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Australia's Leading Explorer in Mexico

ASX: AZS

7 April 2014

PROMONTORIO PROJECT UPDATE

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to provide the following update on the latest developments at the Company's flagship Promontorio copper-gold-silver project in the Mexican state of Chihuahua.

Key Points:

- **Azure approached by several major mining companies investigating farm-in possibilities for Promontorio**
- **Initial metallurgical testwork on Cascada ore returns positive results, producing clean concentrates grading >30% copper with recoveries of >90%**
- **Ground magnetic survey data processing, modelling and interpretation completed – additional drill targets identified**
- **Planning of additional exploration and development work programs underway**

Corporate Activity

Azure would like to inform shareholders that it has received unsolicited approaches from several major and mid-tier mining companies requesting to visit Promontorio and to access the Company's confidential technical and corporate information, with the view to evaluating a possible future transaction.

For commercial and legal reasons Azure does not expect to identify these parties in the near term because it has signed Confidentiality Agreements and is currently in the process of negotiating other Confidentiality Agreements. However, the Company wishes to keep shareholders informed of these developments and will provide updates of progress at the appropriate time.

Importantly, the demonstrated "corporate interest" in Promontorio from outside parties serves as a strong endorsement of the merits of the project and its potential development upside.

At this point in time, Azure remains firmly focused on the continued strategic development of its flagship project in order to increase shareholder value.

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Metallurgical Testwork

A 100kg composite sample of copper sulphide mineralisation from the Cascada deposit was submitted in March to SGS Minerals Services in Lakefield, Canada for preliminary metallurgical testing. The work program is being conducted under the supervision of metallurgist Mr Andrew Holloway, CEng, of AGP Mining Consultants ("AGP"), based in Toronto Canada.

The program includes head grade analysis, two stage sulphide flotation testwork and a detailed chemical analysis of the final flotation concentrate. AGP will make recommendations on the requirements for additional detailed metallurgical testwork and identify likely processing routes to produce the optimum copper concentrate.

Results have been received from the laboratory for the early phases of testwork. First stage flotation tests produced "rougher" concentrate grades of >30% copper with recoveries of >90% of the total copper. Similarly, good results were also achieved for gold and silver. Following further flotation testing to optimise the rougher concentrate, a batch of second stage tests will be undertaken to produce the secondary "cleaner" concentrate. This will upgrade the final product to maximise copper, gold and silver grades and recoveries.

Arsenic values in the concentrate at <0.25% were considerably lower than for the Promontorio mineralisation, indicating a readily saleable product could be produced from Cascada or a Cascada-Promontorio blend.

Although early, these results support the Company's view that high metal recoveries are likely to be achievable during commercial scale production through the application of conventional, well proven mineral processing technologies.

Ground Magnetic Results

The Promontorio and Cascada deposits are hosted within a large high-sulphidation, epithermal and hydrothermal breccia system sourced from a nearby, underlying copper-mineralised porphyry body.

Azure's recent exploration comprised diamond drilling and a ground magnetic survey. Excellent drill results expanded the Cascada deposit, discovered the strongly mineralised hydrothermal breccia, and confirmed the presence of a porphyry copper body at depth beneath Cascada and Promontorio.

The magnetic survey has improved the Company's understanding of the regional geology, the structures controlling the Cascada and Promontorio deposits, and provided additional targets for exploration (see Figure 1).

Specifically, a strong magnetic high located in the southern part of the property has been identified as a **high priority target**. This anomaly underlies strongly altered rocks containing anomalous gold and copper mineralisation, and importantly it is

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orientated on the same northeast trend as the structures that control the nearby Cascada and Promontorio deposits.

The basement rocks hosting the Promontorio mineralised system are flanked by two regional faults and are overlain to the east and west by shallow cover (50-100m thick) of post-mineralisation volcanic rocks. Mapping and sampling of these faults has confirmed the presence of mineralised structures within them. In addition, magnetic modelling indicates the presence of additional targets hosted within the basement rocks obscured beneath the volcanic cover.

Azure is currently planning the next phase of exploration, which will include drilling extensions of the Cascada deposit and the hydrothermal breccia and testing the various targets identified by the magnetic survey.

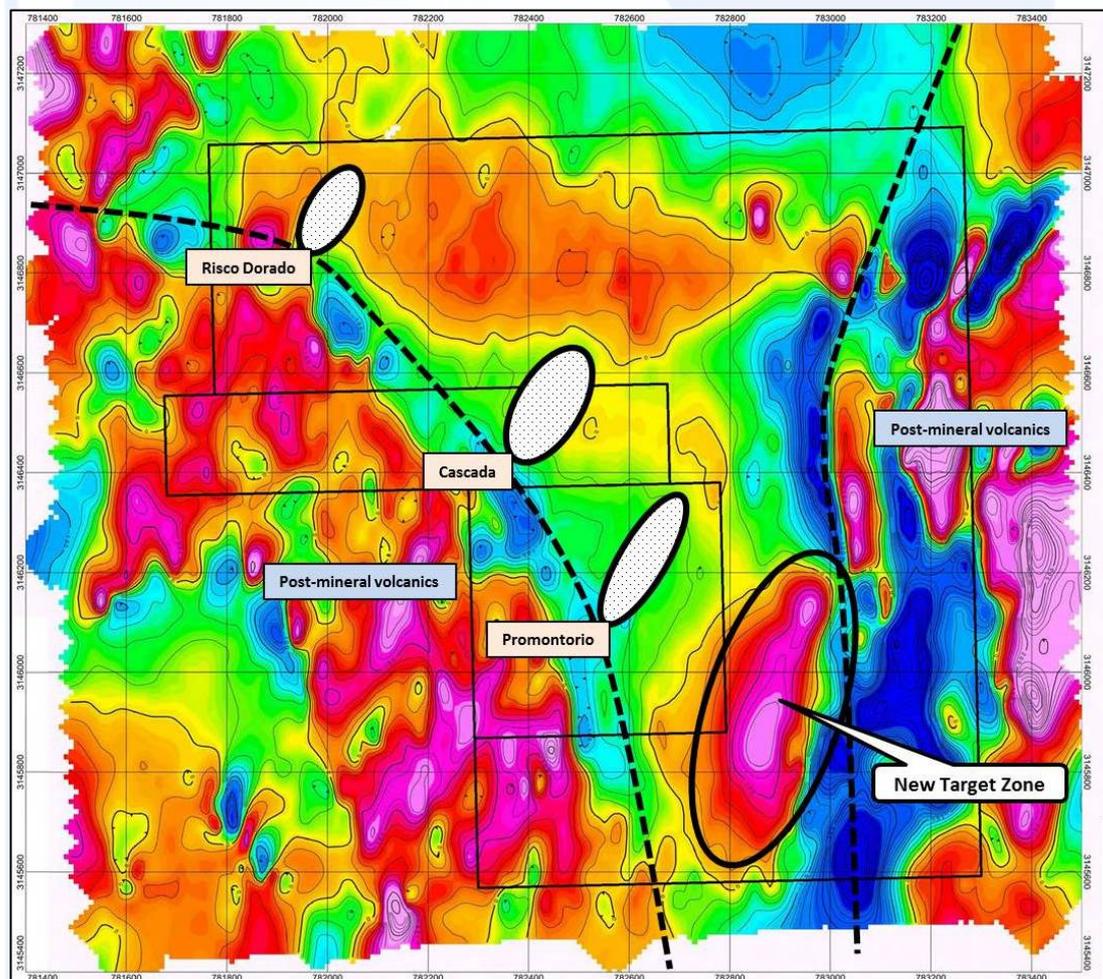


Figure 1: Ground magnetics (RTP) showing deposits, prospects and targets

-ENDS-

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Competent Person Statement

Information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee and Managing Director of Azure Minerals Limited. Mr Rovira has sufficient experience which is relevant to the styles of mineralisation and types 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 Rovira consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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JORC Code, 2012 Edition – Table 1

Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<p><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></p> <p><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></p> <p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></p>	<p>The ground magnetic survey was carried out along 35, 1,900m long, East-West lines spaced at 50m with three North-South tie lines spaced at 950m located at the ends and in the middle of the grid.</p> <p>The magnetic survey equipment was fully calibrated and daily tests were carried out to ensure data quality.</p> <p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Drilling techniques	<p><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Drill sample recovery	<p><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></p> <p><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></p> <p><i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Logging	<p><i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <p><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></p> <p><i>The total length and percentage of the relevant intersections logged.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Sub-sampling techniques and sample preparation	<p><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></p> <p><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></p> <p><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></p> <p><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>

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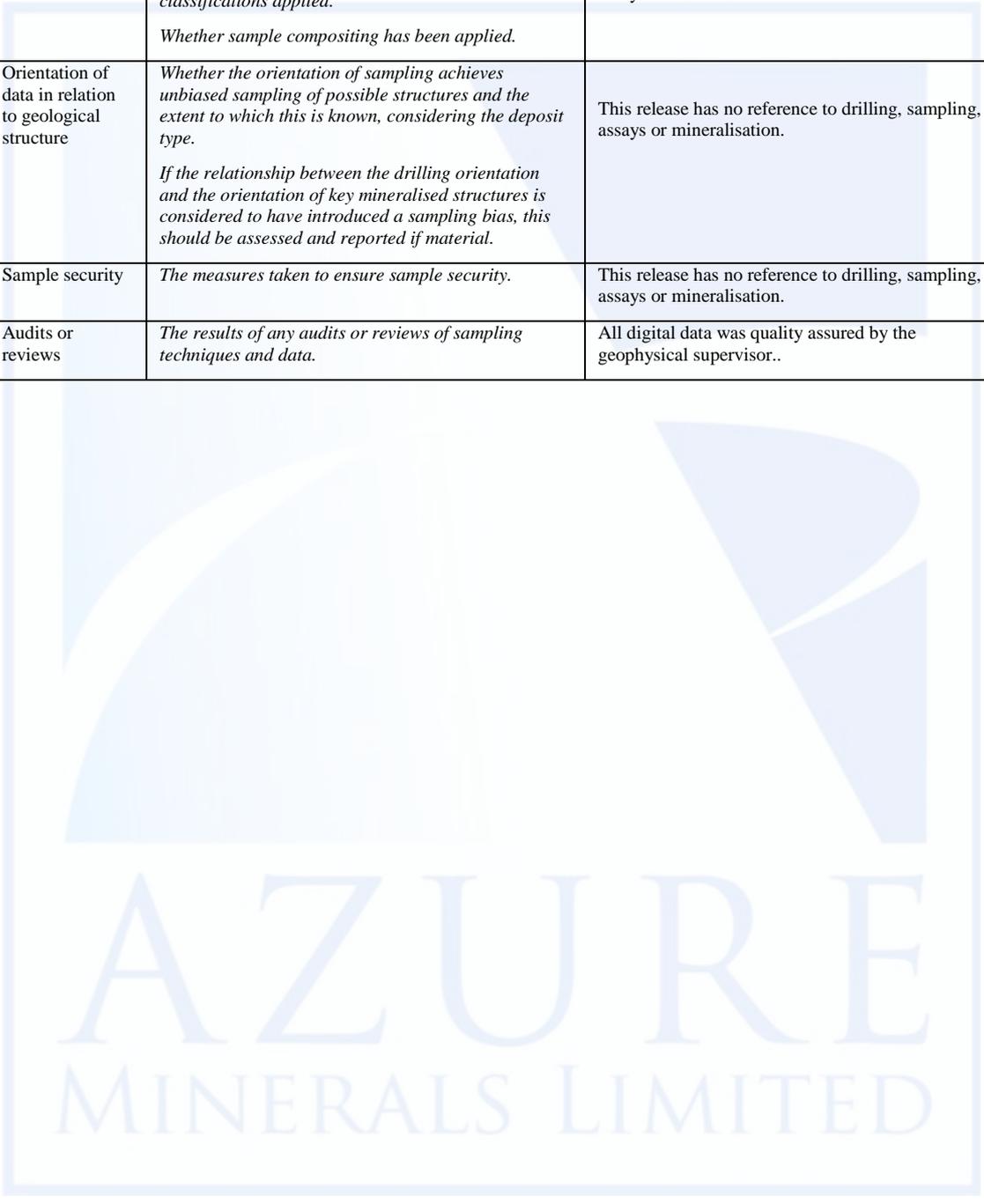
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	<p><i>samples.</i></p> <p><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></p> <p><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></p>	
Quality of assay data and laboratory tests	<p><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></p> <p><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></p> <p><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>Roving Magnetometer: GEM Systems GSM 19WG v7.0 Overhauser Cesium vapor magnetometer / gradiometer.</p> <p>Data was acquired in "walking mode" with readings every 2 seconds resulting in a distance between readings of 1-2m. The base station reading interval was 4 seconds and the base station location was 28.4197795°N latitude 108.1188146° W longitude. The survey was done from February 14 to 21, 2014.</p> <p>Base Magnetometer: GEM Systems GSM19WG v7.0 high sensitivity total field Cesium vapor magnetometer with antenna supported by SBAS (Satellite Base Augmentation Systems), with a precision of < 1.5 m.</p> <p>Magnetometer sensitivity 0.022 nT /square root Hz Resolution: 0.01 nT Absolute precision ±0.1 nT Dynamic range: 15,000 a 120,000 nT Tolerance to the gradient: < 10,000 nT/m Sample frequency: 60+, 5, 3, 2, 1, 0.5, 0.2 seconds</p> <p>GPS: NovAtel GPS with antenna supported by SBAS (Satellite Base AugmentationSystems), with a precision of < 1.5m using both WAAS and GLONASS satellites</p> <p>The magnetic survey equipment was fully calibrated and daily tests were carried out to ensure data quality.</p>
Verification of sampling and assaying	<p>The verification of significant intersections by either independent or alternative company personnel.</p> <p>The use of twinned holes.</p> <p>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</p> <p>Discuss any adjustment to assay data.</p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>All primary data was recorded digitally and sent in electronic format to the geophysical supervisor.</p>
Location of data points	<p><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></p> <p><i>Specification of the grid system used.</i></p> <p><i>Quality and adequacy of topographic control.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p> <p>The grid system used is NAD27 Mexico UTM Zone 12 for easting, northing and RL.</p> <p>Topographic data was obtained during the magnetic survey using the GPS.</p>

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Data spacing and distribution	<p><i>Data spacing for reporting of Exploration Results.</i></p> <p><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p> <p><i>Whether sample compositing has been applied.</i></p>	<p>Line spacing was 50m and reading spacing was 1-2m.</p> <p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Orientation of data in relation to geological structure	<p><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></p> <p><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Sample security	<p><i>The measures taken to ensure sample security.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Audits or reviews	<p><i>The results of any audits or reviews of sampling techniques and data.</i></p>	<p>All digital data was quality assured by the geophysical supervisor..</p>



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Section 2: Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<p><i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></p> <p><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></p>	<p>The Promontorio Project comprises three (3) mineral concessions: T-235269 (Promontorio), T-235270 (Hidalgo) and T-218881 (Magistral). Azure Minerals has Options to Purchase these tenements, which are held by local Mexican syndicates. Upon exercise of the Options, Azure will have 100% ownership of the tenements with no residual royalties payable to the vendors.</p> <p>The tenements are secure and are in good standing. There are no known impediments to obtaining a licence to operate in the area.</p>
Exploration done by other parties	<p><i>Acknowledgment and appraisal of exploration by other parties.</i></p>	<p>The project area has a history of small-scale artisanal mining dating back to the 19th century. Between 1993 and 2008 the property was explored by several companies.</p> <p>From 1993 to 1994, Empresa Minera CanMex conducted exploration and RC drilling.</p> <p>From 1995 to 1997 Sierra Nevada Gold established a local grid, drilled 63 diamond core holes, rehabilitated, mapped and sampled old underground mine workings, carried out metallurgical test work and produced a Mineral Resource estimate.</p> <p>From 2004 to 2005 Dia Bras Exploration undertook geological mapping, prospecting, diamond drilling, geophysics, and prepared a NI43-101 compliant technical report.</p> <p>Azure Minerals acquired the rights to the project in April 2008 through its fully owned Mexican subsidiary company Minera Piedra Azul SA de CV.</p>
Geology	<p><i>Deposit type, geological setting and style of mineralisation.</i></p>	<p>High-sulphidation epithermal, hydrothermal breccia and porphyry copper style of mineralisation. Mineralisation comprises massive, semi-massive and disseminated copper sulphides hosted in vuggy silica and silicified host rocks.</p>
Drill hole information	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> • <i>easting and northing of the drill hole collar</i> • <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> • <i>dip and azimuth of the hole</i> • <i>down hole length and interception depth</i> • <i>hole length.</i> <p><i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></p>	<p>This release has no reference to drilling, sampling, assays or mineralisation.</p>
Data aggregation	<p><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade</i></p>	<p>This release has no reference to drilling,</p>

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methods	<p><i>truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></p> <p><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></p> <p><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></p>	sampling, assays or mineralisation.
Relationship between mineralisation widths and intercept lengths	<p><i>These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Diagrams	<p><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Balanced reporting	<p><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></p>	This release has no reference to drilling, sampling, assays or mineralisation.
Other substantive exploration data	<p><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></p>	This announcement makes no reference to previous exploration results.
Further work	<p><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive</i></p>	Further work will include additional diamond drilling.

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