



# ACTIVITIES REPORT

For the period ended 31 March 2010

Azure Minerals Ltd is an Australian mineral exploration company focused on developing precious and base metal mining projects in Mexico. The Company operates in the richly mineralised Sierra Madre Occidental mining province in northern Mexico.

Azure currently holds 100%-ownership of 12 projects covering an impressive area of 1,690 km<sup>2</sup> in the northern Mexican states of Sonora and Chihuahua.

The Company is committed to value-added growth by becoming an independent minerals producer at its high grade Promontorio copper-gold-silver project in Chihuahua, Mexico.

Promontorio has a JORC resource of 502Kt @ 4.7% Cu, 2.1g/t Au & 99g/t Ag. Metallurgical test work produced excellent metal recoveries into a high grade copper-gold-silver concentrate.

High level evaluation of the project economic potential shows the project could be developed and operated at a profit, with a significant positive margin over operating costs. The deposit also shows a noticeable trend of increasing grade with depth.

To accelerate exploration and bring forward potential value-adding activities, Azure has entered into joint venture exploration for large porphyry copper deposits on the La Tortuga project (in JV with JOGMEC) and on the San Eduardo project (in JV with OZ Minerals Ltd). Initial results are encouraging and work is ongoing.

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## Quarterly Overview

The Board of Azure Minerals Limited (ASX: AZS, "Azure") is pleased to provide the Quarterly Report for the period ended 31 March 2010.

## Highlights

### Corporate

- Azure entered into an exploration joint venture over the San Eduardo project with Australian copper miner, OZ Minerals Ltd.
- Joint venture with Kiska Metals terminated and 7 projects transferred to 100% Azure ownership.
- Azure has received approaches from several Canadian companies expressing interest in joint venturing or purchasing some of the Company's non-core projects. Azure is currently evaluating these proposals.

### San Eduardo Joint Venture

- OZ Minerals Ltd may earn a 70% interest in Azure's 100%-owned San Eduardo project by sole-funding US\$13 million over 8 years.
- An initial budget of US\$300,000 will fund exploration activities for 2010.
- Field work comprising aeromagnetics, surface mapping and sampling commenced in late April. This will be followed up by an IP survey and diamond drilling.

### La Tortuga Joint Venture

- JOGMEC may earn a 51% interest in Azure's wholly-owned La Tortuga and Los Nidos properties by sole-funding US\$3 million expenditure over 3 years.
- JOGMEC have confirmed implementation of the third earn-in period with an exploration budget of US\$500,000 for 2010.
- Diamond drilling program is scheduled to commence mid-year.

### Promontorio

- An intensive diamond drilling program to extend the Promontorio deposit and to test gold mineralised epithermal veins systems at Creston Colorado and Cascada prospects has been designed and is awaiting governmental approvals.



## PROJECTS

### San Eduardo Joint Venture

### Porphyry Copper-Gold

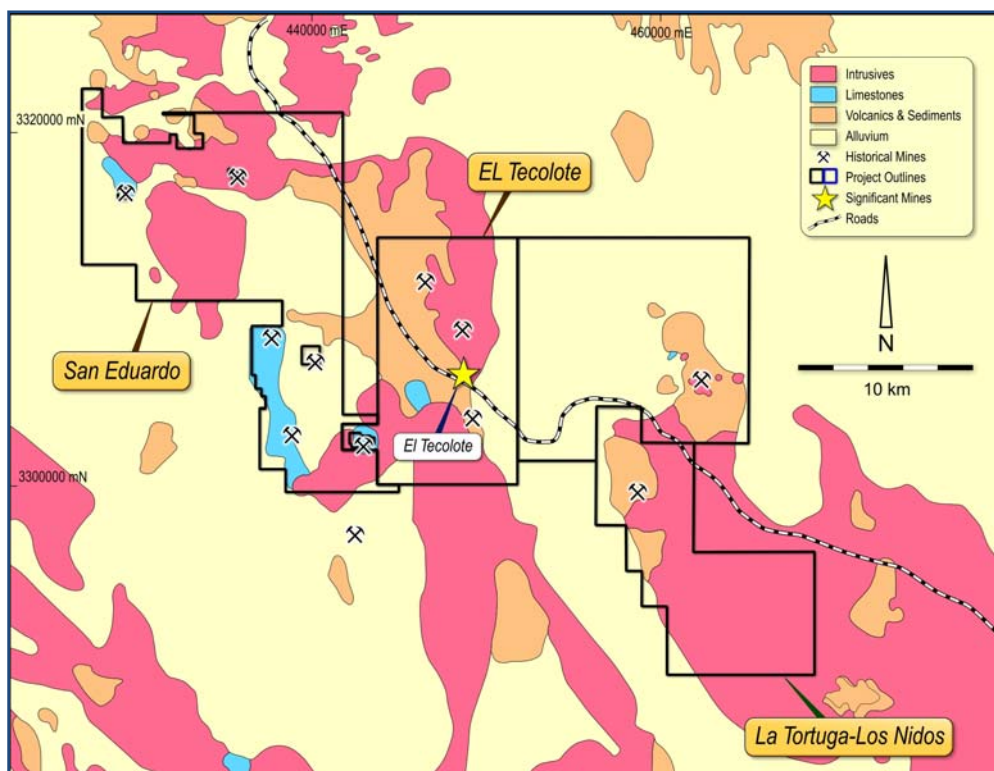
(Azure 100%: OZ Minerals earning to 70%)

During the quarter Azure moved to accelerate exploration on one of its key projects in Mexico by signing a Heads of Agreement with Australian mining company OZ Minerals Ltd (OZ Minerals) on Azure's 100%-owned San Eduardo property, located in Sonora Mexico.

OZ Minerals, an Australian-based mining company with a focus on copper, owns and operates the high quality Prominent Hill copper-gold mine in South Australia. OZ Minerals' strategy includes building a pipeline of copper focused projects at various stages of development, and it intends to pursue projects with the potential to achieve production of between 50,000t and 150,000t of copper per year which are located in favourable geographic locations.

To earn an initial 51% interest in San Eduardo, OZ Minerals must spend US\$3 million over the next 3 years, with a minimum commitment of US\$300,000 to be expended within the first year. OZ Minerals can earn an additional 19% interest in the project by spending a further US\$10 million over 5 years, taking its total equity to 70%. The San Eduardo Joint Venture will initially be managed and staffed by Azure.

**FIGURE 1: SAN EDUARDO PROPERTY LOCATION**





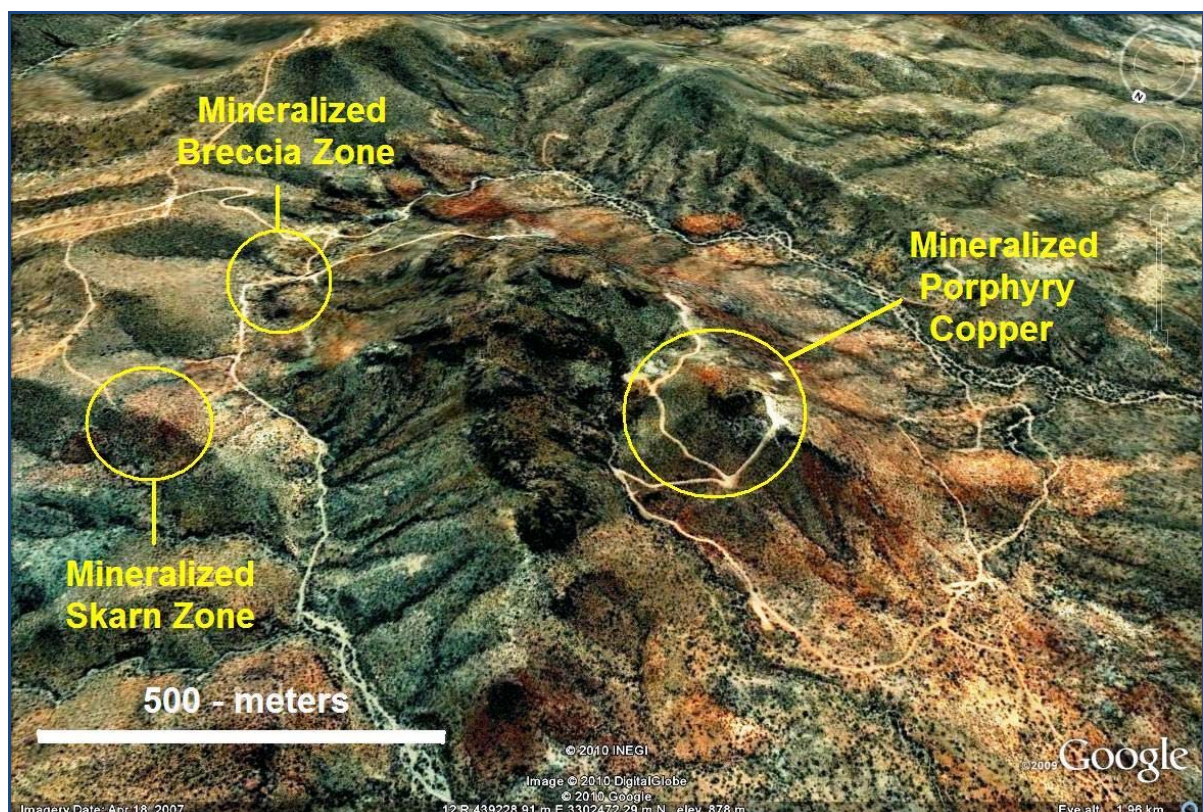


The San Eduardo property is a granted mineral concession covering 201km<sup>2</sup> (see Figure 1). It adjoins Azure's 100%-owned El Tecolote project and is situated 10 kilometres west of Azure's La Tortuga property (in joint venture with JOGMEC). It is located 120 kilometres northwest of Hermosillo, the capital of Sonora State, where Azure has based its Mexican exploration and administration office.

San Eduardo is prospective for porphyry copper deposits with associated high grade breccia and skarn copper, lead and zinc mineralisation. Old mine workings are present within the property, including a 27 metre deep shaft and a small open cut mine on the Alejandra prospect. Historical sampling by the Mexican Geological Survey at Alejandra collected a total of 40 channel samples of wall-rock, returning an average grade of **25 g/t Ag, 7.34% Pb and 1.89% Zn**, with maximum values of **80.9 g/t Ag, 20.04% Pb and 5.45% Zn**.

The San Eduardo work program has commenced with geological mapping, geochemical sampling and a helicopter-borne aeromagnetic and radiometric survey in progress over the highest priority area, the El Venado prospect, located in the southern part of San Eduardo. In this area outcropping porphyry containing visible copper mineralisation has been identified in several locations (Figure 2). Further work comprising Induced Polarisation (IP) surveying and diamond drilling will be undertaken later in 2010.

**FIGURE 2: Satellite Image of El Venado Prospect showing mineralised occurrences**







## La Tortuga Joint Venture

## Porphyry Copper-Gold

(Azure 100%: JOGMEC earning 51%)

The La Tortuga Project is a joint venture with Japan Oil, Gas and Metals National Corporation (JOGMEC) which is sole funding the first US\$3 million of exploration expenditure to earn a 51% interest in the project. The objective of the joint venture is the discovery of large porphyry copper deposits. The project is managed and staffed by Azure with technical assistance from JOGMEC.

Previous drilling of the La Tortuga porphyry by the joint venture intersected copper oxide, copper sulphide and molybdenum mineralisation hosted within strong phyllic (quartz-sericite-pyrite) alteration and stockworked quartz veining. The mineralised porphyry system is large, with an extent of at least 2.5km east-west by 1km north-south. The system remains open to the east and south and to depths in excess of 400m. In addition, iron-copper skarn mineralisation is developed in limestones around the western end of the La Tortuga porphyry.

During the March Quarter JOGMEC reviewed all technical data derived from exploration to date and concluded that the positive results warranted further exploration on the property. JOGMEC has informed Azure that it plans to continue funding exploration activities and has committed to the third earn-in period with a budget of US\$500,000 for 2010.

JOGMEC is a Japanese Government corporation established to assist in the stable supply of oil, gas and mineral resources to the Japanese economy. JOGMEC seeks to gain entry into high-potential mineral exploration projects through providing funding and technical assistance, with a view to the later introduction of commercial Japanese interests.

## Promontorio

## Copper - Gold - Silver

**Promontorio Central (Azure has right to acquire 100%)**

**Promontorio Regional (Azure 100%)**

Based upon the very promising results from exploration undertaken during the December Quarter, Azure has submitted a comprehensive and intensive drilling proposal to the Mexican governmental authorities, and approvals for this program are awaited. This drilling program aims to extend the high grade Promontorio copper-gold-silver deposit along strike to the north and south and also to test the depth extensions. It will also test the numerous targets identified during the regional exploration, including Creston Colorado, Sehue and Cascada (see Figure 3).

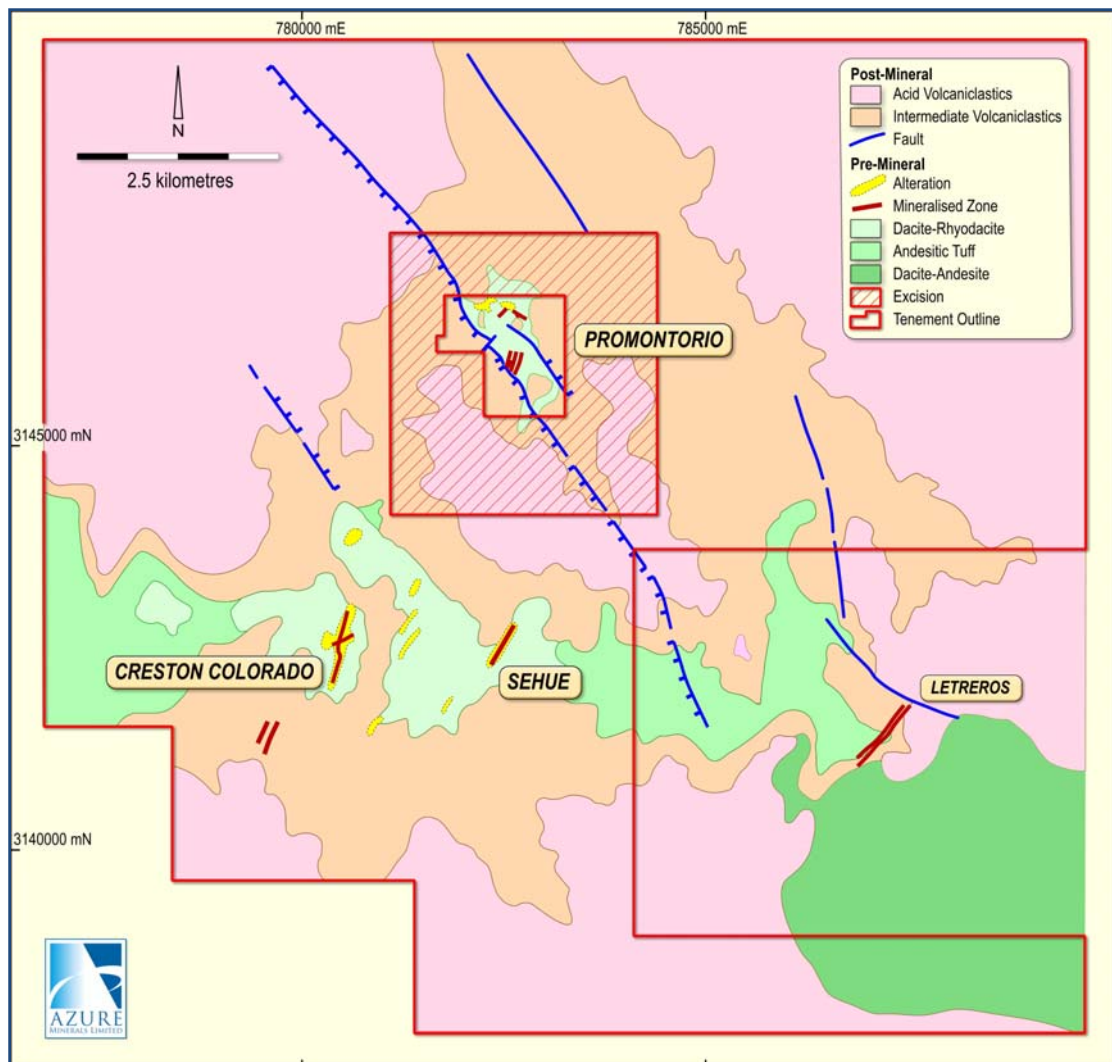
Creston Colorado consists of a north-south striking zone of strongly altered rocks containing quartz veining and breccia-iron oxide mineralisation. The vein system strikes over a one kilometre length with individual veins ranging up to 20 metres in width within a 100 metre wide alteration zone. This is considered likely to be the upper portion of an epithermal gold-silver system.

Azure also identified the Sehue prospect, where surface sampling returned encouraging gold and silver values up to 3.6g/t gold and 26g/t silver. Sehue is located about two kilometres



east of Creston Colorado and consists of an outcropping zone of epithermal quartz veining striking parallel to the Creston Colorado vein system. Further detailed mapping and sampling will be undertaken at this prospect to provide drilling targets.

In order to continue advancing the development of the Promontorio deposit, Azure has prepared a batch of concentrates so that sample parcels can be provided to smelters that may be interested in entering into an off-take agreement for the Promontorio concentrate.



**FIGURE 3: GEOLOGICAL PLAN OF PROMONTORIO PROJECT**





## **Background**

The Promontorio project in Chihuahua, Mexico, is Azure's most advanced project. It contains a high grade copper-gold-silver deposit with excellent additional exploration potential. Azure has completed a 42-hole drill out of the central part of the mineralised system to produce an initial mineral resource, and a program of metallurgical testwork.

The JORC Code compliant mineral resource for the Promontorio deposit comprises:

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

at a 1% copper cut off, containing a total of 23,400 tonnes of copper, 34,000 ounces of gold and 1.6 million ounces silver. Full details of the resources classification and estimation methodologies are contained in Azure's ASX announcement released on 7<sup>th</sup> January 2009.

Metallurgical testwork included head grade analysis, mineralogical examination, comminution testing and sulphide flotation testwork. The optimum processing route is flotation to produce a high grade copper-gold-silver concentrate. Various downstream processing options are currently being evaluated.

Positive metallurgical test results were returned, producing a concentrate grade of 33.9% copper with a recovery of 98.2% of the total copper, a gold grade of 6.9g/t (83.2% recovery) and a silver grade of 377g/t (93.5% recovery).

The Promontorio Project comprises a central group of three granted mining concessions totalling 187 hectares (Promontorio Central) and a surrounding mining concession covering 105km<sup>2</sup> (Promontorio Regional). Azure can purchase 100% ownership of the central tenements by paying the vendors a total of US\$4.0 million staged over four years. To date, Azure has paid US\$640,000 in vendor payments. Azure holds 100% ownership of the surrounding Promontorio Regional mining lease.

## **Corporate**

Azure reached agreement with joint venture partner Kiska Metals Corp (formerly Geoinformatics Exploration Inc) to rationalise and dissolve its Mexican Joint Venture. Azure gained 100% ownership of seven projects, providing the Company with the opportunity to accelerate exploration and development of these properties while also bringing significant strategic advantages to the Company.

The projects which are now 100%-owned by Azure are:

**El Tecolote** – This 112km<sup>2</sup> property contains the El Tecolote Copper-Zinc-Silver Mine, a significant mining and processing venture operated in 1978-1984 by Grupo Mexico, Mexico's largest mining company. Historical production is recorded as approximately **1.0 million tonnes @ 1.5% copper, 6.1% zinc and 39g/t silver**. Production ceased due to low metals prices at the time, with unmined copper and zinc mineralisation remaining around the old mine workings. Potential also exists for additional deposits within the property.

**Estacion Llano** – This 24km<sup>2</sup> property adjoins the western boundary of the +1.3 million ounce San Francisco Gold Mine (currently producing at a rate of 100,000oz gold per year).



Recent drilling by owner Timmins Gold Corp confirms the mineralised system extends west towards Azure's property, where no drilling has been carried out. Azure will undertake drilling to test the extensions of the San Francisco mineralised system.

**El Llano Del Nogal** – This 122km<sup>2</sup> property is ideally located between the two world class porphyry copper mines of Cananea (2 billion tonnes @ 0.7% copper) and La Caridad (1.8 billion tonnes @ 0.5% copper). A large alteration system hosting numerous historical mine workings and indications of porphyry copper and epithermal gold-silver mineralisation has been identified. Sampling returned assays up to **10.9g/t gold, 1,060g/t silver, 2.25% copper, 16.7% lead, 3.4% zinc & 0.22% molybdenum**. Several major mining companies have expressed interest in project, and Azure is evaluating these proposals.

**Pozo De Nacho** – Drilling of 24 diamond and RC holes totalling 3,374m has identified a large body of porphyry-hosted molybdenum mineralisation. Azure is targeting a deposit of potentially 75Mt – 150Mt @ 0.04% – 0.1% molybdenum<sup>1</sup>.

**Tabisco** – Contains epithermal mineralisation with high grade gold and silver drill intercepts. A Canadian junior exploration company has expressed interest in this property.

**Los Chinos** – Drilling by Azure intersected polymetallic base metal and precious metal mineralized breccias on this 94km<sup>2</sup> property.

**San Juan** – A previous drill intercept of 22m @ 92g/t silver indicates San Juan is prospective for a typical silver-rich epithermal deposit.

-ENDS-

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**Competent Person Statement:**

*Information in these documents 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 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.*

<sup>1</sup> The potential quantity and grade of a molybdenum deposit at Pozo de Nacho are conceptual in nature; there has been insufficient exploration to define a Mineral Resource; and it is uncertain if further exploration will result in the determination of a Mineral Resource.

# Appendix 5B

## Mining Exploration Entity Quarterly Report

Name of entity

**Azure Minerals Limited**

ABN

46 106 346 918

Quarter ended ("current quarter")

31 March 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(225)	(1,171)
(b) development	-	-
(c) production	-	-
(d) administration	(237)	(760)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (JV advances)	28	643
<b>Net Operating Cash Flows</b>	<b>(422)</b>	<b>(1,262)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(4)	(209)
(b) equity investments	-	-
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(4)</b>	<b>(210)</b>
1.13 Total operating and investing cash flows (carried forward)	(426)	(1,472)



1.13	Total operating and investing cash flows (brought forward)	(426)	(1,472)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	1,029
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 – capital raising expenses	(47)	(78)
	<b>Net financing cash flows</b>	(47)	951
	<b>Net increase (decrease) in cash held</b>	(473)	(521)
1.20	Cash at beginning of quarter/year to date	1,288	1,346
1.21	Exchange rate adjustments to item 1.20	(5)	(5)
1.22	<b>Cash at end of quarter</b>	820	820

**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	81
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 1.23 includes aggregate amounts paid to directors including salary, directors' fees and superannuation.

**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

During the quarter JOGMEC contributed US\$228,000 towards its US\$3million earn-in in the Los Nidos – La Tortuga joint venture.

### 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	200
4.2 Development	-
<b>Total</b>	200

### 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	146	215
5.2 Deposits at call	674	1,073
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	820	1,288

### 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	243,212,489	243,212,489		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	500,000	Nil	<i>Exercise price</i> \$0.175	<i>Expiry date</i> 30/01/11
	500,000	Nil	\$0.25	30/01/12
	500,000	Nil	\$0.35	30/01/13
	12,500,000	Nil	\$0.088	30/11/12
	1,000,000	Nil	\$0.25	Various dates
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	2,800,000	Nil	\$0.25	30/01/10
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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.



Sign here: ..... Date: 30 April 2010  
(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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