

AZURE MINERALS LTD

Australia's Leading Explorer in Mexico

ASX: AZS

30 JULY 2012

QUARTERLY ACTIVITIES REPORT

For the period ended 30 June 2012

The Board of **Azure Minerals Limited** (ASX: AZS, "Azure" or "the Company") is pleased to provide its Quarterly Report for the period ended 30 June 2012.

HIGHLIGHTS:

Promontorio

- Pre-Feasibility Study ("PFS") by Como Engineers nearing completion – results expected in August 2012
- Upper levels of Mina Grande underground mine workings accessed with three principal mineralised veins identified
- New high grade copper-gold-silver vein discovered, grading:
 - **12.95% Copper**
 - **18.5g/t Gold**
 - **364g/t Silver**
- Drilling planned for Q4 2012

La Tortuga

- Deep diamond drilling in progress to test aeromagnetic, Induced Polarisation ("IP") and Magneto-Telluric ("MT") resistivity anomalies

El Tecolote

- Stage 2 drilling program to commence in September 2012 targeting previous high grade zinc intercepts around El Tecolote Mine

Corporate Activities

- Managing Director Tony Rovira presented at the following investor conferences:
 - RIU Resources Round-up, Sydney
 - Latin America Down Under, Sydney
 - Gold Coast Resources Showcase, Queensland
 - Symposium Resources Roadshow, Sydney (post-period)
 - Symposium Resources Roadshow, Melbourne (post-period)

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Promontorio – Copper-Gold-Silver

During the Quarter, Azure's appointed engineering consultancy, Como Engineers Pty Ltd ("Como"), continued the Pre-Feasibility Study ("PFS") on Promontorio. The PFS includes:

- Data Review – completed.
- Site Visit – completed. Specialist engineering consultants visited the Promontorio site and other local mining operations to examine mine and plant locations, conditions and local infrastructure.
- Mineral Processing and Infrastructure – Como has completed flow sheet and plant design for a 150,000tpa project.
- Mining Study – Como has completed mine design, mining method and schedule.
- Financial Modelling – Como is nearing completion of detailed estimates for operating and capital costs and a detailed cash flow model.

The Promontorio deposit comprises massive, semi-massive and disseminated copper sulphides containing strong gold and silver credits. Azure has previously announced a JORC Mineral Resource (Indicated + Inferred) of:

502,000 tonnes @ 4.7% Copper, 2.1 g/t Gold and 99 g/t Silver¹

The deposit is defined over a strike length of 200m and remains open in all directions. Azure's drilling has extended the north-south strike length of the mineralised system to 400m, and confirmed the potential for additional resources through further drilling.

The nearby Cascada epithermal gold-silver target is a bulk tonnage prospect where previous drilling intersected wide zones of mineralisation. Further drilling is warranted at Cascada.

La Tortuga – Copper-Zinc

Exploration for porphyry copper and skarn copper-zinc style mineralisation on the 214 km² La Tortuga Project is being conducted in Joint Venture ("JV") with the Japanese Government organisation, JOGMEC, which has the right to earn up to 51% in the project by spending US\$3 million. Total expenditure to date is approximately US\$2.2 million.

¹ Details of the resources classification and estimation methodologies are contained in Azure's ASX announcement, released on 7th January 2009.

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The JV recently recommenced exploration with a 1,000m deep diamond drill hole currently in progress to test coincident, deeply buried aeromagnetic-resistivity anomalies. These anomalies have the characteristics and dimensions typical of a porphyry copper deposit with an adjoining alteration zone. The drill hole commenced in late July and is expected to take about 4-6 weeks to complete with assay results a further 3-5 weeks later.

El Tecolote – Copper-Zinc

The 178 km² El Tecolote Project, which adjoins the La Tortuga property, contains substantial evidence of base metal mineralisation demonstrating the potential for both porphyry copper and skarn copper-zinc-silver deposits. Exploration is being conducted in JV with JOGMEC, which has the right to earn up to 70% in the project by spending US\$13 million. Total expenditure to 30 June 2012 is US\$2.1 million.

Drilling in the March Quarter reported significant zinc intercepts on four 40 metre spaced sections. Mineralisation consists of disseminated to semi-massive sphalerite and minor disseminated chalcopyrite hosted in a skarn unit (metamorphosed limestone) up to 15 metres in true width. This mineralised unit lies parallel to the nearby El Tecolote Copper-Zinc Mine.

The El Tecolote Mine, which historically produced 1.4 million tonnes @ 1.9% copper, 7.0% zinc and 47 g/t silver, closed in 1984 due low commodity prices, with unmined copper and zinc mineralisation remaining around the old mine workings. Azure's exploration in this area has identified possible strike and depth extensions and repetitions which will be drill tested in the forthcoming program.

Stakeholder Engagement Activities

This past quarter the Managing Director, Anthony Rovira presented at the Sydney RIU Resources Round-up and Latin America Down Under in May and the Gold Coast Resources Showcase in June.

Mr Rovira also presented at the Symposium Resources Roadshows in Sydney and Melbourne in July.

Azure Minerals recently joined Twitter in order to connect with a wider audience of relevant stakeholders including potential investors, brokers and media. The Company encourages existing and potential investors to follow it by adding **@AzureMinerals** to their watch lists.

-ENDS-

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About the Company:

*Azure Minerals Limited is an Australian mineral exploration company focused on developing mining projects in the richly mineralised Sierra Madre Occidental mining province in northern Mexico. Azure's key projects are the high grade **Promontorio** copper-gold-silver project and the **El Tecolote** copper-zinc project.*

***Promontorio** has a JORC Mineral Resource of 502,000 tonnes @ 4.7% Cu, 2.1g/t Au & 99g/t Ag. Metallurgical testwork produced high grade copper-gold-silver concentrate with excellent metal recoveries. Following positive scoping study indications of economic viability for the deposit, the Company has commissioned Como Engineers to undertake a Preliminary Feasibility Study of the deposit. Results of the study should be available for release in August 2012.. Exploration has identified further high grade copper mineralisation as well as additional potential for large, bulk tonnage gold mineralisation.*

*Exploration for porphyry copper and skarn copper-zinc deposits is continuing on the **El Tecolote** and **La Tortuga** joint ventures with the Japanese Government corporation JOGMEC. JOGMEC may earn a 70% interest in the **El Tecolote** project by spending US\$13 million, with total expenditure to 30 June 2012 of US\$2.2M. JOGMEC may earn a 51% interest in the **La Tortuga** project by spending US\$3 million, with total expenditure to 30 June 2012 of US\$2.1M. Azure is the operator and manager of both joint ventures.*

Competent Person Statement:

Information in this document that relates to Exploration Results and Mineral Resources 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 of Azure Minerals Limited. Mr Rovira 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rovira consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears.



Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter | Year to date (12 months) |
|---|--|-----------------|-----------------------------|
| | | \$A'000 | \$A'000 |
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for | (116) | (3,798) |
| | (a) exploration and evaluation | - | - |
| | (b) development | - | - |
| | (c) production | (373) | (1,755) |
| | (d) administration | - | - |
| 1.3 | Dividends received | 13 | 171 |
| 1.4 | Interest and other items of a similar nature received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | 3 | 2,104 |
| 1.7 | Other - JV advances | (427) | (427) |
| | - Fine | | |
| Net Operating Cash Flows | | (900) | (3,705) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | (175) | (365) |
| | (a) prospects | - | - |
| | (b) equity investments | - | (58) |
| | (c) other fixed assets | - | - |
| 1.9 | Proceeds from sale of: | - | - |
| | (a) prospects | - | - |
| | (b) equity investments | - | 11 |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| Net investing cash flows | | (175) | (412) |
| 1.13 | Total operating and investing cash flows (carried forward) | (1,075) | (4,117) |

Appendix 5B
Mining Exploration Entity Quarterly Report



| | | | |
|------|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,075) | (4,117) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other | - | - |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (1,075) | (4,117) |
| 1.20 | Cash at beginning of quarter/year to date | 1,743 | 4,689 |
| 1.21 | Exchange rate adjustments to item 1.20 | (24) | 72 |
| 1.22 | Cash at end of quarter | 644 | 644 |

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 113 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Item 1.7 includes \$427,000 for a fine levied by Mexican tax authorities for the overstatement of income tax deductions in the 2008 income tax year. The Company has disputed the judgement and an appeal against the decision is currently underway.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | NIL | NIL |
| 3.2 Credit standby arrangements | NIL | NIL |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 276 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 293 |
| Total | 569 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 27 | 333 |
| 5.2 Deposits at call | 617 | 1,410 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 644 | 1,743 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | - | | |
| 6.2 | Interests in mining tenements acquired or increased | - | | |



Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference +securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 394,000,000 | 394,000,000 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | 500,000 | Nil | \$0.35 | 30/01/13 |
| | 12,500,000 | Nil | \$0.088 | 30/11/12 |
| | 4,500,000 | Nil | \$0.13 | 30/11/13 |
| | 3,000,000 | Nil | \$0.049 | 30/11/14 |
| | 400,000 | Nil | \$0.25 | Various dates |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to read "Brett Dickson".

Sign here: Date: 30 July 2012
(Director/Company secretary)

Print name: Brett Dickson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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