

30 May 2022

AGREEMENT TO SELL MEXICAN ASSETS FOR A\$20 MILLION

HIGHLIGHTS

- **Consideration valued at A\$20m**
- **Two-staged payments of A\$10m cash and shares valued at A\$10 million**
- **Sale to private equity-backed Bendito Resources Inc as the key assets in Bendito's planned Toronto Stock Exchange listing**
- **Transaction allows Azure's shareholders to retain exposure to upside of Mexican assets through shares in Bendito Resources Inc**
- **Transaction is subject to the approval of Azure's shareholders**
- **Transaction allows Azure to focus on developing its flagship Andover Ni-Cu Project in Western Australia**

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to advise it has entered into binding, conditional sale agreements to sell its subsidiary companies that own and operate its Mexican precious and base metals projects to Bendito Resources Inc ("Bendito") for a combination of cash and shares valued at A\$20 million (the "Transaction").

The key terms and conditions of the Transaction are set out further in this announcement. In consideration for the Transaction, Azure will receive at completion of the Transaction an **immediate payment of A\$6 million in cash** and a 10% equity interest in Bendito, nominally valued at A\$2 million.

A second tranche of A\$4 million in cash and A\$8 million in shares is payable within 18 months of completion of the Transaction.

It is the intention of Bendito to list on the Toronto Stock Exchange within 18 months of completion of the Transaction ("Bendito Listing") with the Alacrán, Oposura and Promontorio projects forming the core assets of Bendito.

It is anticipated that the issues of shares by Bendito to Azure will result in Azure owning a maximum of approximately 15% of the issued capital of Bendito post the Bendito Listing.

Azure's Managing Director, Tony Rovira, commented: *"This is a great outcome for Azure and our shareholders. We have realised a significant cash return for the assets while retaining exposure to the upside as the projects are further developed.*

"We still see potential in these high-quality, advanced-stage projects and it makes sense for them to sit within a dedicated special purpose group focused solely on Mexico, which can take them through development funded by the North American capital markets.

“The team behind Bendito have a successful track record of identifying, acquiring, developing and operating projects, so retaining exposure to these assets that we know so well should be both exciting and rewarding for Azure shareholders.

“With these extra funds, we will accelerate activities on our Andover Ni-Cu Project in WA which is proving to be a company-maker for Azure as we progress along the dual pathways of growing the mineral resources and advancing the development studies.”

THE HEADLINE PROJECTS

Alacrán, Oposura and Promontorio are located within the Laramide Copper Province, North America’s most prolific copper-producing district.

Alacrán hosts the high-grade Mesa de Plata silver deposit and adjacent Loma Bonita gold-silver deposit which together contain 32Moz of silver and 150,000oz of gold in JORC Mineral Resources (refer ASX: 1 December and 21 December 2016). Alacrán is also host to the Cerro Alacrán copper porphyry, Palo Seco silver-zinc and San Simon gold-silver prospects, where drilling has demonstrated significant exploration upside for additional precious and base metal deposits.

Azure completed a Scoping Study / Preliminary Economic Assessment on Oposura which showed robust results for a high-quality, high-grade massive sulphide zinc-lead-silver development opportunity (refer ASX: 15 October 2018). This is particularly relevant in the current metals price cycle. The project holds significant exploration upside for resource expansion.

At Promontorio, Azure established a high-grade, near-surface copper-gold-silver resource (refer ASX: 20 May 2015) and identified prospectivity for an underlying copper porphyry system.

BENDITO RESOURCES INC

Bendito is a mineral acquisition and development company focused on progressing late-stage exploration and development projects through the feasibility stages to production.

The founders and principals of Bendito have experience in both the financing and technical development of projects and have external partners looking to support suitable projects. The principals also founded Elim Mining Inc in 2019 and purchased the Sacaton (Cactus) Mine in Arizona. During the height of the COVID-19 pandemic they finalised financing of the project and took a historical non-NI43-101 compliant resource through verification and resource expansion programs to support a PEA level study.

The Bendito Board is headed by experienced geological engineer Mr John Antwi as President and Chief Executive Officer. Also on the Bendito Board as Lead Director is mining engineer Mr Paul Huet, current Chairman and CEO of TSX-listed Australian-focused gold and nickel miner Karora Resources Inc.

John Antwi, President, CEO and Director

John Antwi is a mining executive with 30 years of experience in Mine Technical and Financial Services with a knack for identifying the potential of geologic assets. He has been involved in many transactions: lately he founded Elim Mining Inc, British Columbia Corp, acquired the Sacaton (Cactus) mine, and financed the resource development and PEA of the project. He is a value driver with expertise in achieving strategic, operational, and financial goals for junior, mid-tier, and senior mining production companies. John is an innovative senior executive with

expertise in implementing portfolio optimization initiatives and recommending project development opportunities to support corporate strategic objectives. He began his career by rendering geological services for AngloGold Ashanti and progressed to top performing executive overseeing growth initiatives, mergers and acquisitions with multi-billion-dollar organizations in the United States and Canada. Until recently John was the President and CEO of Elim Mining Inc, now Arizona Sonoran Copper Company.

Mr Antwi has a bachelor's degree in Geological Engineering from KNUST, Ghana and Masters in Mineral Economics from Colorado School of Mines.

Paul Huet, Lead Director

Paul Andre Huet has over 30 years of career experience in the mining industry. He is well recognized for continually transforming, building value for shareholders, and producing positive cash flow for public and private organizations. Paul is a bilingual C-level executive with demonstrated expertise in launching, revitalizing, and leading multimillion dollar organizations to achieve tremendous growth. He is a unique and inspiring leader, who consistently demonstrates the qualities that foster an innovative and engaging company culture, and to persevere despite challenges and complex market conditions. Most recently, Mr. Huet was President/CEO and Director of Klondex Mines from 2012 - 2018, until the acquisition by Hecla Mining Company. Paul has a strong command of capital markets and has served in all levels of engineering and operations of Mining. Paul has been the Chairman and CEO of Karora Resources since 2019 and in his tenure has transformed Karora into a billion-dollar company. He has and continues to serve on several non-profit and publicly traded company boards.

Mr. Huet graduated with Honors from the Mining Engineering Technology program at Haileybury School of Mines in Ontario, and successfully completed the Stanford Executive program at the Stanford School of business. In 2013 Mr. Huet was nominated for the Premiers Award in Ontario for outstanding College graduates; he is currently a member of OACETT as an applied Science Technologist and an Accredited Director.

Anthony Bottrill, Principal Mineral Resource Consultant, Partner

Anthony is Principal Resource Geologist with over 22 years of experience in the mining industry with expertise across several countries and range of commodities: from low tonnage high grade precious metals deposits to bulk tonnage base metals deposits. He provides Resource modeling services for underground and open pit projects, from exploration through production, performing production reconciliations and influencing drill programs. He is a strong advocate for practical geological modeling and a high-level Vulcan user. Anthony pioneered the initial due diligence, 3D geologic review of the Cactus project, and influenced the resource development, building the models that resulted in the economic studies - PEA of the project. He has been heavily involved in the financing of the project from the onset. Until going solo as a consultant, he was the Corporate Mineral Resource Manager for Klondex Mines Limited.

Anthony is the Principal Resource Consultant for InterGEO Resource Consulting based in Brisbane Australia, and a founding partner of Bendito Resources Inc. Mr. Bottrill has a bachelor's degree in Geology and a Structural Geology degree from University of Adelaide

Jeff Stieber, Chief Financial Officer

Jeff Stieber has more than 15 years of finance and accounting experience mostly within the mining industry. He has held executive and senior roles at numerous publicly listed companies, including Hycroft Mining, Klondex Mines, Tahoe Resources, and Allied Nevada Gold, during which time he provided financial leadership to formulate and achieve organizational strategies. He has been a key member of transaction teams, successfully closing debt, equity, royalty, and hybrid transactions based on company-specific goals. Mr. Stieber has deep experience in both US GAAP and IFRS accounting and reporting standards, having led the filing compliance and disclosure processes for both Canadian and US listed companies. Most recently, while at Hycroft, Mr. Stieber successfully completed an IPO through a reverse recapitalization with a special purpose acquisition company (SPAC). Jeff has led numerous internal valuation processes and derived methodologies and plans around capital allocation and effectiveness and project reporting.

Jeff Stieber is a Certified Public Accountant and graduated from the University of Nevada with distinction. He has also completed graduate-level coursework at the Colorado School of Mines and in the past has served on not-for-profit boards within his community.

Cruz Paez, Vice-President of Exploration

Cruz Paez has more than 15 years' experience in exploration and mining geology in Mexico and has been involved with the discovery and delineation of several mineral deposits that were developed into operating mines. Until recently, Mr Paez held the position of Vice-President of Exploration for Azure and, having transferred to Bendito, will now head up their in-country exploration.

Future Plans

Bendito is planning to advance both the Alacrán and Oposura projects through intensive drilling, ahead of its intention to list on the Toronto Stock Exchange within 18 months of completion of the Transaction.

At Oposura, resource expansion drilling will be undertaken in conjunction with further geotechnical and metallurgical testwork with a view to delivering an updated Preliminary Economic Assessment ("PEA") in approximately 18 months.

At Alacrán, Bendito is planning to undertake resource expansion drilling to substantially increase the Inferred and Indicated Mineral Resources (as previously defined by Azure) and define a single larger resource base inclusive of Loma Bonita, Mesa de Plata and San Simon which will provide the basis to undertake a PEA.

THE TRANSACTION AND ACQUISITION TERMS

In February 2021, Azure commenced a strategic review of its 100%-owned Mexican portfolio, including the Alacrán silver-gold-copper and Oposura zinc-lead-silver projects, to determine how best to optimise the value for Azure shareholders, given Azure's focus had pivoted to its exciting WA nickel, copper and gold projects, which includes the advanced-stage Andover Ni-Cu Project.

The outcome of the review was a decision to divest the assets and Argonaut PCF was appointed to conduct a sales process, which attracted significant global interest.

This has resulted in Azure entering into share purchase agreements dated 27 May 2022 with Bendito and its wholly owned subsidiary, Bendito Resources Mexico Inc ("Bendito SubCo") ("Share Purchase Agreement"). Under the Share Purchase Agreement, the Company has agreed to sell all of the shares in Azure Mexico Pty Ltd and the single share that Azure holds in each of Minera Piedra Azul S.A. de C.V., Minera Capitana S.A. de C.V. and Minera Tlali S.A.P.I. de C.V. for aggregate consideration of A\$20 million - consisting of A\$10 million cash and A\$10 million shares in Bendito ("Purchase Price").

In summary, the Purchase Price is payable in two tranches as follows:

1. On the date that Completion occurs (**Completion Date**):
 - (a) Bendito and Bendito SubCo must pay to the Company a cash amount of A\$6 million; and
 - (b) Bendito must issue such number of fully paid ordinary shares in Bendito (**Bendito Shares**) equal to 10% of the fully paid share capital of Bendito.
2. Within 15 Business Days of the earlier of (**Second Instalment Date**) 18 months after the Completion Date and the date on which the Listing occurs, Bendito must:
 - (a) pay to the Company A\$4,000,000 in cash; and
 - (b) issue to the Company such number of Bendito Shares equal to A\$8,000,000.

Completion is subject to a number of conditions precedent under the Share Purchase Agreement that are customary for a transaction of this nature which includes the Company obtaining shareholder approval for the Transaction for the purposes of ASX Listing Rule 11.4.1(b) ("Shareholder Approval").

As announced on 16 May 2019, Teck Resources Limited will be entitled to a percentage of the sale proceeds attributed to the Alacrán project, calculated, on an incremental basis.

A notice of meeting for the purposes of seeking the Shareholder Approval containing all relevant information for shareholders to consider will be issued shortly.

To the extent that Shareholder Approval is not obtained or the other conditions are not satisfied on or before 31 October 2022, any party to the Share Purchase Agreement may terminate the Share Purchase Agreement.

In connection with the Transaction, the Company has also entered into an agreement with Bendito under which the Company has agreed that, to the extent it holds greater than 10% of the issued share capital of Bendito, the Company is required to give notice of any intention to dispose of any Bendito Shares and Bendito has the right to procure a third party or third party purchasers for those Bendito Shares.

Argonaut PCF acted as financial adviser and K&L Gates as legal adviser to Azure on the Transaction.

-ENDS-

ASX ANNOUNCEMENT

ASX:AZS



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Information in this report that relates to previously reported Exploration Results has been cross-referenced 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 announcements.