

ASX & Media Release

ASX Code – AZM

9th May 2016



www.azumahresources.com.au

Investment Highlights:

Wa Gold Project:

- Feasibility Study Completed
- 2.0Moz Mineral Resource including 1.3Moz Measured & Indicated
- 624,000oz Ore Reserves at 2.14 g/t plus 28,500oz ‘mining inventory’
- Initial 7yr mine-life at +/- 90,000oz pa
- Excellent Infrastructure (grid power, water, established roads, airport)
- Mining Leases granted
- Exploration licenses of 2,400km² with >150km strike of prospective Birimian terrain.
- 19.99% strategic investment in neighbour, Castle Minerals Limited (~10,000km²)
- Board and management team of successful explorers, mining and corporate professionals

Issued Capital:

447.66M ordinary shares
17.20M performance rights
2.0M \$1.00 Converting Notes

Directors & Management:

Chairman:
Michael Atkins

Managing Director:
Stephen Stone

Non-Executive Directors:
Geoff M Jones
Bill LeClair

Company Secretary:
Dennis Wilkins

Contact:

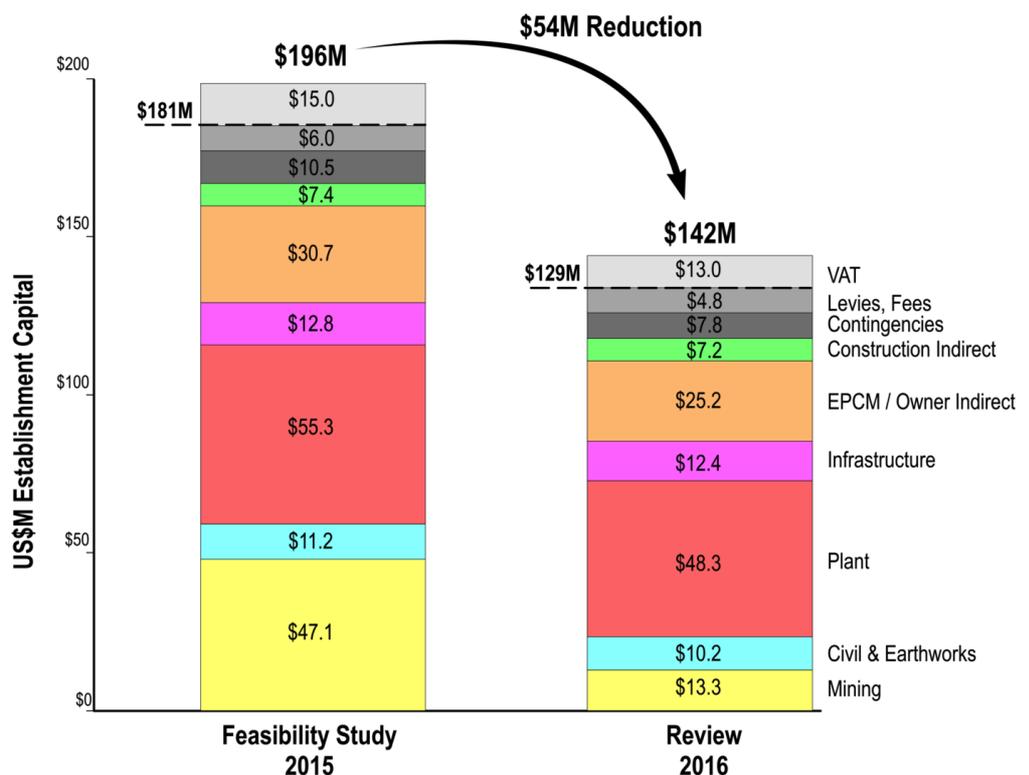
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Major Capital Cost Reductions Reposition Wa Gold Project, Ghana

- \$54M reduction to \$142M establishment cost (*US\$129M excluding US\$13M Ghana VAT*)
- ~90,000ozpa, 1.2Mtpa, initial 7-year mine life maintained
- Mining fleet now provided by contractor for \$28M saving
- Corporates evaluating for possible financing and development partnership
- Discussions recommenced with project finance lenders
- VAT and fiscal concessions proposal with Ghana Government
- Financial model being reviewed and updated with expectations of improved overall economics. Results available in coming weeks.

“This US\$54M reduction in the funding hurdle fundamentally repositions for development Azumah’s proposed initial seven-year, 90,000ozpa Wa Gold Project” Azumah Managing Director, Stephen Stone said.

“The recent high-grade discovery at Manwe, the acquisition of the high-grade, 69,000oz Julie West resources, a firmer gold price and improved investor sentiment towards overseas gold projects considerably enhances the prospects of securing project finance or a development partner”.



Ghana gold explorer and developer Azumah Resources Limited (ASX:AZM) (“Azumah” or “the Company”) advises that a review and update of the March 2015 Feasibility Study has substantially reduced capital funding requirements by US\$54M to \$142M (US\$129M exclusive of US\$13M Ghana VAT¹) for its proposed 90,000ozpa, seven-year initial mine-life, Wa Gold Project, North West Ghana (‘Project’).

The revised estimate by Feasibility Study (‘Study’) managers, GR Engineering Services Pty Ltd (GRES), was undertaken primarily to incorporate several pre-development and mining initiatives and to reflect the markedly more competitive environment amongst equipment and service providers (refer ASX release dated 23 March 2015).

Mining capital and operating costs were updated to reflect a change in fleet ownership from Azumah to the mining contractor which, combined with a rescheduling of ore during construction, saved US\$33.8M in capital.

No changes were made to plant design or supporting infrastructure with plant throughput maintained at a nominal 1.2Mtpa for primary ore (1.8Mtpa for softer oxide material). ‘Inside the fence’ plant costs reduced by US\$7M to US\$48.3M.

The capital cost estimate includes all Project costs required to be expended post commencement of Front End Engineering Design (FEED). All Project costs incurred prior to this (such as the cost of the Study) have not been included and are considered sunk costs.

The revised costs, as for 2015, were to achieve an estimate accuracy of +15% / -5% and include all labour, EPCM services, equipment, materials, taxes¹, fees, duties, pre-production mining, freight, first-fills of plant reagents and consumables, spare parts and working capital required to design, procure, construct and commission all of the facilities required to establish the Project.

Table 1: Establishment Capital Cost Summary

Cost Centre	FS (2015) Estimate USD (M)	Review (2016) Est. USD (M)	Difference USD (M)
Mining	\$47.1	\$13.3	-\$33.8
Civil Earthworks	\$11.2	\$10.2	-\$1.0
Process Treatment Plant	\$55.3	\$48.3	-\$7.0
Infrastructure	\$12.8	\$12.4	-\$0.4
EPCM & Owner Indirect Costs	\$30.7	\$25.2	-\$5.5
Construction Indirect Costs	\$7.4	\$7.2	-\$0.2
Total Direct and Indirect Costs	\$164.6	\$116.7	-\$47.9
Contingencies	\$10.5	\$7.8	-\$2.7
Levies & Fees	\$6.0	\$4.8	-\$1.2
Total Establishment Capital	\$181.1	\$129.3	-\$51.8
VAT (not recoverable pre operations) ¹	\$15.0	\$13.0	-\$2.0
Total	\$196.1	\$142.3	-\$53.8

Values have been rounded. Deferred and sustaining capital excluded ^{3,4}

Mining

The capital cost estimate update for mining was based on quotations from Azumah's preferred mining and ore haulage contractor, African Mining Services (AMS), a Ghana based wholly owned subsidiary of Ausdrill Limited. This was based on a restructuring of the mining arrangements, rescheduling of the pre-production mining of ore and waste and AMS providing the mining fleet with the latter delivering a US\$26.5M saving. AMS will be compensated for the supply, operation and maintenance of the mining fleet as a component of the mining unit rate which will increase nominally from the Study input.

Pre-production mining operations costs have also been reduced inclusive of a more efficient stockpiling schedule resulting in a capital cost saving of US\$7.4M.

The mining schedule is based on the same pit designs as in the Study with a mining inventory comprising 652,500oz Au at 2.14g/t Au from 9.5Mt of ore (5.7 waste: ore ratio).

Processing Plant

Processing plant or 'inside the fence' costs have reduced by US\$7M based on the process design criteria, equipment list and preliminary designs and drawings developed for the original Study.

Infrastructure

The Project benefits especially from excellent established infrastructure at, immediately around and to site providing considerable costs savings over comparable projects.

The Ghana Government owned, GridCo, has installed a 161kV power line almost to site at no cost to Azumah except for the payment of statutory compensation to the small number of farmers impacted. Other than the required short access road to site, the local area has a number of existing high-quality sealed and unsealed roads linking the Project to the major regional sealed road infrastructure. The city of Wa, 40km to the south, hosts a 2km sealed airstrip able to accommodate large supply aircraft and regional commercial passenger services that have been scheduled for commencement before plant commissioning.

Photo 1: 161kV pylons erected to 2km from site and bases installed for final spur line



A conservative saving of 15% or US\$1.4M of the Study capital cost for the main power supply sub-station was realised due to a change in design approach and adopting GridCo accepted precedents at other projects.

Consultants Knight Peisold revised the construction rates for the tailings storage facility (TSF) and water storage dam based on tenders received for recent similar projects in Africa. No changes were made to the design of these structures or the construction quantities adopted for the Study. On the same design and construction quantities, life-of-mine savings of US\$4M were achieved including a US\$1.0M reduction in the initial capital costs.

A water extraction permit has been issued enabling requisite water to be drawn from the nearby Black Volta.

Moderate savings over the costs presented in the Study were achieved in regards to costs associated with the major overland pipelines (tailings, return water, Black Volta water supply) which were revised using current supply and installation rates.

Owners's Costs, EPCM and Other Costs Reductions

Materials reductions have been achieved across estimated EPCM, owner and other costs including Project insurance premiums (now exclusive of mining fleet cover) and a revised 'general and administrative' (G&A) allocation, notwithstanding site labour rates remaining static.

¹Ghana VAT

In Ghana, the estimated US\$13M project VAT incurred during mining pre-production is not refunded but is capitalised. Azumah has submitted to the Ghana Government a proposal for a Regional Development Agreement specific to the underdeveloped Upper West region to facilitate commercial scale mining. As well as containing a request for an exemption from VAT imposed pre-commissioning, it also seeks a deferment of mining royalties and the stabilisation of several other imposts and operating conditions. The agreement is being considered by the relevant Ministries.

³Deferred Capital

Deferred capital, specifically for the development of the Wa East mineralisation (i.e. Julie), and which will not occur until year-four of production, has not been included in the establishment capital costs. Several options are available as to how and where Wa East mineralisation is treated. These depend on the local mining inventory which is considered likely to be expanded through successful exploration at Manwe, Josephine and several other prospects, the recent acquisition of the Julie West project and resources², the gold price plus key operating cost inputs at the time a decision is required to be made. If Julie and other Wa East mineralisation is to be hauled to a processing plant at Kunche, the Study estimated US\$9.9M for the haul road and a further US\$10.2M to upgrade the plant to accommodate a flotation and fine grinding circuit designed to improve gold recovery from the Julie sulphide-associated mineralisation.

⁴Sustaining Capital

Sustaining capital has not been reviewed and 2015 Study inputs will be included in the updated financial model. These include TSF uplifts of US\$13.3M and replacement vehicles and mobile plant costing US\$3.5M.

Operating Costs and Financial Model Update

The GRES review did not address cash operating costs in any formal detail other than mining costs. Whilst mining contractor costs have increased marginally (with the supply of the mining fleet offset by other related contractor reductions), the costs of various other supplies and services such as power, fuel, labour costs have not varied materially. The expectation from an informal review is that cash operating costs (C1) will not materially change from the Study estimate of US\$696/oz.

Overall, however and mainly due to the much lower capital costs and hence 'capital intensity cost per ounce produced', there is expected to be a material reduction in All-In-Cost, an increase in NPV and IRR and a reduction in payback period.

The Study financial model is presently being updated with the new capital inputs and to incorporate several other amendments and will be reported in coming weeks.

Development Pathways

A development decision for the Project is primarily contingent upon securing of financing and then finalising all permits, in particular the environmental permitting which is being advanced through the statutory process.

Azumah has developed and continues to pursue a range of Project financing pathways. These include development partnerships whereby the incoming corporate will finance, construct and commission the Project in return for a major share of post-tax proceeds. This would substantially reduce the dilution of shareholders' direct and indirect interests in the Project. Discussions are advancing with several overseas based corporates some of whom are conducting detailed due diligence.

Azumah will also continue to pursue the more conventional project financing options with the traditional project finance banks and institutions as a basis for a go-it-alone approach.

Environmental Permitting

The Project has been designed and configured to comply with all international and Ghana regulations relating to the environment, social impact, health and safety.

Scoping reports prepared by Azumah's independent Ghana-based environmental consultants, SAL Consult, were submitted to the EPA in 2015 and formal EPA responses are awaited. No significant obstacles to the environmental and social impact assessments have been identified. Azumah is continuing its programme of wide ranging community and stakeholder meetings pending confirmation from the EPA of the final terms of the Environmental Impact Assessment – the majority of which has already been prepared and awaiting submission to the EPA.

The EPA approval will therefore focus mainly on social and stakeholders impacts within the mine area and its immediate surrounds which are largely unsettled so no costly community relocations are required. Farmer compensation in accordance with Ghana regulations and guidelines has been costed into the Study.

Exploration, Resource and Mine-Life Increases

Azumah's extensive 2,400km² prospective tenure, including 150km of Birimian greenstones, the rocks in which most of West Africa's large gold deposits are hosted, remains underexplored. Given the track record of Azumah in building resources to over 2.0Moz from an almost zero position since it acquired the Project in 2006, it is optimistic of continuing to grow resources and extend mine-life beyond the present initial seven years.

Additional resources and reserves will reduce the 'capital intensity' cost per ounce of gold produced and allow mining schedules to be adjusted to achieve optimum throughput grades, enhance cash flows and increase Project returns.

A pipeline of quality targets at various stages of investigation await evaluation. Exploration success reported earlier this year at Manwe (*refer ASX releases dated 19 January 2016 and 29 February 2016*) highlights the ability of the region and Azumah's geological team to deliver additional resources and reserves in the vicinity of existing planned pits and infrastructure.

The recent acquisition of the Julie West project and its combined 69,000oz² high-grade resources at Julie West and Danyawu, considerably enhances the Project and in particular the Wa East region (*refer ASX release dated 27th April 2016*). Work at Bepkong North, the Duri Relay trend, the Josephine lease area, Julie East and other prospects all bode well for further discoveries to be made.

For further information on Azumah Resources Limited and its Wa Gold Project please visit its website at www.azumahresources.com.au

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²The reported historical Julie West and Danyawu resource estimates were reported by previous owner, Castle Minerals Limited ("Castle". ASX:CDT), in accordance with the JORC Code 2004 and not the current JORC Code 2012. A competent person had not done sufficient work to classify the historical estimates as mineral resources in accordance with the current JORC Code 2012 and it is uncertain that following evaluation and/or further evaluation work that the historical estimates will be reported as mineral resources in accordance with the JORC Code 2012. However, having reviewed the information upon which the historical estimates have been made Azumah has formed the view that the estimates are reliable and representative of the resources it expects to be reported under JORC Code 2012 when Azumah completes work to bring the deposits into compliance. The Company is not aware of any new information or data that materially affects the information provided by Castle to ASX and is of the view that none of the assumptions and technical parameters underpinning the Castle estimates have materially changed.

About Azumah

Azumah Resources Limited is a Perth-based, ASX-listed (ASX: AZM) company focused on exploring and developing its Wa Gold Project in the Upper West Region of Ghana, West Africa.

Three main deposits have been discovered and extensively drilled at Kunche and Bepkong, adjacent to the Black Volta River and Ghana's border with Burkina Faso, and at Julie ~80km to the east. Several satellite deposits, including Aduane and Collette, have also been delineated.

To date the Company has defined a JORC Mineral Resource of 2.0Moz of gold grading 1.5g/t Au including 1.3Moz Measured and Indicated grading 1.6g/t gold with these evenly distributed between Kunche-Bepkong and Wa East (Julie).

Mineral Resources have grown progressively through systematic exploration of the Company's 2,400km² licence holdings which encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines. Azumah anticipates Mineral Resources will continue to grow through the systematic testing of its pipeline of specific targets, prospects and many areas of interest.

Azumah has recently completed a Feasibility Study for a mining operation based on an initial seven-year life and producing ~90,000oz Au per year from the open pit mining and treatment of ore through a nominal 1.2 million tonnes per year carbon-in-leach (CIL) processing plant (1.8Mtpa treating softer oxide material). The plant will be located adjacent to the Kunche deposit and incorporate a flotation and regrind circuit to treat Julie primary and some transitional ore which will be hauled by road to the processing plant.

A JORC Ore Reserve of 624,000oz Au (9.1Mt at 2.14g/t Au) has been defined based on recent studies. With the addition of Inferred mineralisation contained in designed and optimised pits the total Mining Inventory is 652,500oz gold. Extensive metallurgical test work has been undertaken to confirm a high average overall gold recovery of ~92% for the Kunche, Bepkong and Julie deposits.

Azumah has had two 15-year Mining Leases granted over its key deposits (Ghana government holds a 10% free carried interest in their 'rights and obligations' and is also entitled to a 5% gross gold royalty) and is now moving to obtain environmental operating permits necessary to allow development to proceed.

No technical, social or environmental impediments to development have been identified and there is strong support from stakeholders for the Project. Whilst the region has no other major industry, the Project benefits from excellent regional infrastructure including grid power to site, good quality bituminised and non-bituminised roads, good access to water, a sealed airstrip at the regional centre of Wa and good general communications.

Azumah holds a 19.99% interest in its neighbour and junior Ghana explorer, Castle Minerals NL which has ~10,000km² of licences adjacent to Azumah. Azumah has also assumed management responsibility for Castle.

Wa Gold Project – Licences, Key Deposits and Prospects

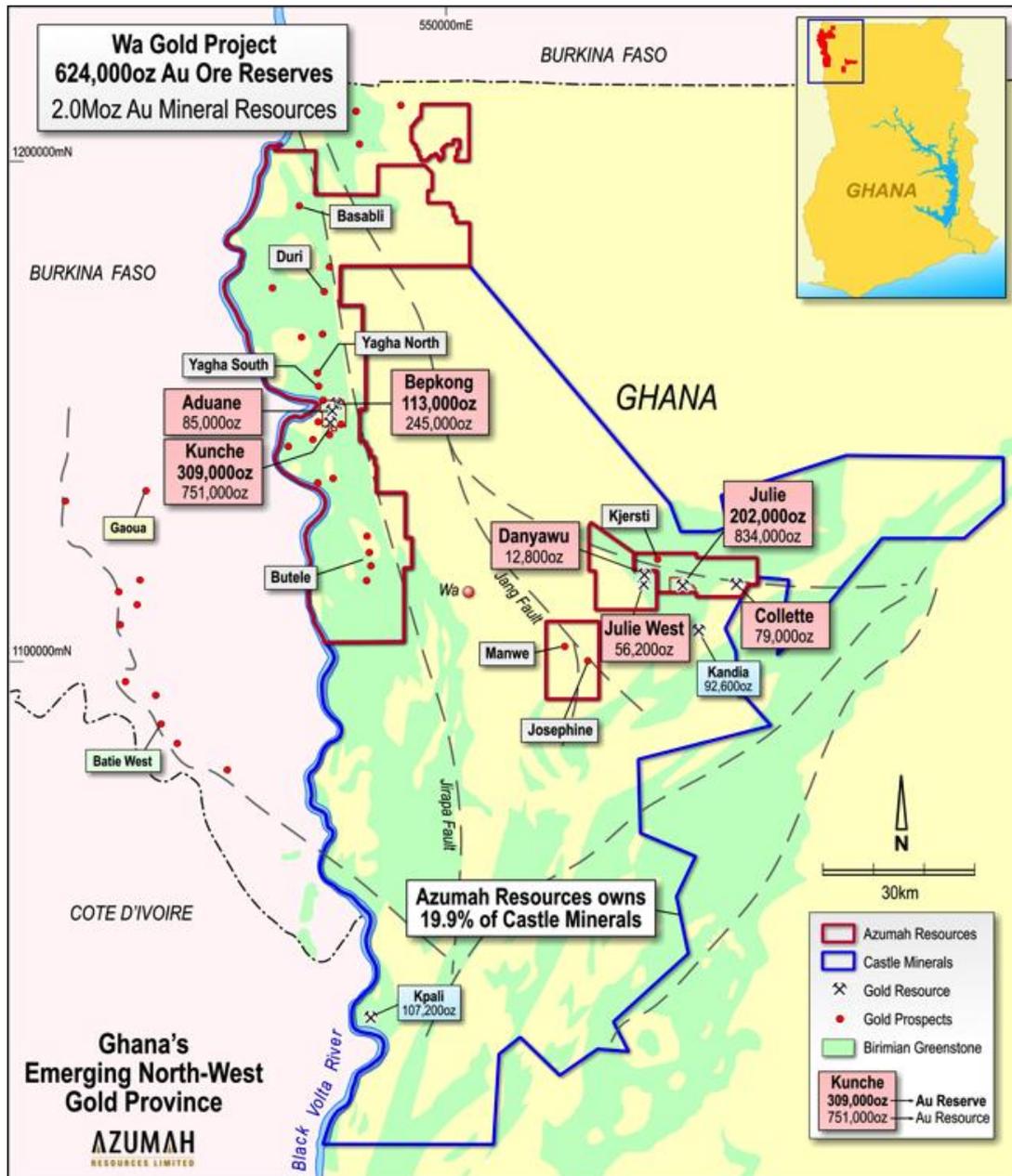


Table 1: Ore Reserves Summary - August 2014

Ore Reserves Summary							
(As at August 2014)	Proved		Probable		Total		Gold To Mill
	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Oz Au
Kunche	4.91	1.92	0.05	3.11	4.97	1.94	309,000
Bepkong	1.79	1.84	0.11	1.97	1.90	1.85	113,000
Julie	0.29	2.45	1.93	2.89	2.21	2.84	202,000
Total	7.00	1.92	2.09	2.85	9.08	2.14	624,000

Values have been rounded. NB: The Ore Reserve excludes 28,000oz inferred gold deemed 'Mining Inventory'

Table 2: Mineral Resource Estimate - August 2014

Cut-off	Measured			Indicated			Inferred			Total		
	Tonnes (M)	Grade g/t Au	Gold Oz	Tonnes (M)	Grade g/t Au	Gold Oz	Tonnes (M)	Grade g/t Au	Gold Oz	Tonnes (M)	Grade g/t Au	Gold Oz
0.5 g/t Au												
Kunche	8.42	1.73	468,000	2.24	1.38	99,000	4.86	1.17	183,000	15.52	1.50	751,000
Bepkong	2.22	1.79	128,000	1.70	1.33	73,000	1.17	1.17	44,000	5.09	1.49	245,000
Aduane							1.77	1.50	85,000	1.77	1.50	85,000
Julie	0.89	1.44	41,000	10.06	1.57	507,000	5.98	1.49	286,000	16.93	1.53	834,000
Collette							1.69	1.45	79,000	1.69	1.45	79,000
Total	11.52	1.72	637,000	14.00	1.51	679,000	15.47	1.36	677,000	40.99	1.51	1,994,000

Values have been rounded. Excludes Julie West and Danyiwu 2004 JORC resources²

There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources.

Competent Persons' Statements

The scientific and technical information in this report that relates to the geology of the deposits and exploration results is based on information compiled by **Mr Stephen Stone**, who is a full-time employee (Managing Director) of Azumah Resources Ltd. Mr Stone is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stone is the Qualified Person overseeing Azumah's exploration projects and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement that relates to the geology of the deposits and exploration results.

Statements of Competent Persons for the various Mineral Resource Estimates, Ore Reserve Estimates and Process Metallurgy can all be found on the Company's website at http://www.azumahresource.com.au/projects-competent_persons.php

Forward-Looking Statement

This release contains forward-looking information. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend", and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved, and other similar expressions. In providing the forward-looking information in this news release, the Company has made numerous assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) that the results of the feasibility study continue to be positive; and (iv) that future exploration results are as anticipated.

Management believes that these assumptions are reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-looking information. Forward-looking information is based on estimates and opinions of management at the date the statements are made.