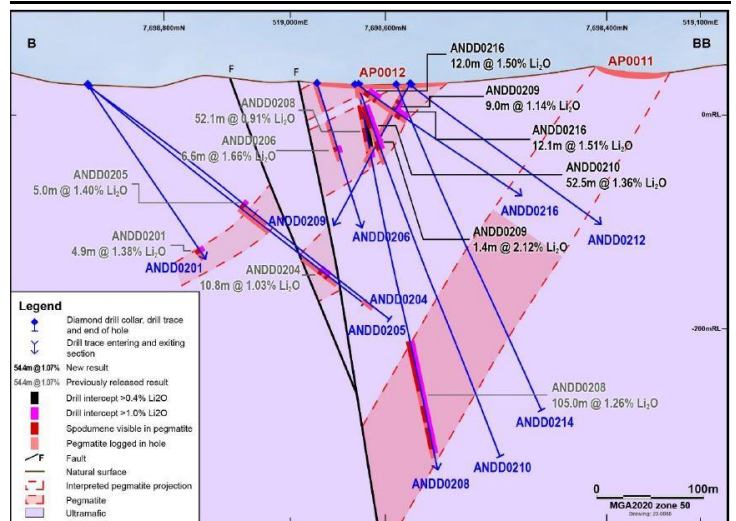
Source: Company reports

Figure 25: Cross section A-AA



Source: Company reports

Figure 26: Cross section B-BB



Source: Company reports

Figure 27: Best individual drill intercept from global hard rock lithium deposits/prospects*

Property Name	Hole ID	Current Operator	Ticker	Country	Development Stage	Reported	Interval (m)	Grade (Li2O %)	Interval x grade
1 PAK	PL-098-22	Frontier Lithium Inc.	FL-TSX	Canada	Development	Feb-23	398.2	1.88	748.7
2 Manono	MO18DD001	AVZ Minerals Limited	AVZ-ASX	Dem. Rep. Congo	Arbitration	Apr-18	295.0	1.75	516.3
3 Mount Marion	MMRC0464	Mineral Resources Limited	MIN-ASX	Australia	Operating	Aug-16	209.0	1.83	382.5
4 Corvette	CV22-083	Patriot Battery Metals Inc.	PMT-ASX	Canada	Exploration	Jan-23	156.9	2.12	332.6
5 Goulamina	GMRC703	Leo Lithium Limited	LLL-ASX	Mali	Construction	Jun-23	141.0	2.15	303.1
6 Falchani	PLAT14-W	MARBL JV (MIN/ALB)	MIN-ASX/ABL-NYSE	Peru	Development	Nov-18	209.0	1.24	259.2
7 Wodgina	WLRC0044	Mineral Resources Limited	MIN-ASX	Australia	Operating	Mar-17	134.0	1.89	253.3
8 San Jose	MSJ-DD-0011	Infinity Lithium Corporation Limited	INF-ASX	Spain	Development	Sep-17	192.0	1.01	193.9
9 Kathleen Valley	KVRC0304	Liontown Resources Limited	LTR-ASX	Australia	Construction	Mar-20	97.0	1.90	184.3
10 Mt Holland	KEGM058	Covalent Lithium Pty Ltd	WES-ASX/SQM-NYSE	Australia	Construction	Mar-18	100.3	1.75	175.5
11 Sabi Star	DDT2/1	Max Mind Investment Limited	-	Zimbabwe	Exploration	Sep-17	50.7	3.40	172.4
12 James Bay	JBL17_136	Allkem Limited	AKE-ASX	Canada	Development	Oct-17	94.4	1.70	160.5
13 Ewoyaa	IR_TR1_5.23.17	Atlantic Lithium	ALL-LON	Ghana	Development	May-17	100.0	1.57	157.0
14 Mina do Barroso	18GRARC108	Savannah Resources Plc	SAV-LON	Portugal	Development	Sep-18	99.0	1.46	144.5
15 Adina	AD-22-005	Winsome Resources Limited	WR1-ASX	Canada	Exploration	Jan-23	107.6	1.34	144.2
16 Pilgangoora	PLS457	Pilbara Minerals Limited	PLS-ASX	Australia	Operating	Jun-16	69.0	1.97	135.9
17 Grota do Cirilo	DH-MUR-71	Sigma Lithium Corporation	SGML-TSX	Brazil	Operating	Sep-22	86.0	1.58	135.9
18 Nemaska	WHA-17-232	Livent Corporation	LTHM-NYSE	Canada	Development	Aug-17	90.8	1.49	135.7
19 Finnis	FRC205	Core Lithium Ltd	CXO-ASX	Australia	Operating	Mar-19	76.0	1.78	135.3
20 Reung Kiet	RKTR09	Pan Asia Metals Limited	PAM-ASX	Thailand	Exploration	Jul-19	94.0	1.42	133.5
21 Andover	ANDD0208	Azure Minerals Limited	AZS-ASX	Australia	Exploration	Jun-23	105.0	1.26	132.3
22 Root Lake	RL-16-06	Green Technology Metals Limited	GT1-ASX	Canada	Exploration	Jun-16	70.0	1.70	119.0

Source: S&P Global database

*Reported widths. True widths could not be ascertained. No data available for Greenbushes.

SQM investment in AZS

Before even drilling a single hole into the pegmatites at Andover, AZS attract the attention of global lithium producer Sociedad Química y Minera de Chile S.A. (SQM-NYSE). In January 2023, SQM agreed to invest A\$20m in AZS to acquire a 19.99% interest in the company. SQM and AZS have entered into an offtake agreement under which SQM is entitled to an offtake right in respect of up to 25% of all lithium product from mining projects in which AZS has an interest on arm's length and commercially competitive terms.

The cornerstone investment sees AZS well-funded to undertake significant exploration over Andover for the remainder of year. We estimate AZS' cash balance will be A\$20m at the end of the JunQ'23. SQM has strong technical expertise in pegmatite-hosted lithium exploration, project development, production and marketing.

Recall that in 2017, SQM took a 50% stake, at the project level, in Kidman Resources' Mt Holland Lithium Project, WA for A\$144m. Two years later, the remaining 50% was acquired by Wesfarmers (WES-ASX) for A\$776m (via acquisition of Kidman). SQM and WES, under the Covalent JV is developing the 186Mt Earl Grey deposit with first production mooted for 2024.

Resources and Reserves

AZS has not yet defined a lithium Mineral Resource at Andover. It has released assays for 13 initial drill holes into pegmatites with drilling ongoing. A maiden resource could be forthcoming in mid-2024.

Metallurgy

AZS is yet to undertake metallurgical test work on Andover lithium samples. Drill core to date shows white spodumene crystals in grey quartz matrix with little mica or other deleterious minerals visible (Figure 28).

Figure 28: Coarse-bladed spodumene samples from Andover

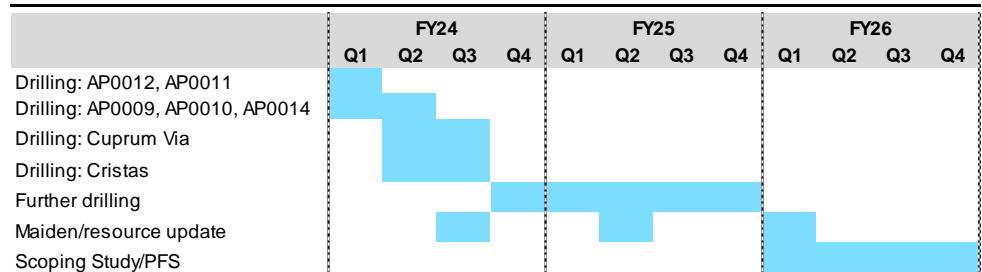


Source: Company reports

Project timeline

AZS’ plans at Andover are fluid given the early stage of discovery. For the remainder of 2023, the company plans to drill 40,000m of RC and diamond. Two rigs are currently active with plans for 4-6 rigs to be operating in the coming month. AZS has thirteen high priority pegmatite targets to test, that are defined by surface sampling. It will continue systematic surface sampling as well as heritage clearing drill areas. Metallurgy testwork is expected to kick off soon. AZS has a strategic objective to define a +100Mt lithium resource at Andover. The timeline outlined in Figure 29 is our estimate.

Figure 29: Estimated project timeline for AZS



Source: Canaccord Genuity estimates

Andover Ni-Cu-Co Project

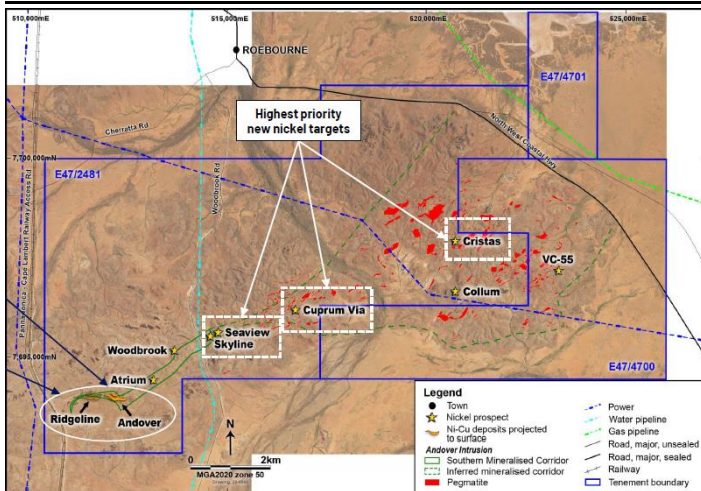
AZS returned to WA from Mexico during COVID and acquired four projects from veteran prospector Mark Creasy for 40m shares (19.1% of AZS, now diluted to 13.4%), with Creasy retaining a 30-40% interest in the projects (Andover, Coongan, Turner River & Meekatharra). Since October 2020, AZS has been exploring the Andover layered intrusive complex just south of Karratha, having negotiated a 60% ownership and no royalty with Creasy (40%), who is free-carried to a FID. AZS had

initial success progressing Creasy's 2018 nickel discovery at Andover in late-2020 through to mid-2022. This culminated in the discovery of two deposits, numerous prospects, the completion of 200 diamond holes for ~80,000m and the definition of Mineral Resources at the Andover and Ridgeline deposits totalling 4.65Mt @ 1.11% Ni, 0.47% Cu & 0.05% Co (1.41% NiEq) for ~65kt of contained NiEq.

Canaccord Genuity site visit

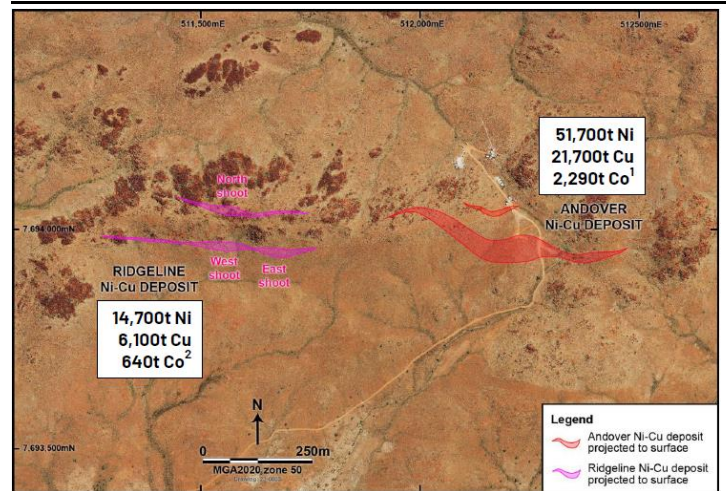
We visited Andover during the early stages of the nickel discovery in November 2020.

Figure 30: Andover Ni-Cu-Co prospects and deposits



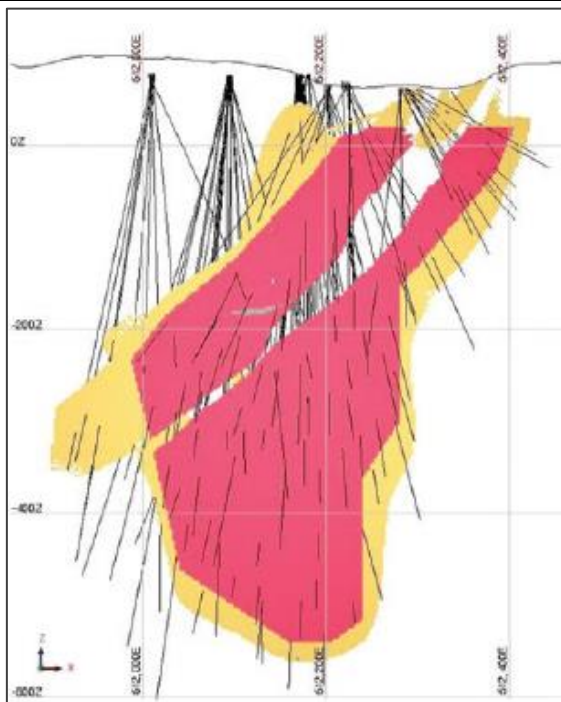
Source: Company reports

Figure 31: Andover and Ridgeway deposits



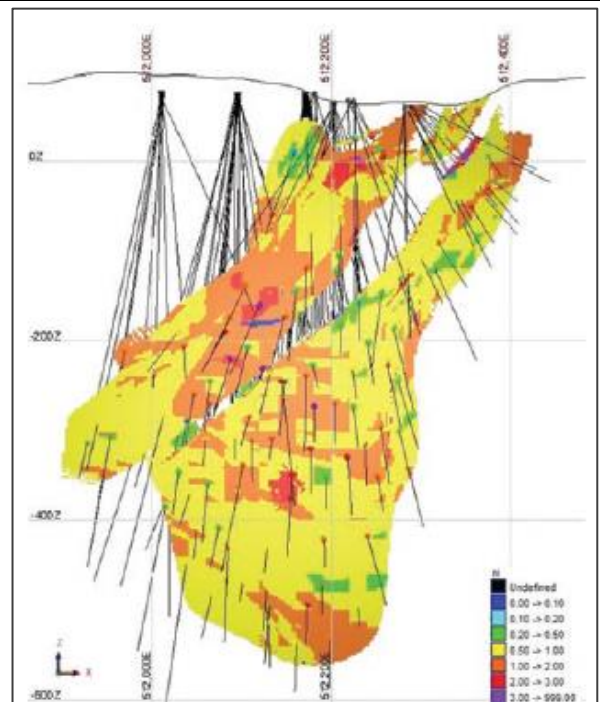
Source: Company reports

Figure 32: Andover resource category long section



Source: Company reports

Figure 33: Andover resource block model long section



Source: Company reports

Non-core asset overview

Barton Gold Project

AZS holds the 100%-owned Barton Gold Project, located 40km south of Leonora in the Eastern Goldfields. The ground is strategically located along trend from GMD-ASX's 2Moz @ 1.6g/t Au Ulysses Gold Project and close to the historic Kookynie gold mining town. AZS holds 888km² in nine tenements covering 88km of strike over greenstone. Although non-core, AZS has undertaken drilling at Barton as recently as late-2022. It's maiden drill program at Barton was undertaken last year. Best intersection to date is **24m @ 1.07g/t Au** from 35m along strike from GMD's Puzzle North deposit.

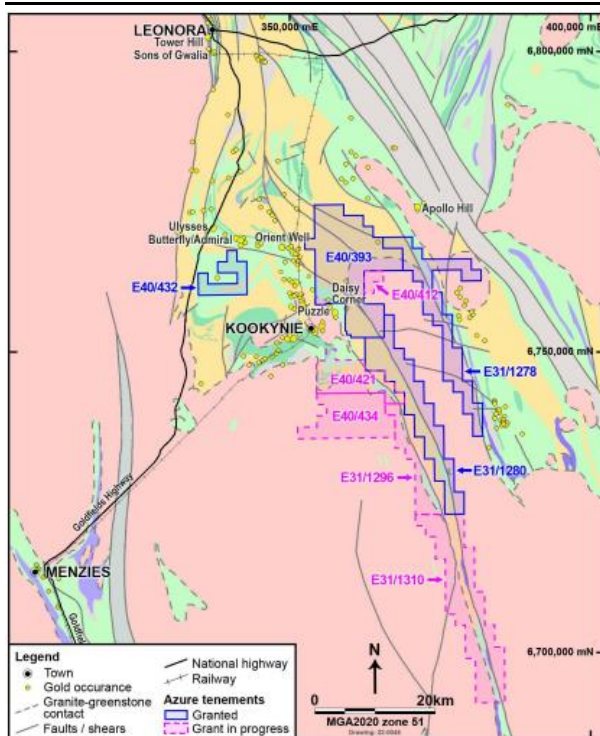
Turner River Gold Project

AZS also holds the 70%-owned Turner River Gold Project. Creasy owns the remaining 30%. Turner River comprises two unexplored Exploration Licence applications covering 450km² located just south of Port Hedland in the northern Pilbara region. Widespread sand cover conceals basement rocks comprising sedimentary units of the Mallina Formation, granite intrusions and the Louden Volcanics, an Archean-age greenstone belt. AZS considers this project to be prospective for Hemi-style mineralisation given the project is located 7km from DEG-ASX's 11.7Moz @ 1.3g/t Au Mallina Gold Project.

Coongan Gold Project

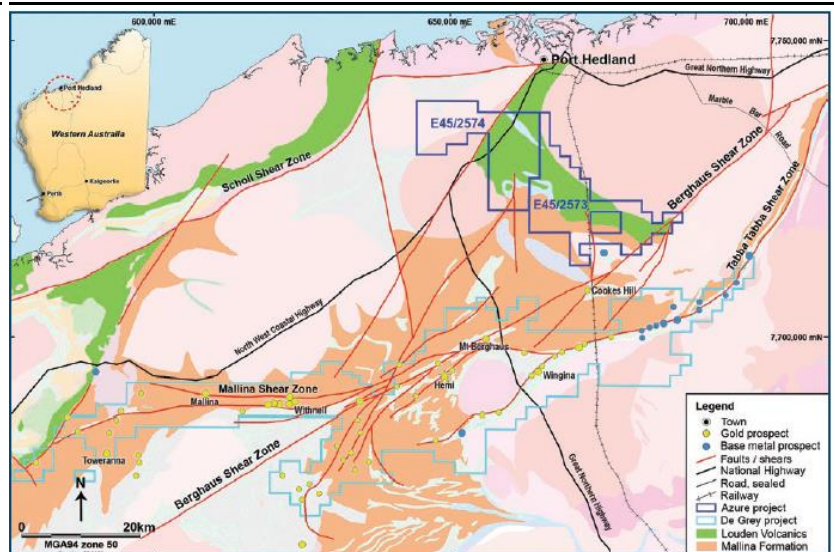
AZS also holds the 70%-owned Coongan Gold Project. Creasy owns the remaining 30%. The project covers an area of 141km² and is situated immediately west of Nullagine, adjoining the western boundary of NVO-TSX's Beatons Creek Gold Project.

Figure 34: Barton Gold Project location map



Source: Company reports

Figure 35: Turner River Project location map



Source: Company reports

Environmental, social and governance (ESG)

Aboriginal Heritage

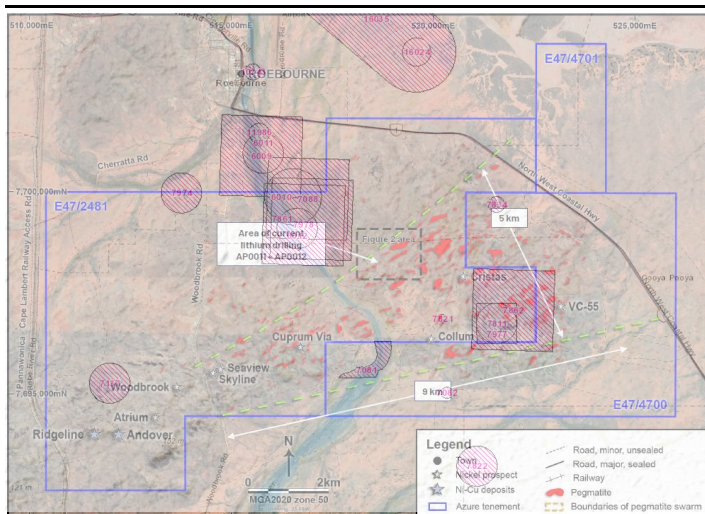
Western Australian locations with an abundance of rock outcrop often host a number of Aboriginal heritage sites. AZS acknowledges the Ngarluma people as the Traditional Custodians of the lands on which it operates the Andover Project. We note AZS' diligence to date in undertaking the necessary heritage surveys prior to completing fieldwork and highlight in Figure 36, Figure 37 and Figure 38 a number of registered sites within its tenure.

Figure 36: Registered Aboriginal heritage sites within AZS' Andover tenure

ID	Name	Status	Type
6010	TWO MILE RESERVE.	Registered Site	Artefacts / Scatter, Man-Made Structure, Skeletal Material / Burial, Camp
6012	TWO MILE ENGRAVINGS	Registered Site	Artefacts / Scatter, Engraving, Grinding Patches / Grooves
7081	KURRANGAR TALU	Registered Site	Ceremonial
7082	STATION BOUNDARIES ENGRAVS	Registered Site	Artefacts / Scatter, Engraving, Grinding Patches / Grooves
7088	BARRUMBURRA TALU	Registered Site	Artefacts / Scatter, Ceremonial, Man-Made Structure
7137	KURTAMPAA ENGRAVINGS.	Registered Site	Artefacts / Scatter, Engraving, Grinding Patches / Grooves, Camp, Water Source
7811	COOTJA SCATTER	Registered Site	Artefacts / Scatter
7821	WHITE QUARTZ WELL	Registered Site	Ceremonial, Man-Made Structure, Mythological
7821	WHITE QUARTZ WELL	Registered Site	Ceremonial, Man-Made Structure, Mythological
7834	FIVE MILE WELL	Registered Site	Ceremonial
7861	BURRUMBURRA+JIGURDAAR TALU	Registered Site	Ceremonial, Man-Made Structure, Mythological
7862	KANGAROO ENGRAVING	Registered Site	Ceremonial, Engraving, Mythological
7974	WOODBROOK	Registered Site	Artefacts / Scatter, Quarry
7977	BLACK HILLS	Registered Site	Artefacts / Scatter, Engraving, Man-Made Structure, Mythological
7978	NORTH WEST COASTAL HIGHWAY	Registered Site	Ceremonial, Skeletal Material / Burial

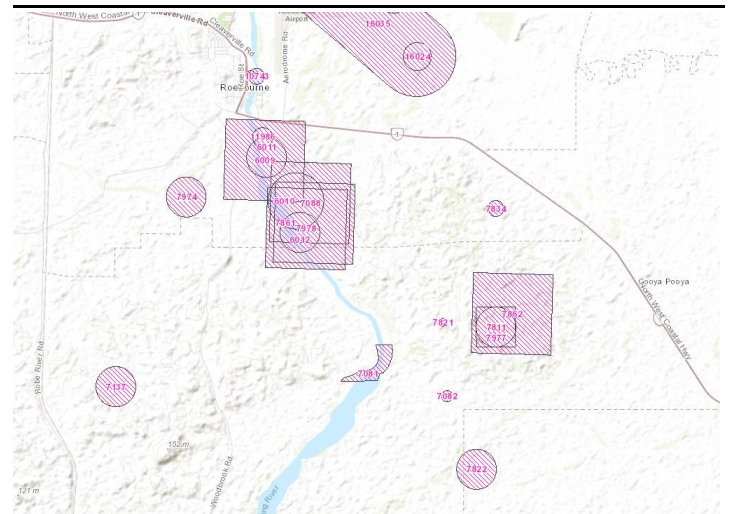
Source: WA Aboriginal Heritage Inquiry System

Figure 37: Registered sites overlain on AZS prospect map



Source: WA Aboriginal Heritage Inquiry System, company reports

Figure 38: Government register Aboriginal heritage sites



Source: WA Aboriginal Heritage Inquiry System

Investment risks

Financing risks

As a pre-production company with no material income, AZS is reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Total development and working capital requirements are subject to establishment of resources and completion of mining studies. There are no guarantees that studies will result in a positive investment decision. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current mineral resource into minable reserves. Land access due to the potential presence of Aboriginal heritage sites is also a consideration.

Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, AZS is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Directors and key management

Brian Thomas – Non-Executive Chairman

Mr Thomas is the principal of a boutique corporate advisory practice working with small to mid-market capitalisation companies and investor groups predominantly in the resources industry overseeing market oriented technical reviews as well as advising on corporate finance, mergers & acquisitions and investor relations. He has held both Executive and Non-Executive Director roles with numerous ASX-listed and unlisted companies after an extensive career in the financial services sector in corporate stockbroking, investment banking, funds management and banking. He has more than 35 years' of mining and exploration industry experience in a broad range of commodities from precious and base metals, bulk and industrial minerals, diamonds, and oil and gas.

Mr Thomas graduated from the University of Adelaide with a BSc in Geology and Mineral Economics, the University of Western Australia Business School with an MBA and the Securities Institute of Australia (now FinSIA) with a certificate in Applied Finance and Investment.

Tony Rovira – Managing Director

Mr Rovira has worked in the mining industry for over 30 years as an exploration and mining geologist and for the past 17 years as Managing Director of Azure Minerals.

Mr Rovira has been responsible for the discovery of several gold and nickel deposits in Australia which were developed into operating mines. His most famous discoveries were the rich Cosmos and Cosmos Deeps nickel sulphide deposits in Western Australia. In 2000, Mr Rovira was awarded the Prospector of the Year Award by the Australian Association of Mining and Exploration Companies for the Cosmos discovery.

From 2006 to 2020, Azure has operated in Mexico where the company has made several silver, gold and copper discoveries. Due to the COVID, Mr Rovira made the decision to refocus into Western Australia and shortly thereafter announced the acquisition of four nickel and gold projects in the Pilbara. Leading the way is the Andover Nickel Project where drilling is underway and massive nickel-copper sulphide mineralisation is being intersected.

Annie Guo – Non-Executive Director

Ms Guo, a highly proficient corporate executive with more than 20 years' experience in the mining and resources sector.

Ms Guo spent 12 years at PricewaterhouseCoopers, where she held senior roles in transaction services, with a focus on the mining and resources sector. In addition, she is an experienced public and private company director and executive and has run her own investment platform focused on Australian and international mining and resource projects. Ms Guo brings significant experience across mining project evaluation, mergers and acquisitions, capital markets, project development and corporate finance, and is currently the Managing Director of Zuleika Gold and a Non-Executive Director of CZR Resources.

Hansjörg Plaggemars – Non-Executive Director

Mr Plaggemars is an experienced company director with a strong background in corporate finance, corporate strategy and governance. He has served on the Board of Directors of many listed and unlisted companies in a variety of industries including mining, agriculture, shipping, construction and investments. This includes the Board of Delphi Unternehmensberatung, a major shareholder of Azure.

Mr. Plaggemars has qualifications in Business Administration and is fluent in English and German.

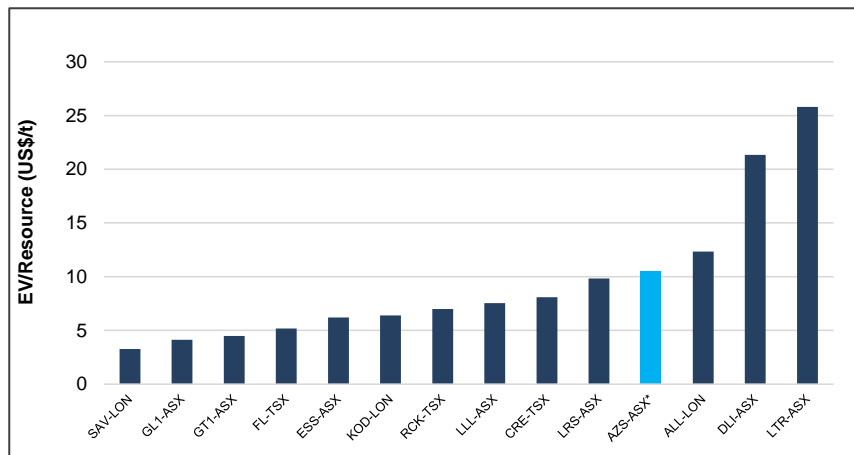
Peer comps

Figure 39: Global hard rock lithium development projects with resources

Code	EXCH.	Company	Asset/s	Stage	Location	100% Resource (Mt)	Grade (% Li2O)	Contained Resource (Mt LCE)	Ownership (%)	Attributable (Mt LCE)	Attributable (Mt)	Mkt cap (US\$m)	Cash (US\$m)	EV (US\$m)	EV/Resource (US\$/t)
LLL	ASX	Leo Lithium	Goulamina	Near term producer	Mali	211	1.4%	7.20	50%	3.6	105.5	864	118	745	7
LTR	ASX	Liontown Resources	Kathleen Valley	Near term producer	WA	156	1.4%	5.29	100%	5.3	156.0	4216	204	4013	26
FL	TSX	Frontier Lithium	PAK/Spark	Feasibility works	Ontario	59	1.5%	2.17	100%	2.2	58.5	313	13	300	5
GL1	ASX	Global Lithium	Manna/Marble Bar	Resource development	WA	50	1.0%	1.24	100%	1.2	50.0	260	47	213	4
LRS	ASX	Latin Resources	Colina	Resource development	Brazil	45	1.3%	1.50	100%	1.5	45.2	439	39	400	9
ALL	AIM	Atlantic Lithium	Ewoyaa	Feasibility works	Ghana	35	1.3%	1.08	50%	0.5	17.5	236	17	219	13
CRE	TSXV	Critical Elements	Rose	Feasibility works	Quebec	34	0.9%	0.76	100%	0.8	34.2	294	22	272	8
SAV	AIM	Savannah Resources	Mina do Barroso	Resource development	Portugal	28	1.1%	0.73	100%	0.7	28.0	100	9	91	3
GT1	ASX	Green Technology Metals	Seymour	Resource development	Ontario	23	1.1%	0.63	100%	0.6	22.5	127	27	100	4
KOD	AIM	Kodal Mineral	Bougouni	Near term producer	Mali	21	1.1%	0.58	100%	0.6	21.3	133	2	131	6
RCK	TSXV	Rock Tech Lithium	Georgia Lake	Feasibility works	Ontario	15	0.9%	0.33	100%	0.3	14.8	124	25	99	7
DLI	ASX	Delta Lithium	Mt Ida	Feasibility works	WA	13	1.2%	0.38	100%	0.4	12.7	308	60	248	19
ESS	ASX	Essential Metals	Pioneer Dome	Resource development	WA	11	1.2%	0.32	100%	0.3	11.2	71	6	66	6
Hard rock average															
AZS	ASX	Azure Minerals (Implied)	Andover	Resource development	WA	100	1.1%	2.82	60%	1.7	60.0	628	16	612	10

Source: Company reports, FactSet

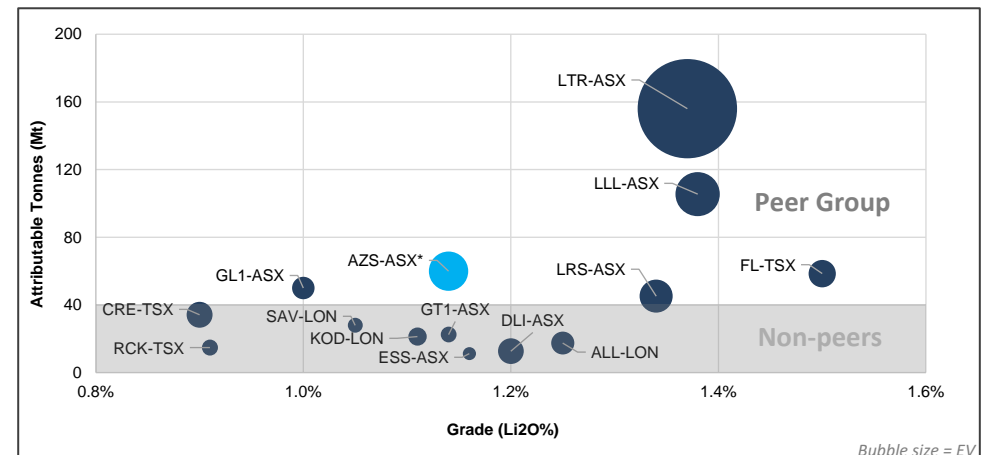
Figure 40: Global explorer and developer EV/Resource (US\$/t)



* Implied resource of 60Mt (attributable) for AZS' Andover

Source: Company reports, Canaccord Genuity estimates

Figure 41: Global explorer and developer resource tonnes versus grade



* Implied resource of 60Mt (attributable) for AZS' Andover

Source: Company reports, Canaccord Genuity estimates

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: June 26, 2023, 16:30 ET

Date and time of production: June 26, 2023, 05:27 ET

Target Price / Valuation Methodology:

Azure Minerals Limited - AZS

Our valuation is preliminary in nature and should be viewed as a what-if case given the early stage at Andover. We have opted to a risked a Resource multiple approach to derive a price target for AZS. Our net asset valuation per share is based on an unfunded scenario.

Risks to achieving Target Price / Valuation:

Azure Minerals Limited - AZS

Financing risks

As a pre-production company with no material income, AZS is reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Total development and working capital requirements are subject to establishment of resources and completion of mining studies. There are no guarantees that studies will result in a positive investment decision. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

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Distribution of Ratings:

Global Stock Ratings (as of 06/26/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	610	65.45%	22.30%
Hold	134	14.38%	8.96%
Sell	17	1.82%	5.88%
Speculative Buy	158	16.95%	44.94%
	932*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

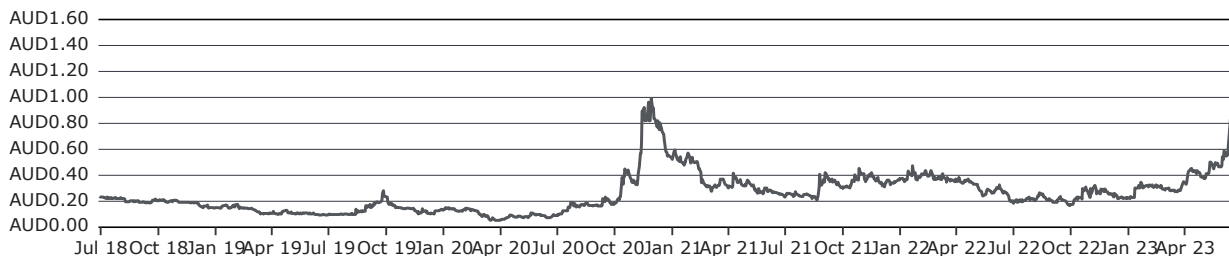
12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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Azure Minerals Limited Rating History as of 06/26/2023



— Closing Price — Price Target

Buy (B); Speculative Buy (SB); Sell (S); Hold (H); Suspended (SU); Under Review (UR); Restricted (RE); Not Rated (NR)

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