

ACTIVITIES REPORT

For the period ended 30 September 2009

Azure Minerals is an Australian mining and 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.

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.

Joint venture exploration for large porphyry copper deposits is underway on the La Tortuga project. Initial results have been very encouraging and work is continuing. JOGMEC is earning a 51% interest by sole funding the first US\$3m of exploration expenditure.

Azure currently holds seven 100%-owned projects and a further 13 projects in joint venture with Geoinformatics Exploration Inc, in which Azure holds a 60% interest.

Azure's project portfolio now covers an impressive area of 175,424 hectares (1,754 km²).

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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 30 September 2009.

Highlights

Promontorio

Azure completes geological mapping and surface sampling of the Promontorio Central and Regional project areas, with several new gold-silver exploration targets identified.

- Epithermal quartz veining at the Creston Colorado zone returned grades up to 2.54g/t gold and 26g/t silver.
- Quartz-sulphide breccias at the Cascada zone returned grades up to 4.54g/t gold & 38g/t silver.
- Sampling of a massive sulphide gossan along strike to the north of the Promontorio deposit returned 25.7g/t gold and 9g/t silver.
- Drill targets to expand the Promontorio deposit have been identified and planning of this resource extension drilling is in progress.

La Tortuga Joint Venture

- Joint Venture with JOGMEC continues exploration for large porphyry copper deposits on La Tortuga.
- Five hole (2,300m) diamond drilling program commenced, with all holes completed post quarter end. Assay results are awaited.
- Visual encouragement from drilling leads to approval of sixth 500m diamond drill hole post quarter end.
- Sole-funding by JOGMEC of US\$3.0 million exploration expenditure over 3 years will earn it a 51% interest in the La Tortuga and Los Nidos properties (both currently 100%-owned by Azure).

Azure's Executive Chairman, Mr Tony Rovira, said exploration results during the quarter had underlined the significant potential at the two projects.

"The work conducted at Promontorio shows the potential for extensions to the existing JORC resource, which we have regarded as open in a number of directions since the initial resource estimate. We now have numerous gold-silver targets at Promontorio which warrant further follow up work, including drilling," said Mr Rovira.

"La Tortuga drilling is also progressing well with our joint venture partner approving a sixth deep diamond drill hole for the current program," said Mr Rovira.



Projects

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

Copper – Gold – Silver

Azure has completed a detailed mapping and sampling program over the Promontorio Central leases and reconnaissance mapping and sampling over the Promontorio Regional lease (see Figure 1). This work successfully identified numerous targets which warrant follow-up activity, including drilling. Most of the targets comprise epithermal gold-silver mineralisation rather than the copper-rich mineralisation found at the Promontorio deposit.

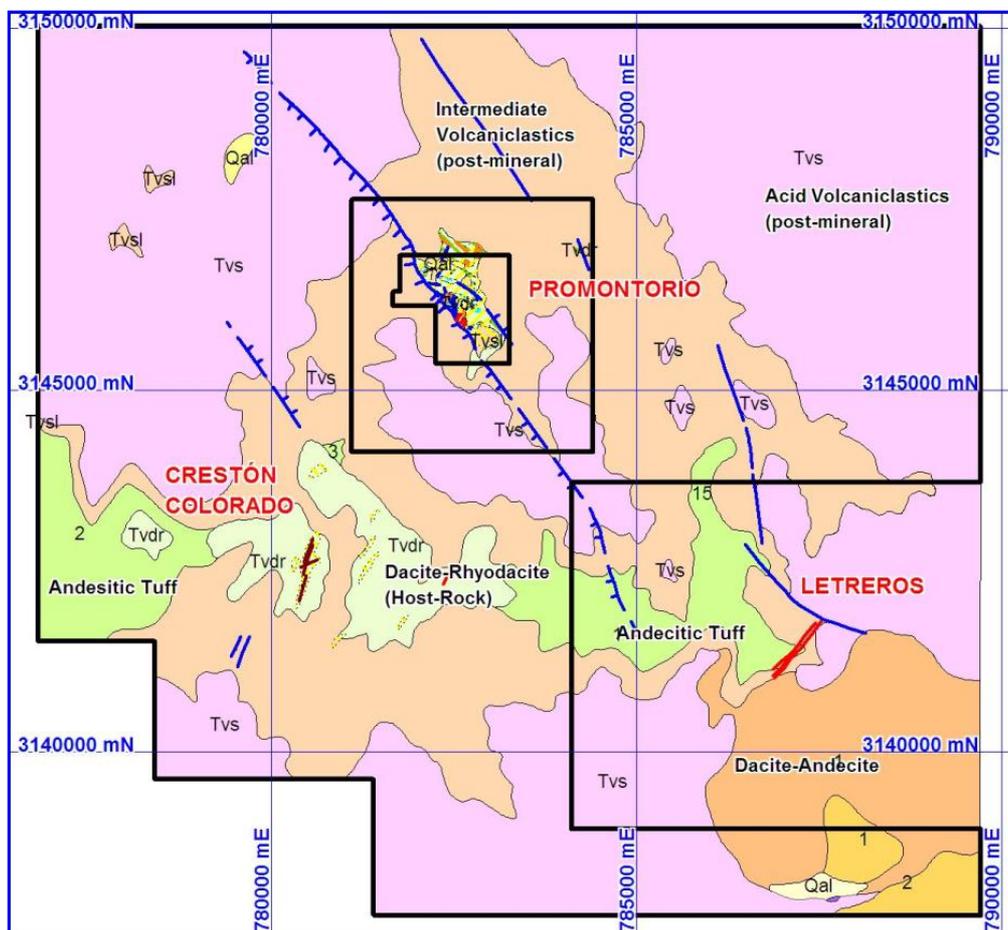


Figure 1: Geological Plan of Promontorio Project

The Creston Colorado prospect is located 3.5km southwest of the Promontorio deposit and was identified during the reconnaissance exploration. It consists of several north-south striking zones of strongly altered rocks containing quartz veining and breccia-iron oxide mineralisation. The largest of the exposed zones extends over 1km in length, with individual mineralised structures demonstrating widths up to 4m within a 100m wide alteration zone. Numerous anomalous geochemical assays were returned from the sampling, with best values of 2.54g/t gold and 26.1g/t silver. It is considered likely that Creston Colorado is the surface expression of a low-sulphidation epithermal system. Follow-up work will involve detailed mapping and sampling followed by drill testing.



Cascada is an east-west striking zone of stockworked quartz veining and silicified breccia hosted within a zone of strong silica-clay alteration (see Figure 2). Mapping has demonstrated the overall alteration zone is at least 500m in length and up to 80m wide, containing individual mineralised structures ranging up to 5m in width. Rock chip sampling of two of the outcropping structures returned grades of 4.54g/t gold / 37.8g/t silver and 2.24g/t gold / 34.3g/t silver. Follow-up exploration will comprise several drill holes testing the depth extent of the mineralised structures.



Figure 2: Cascada – Mineralisation in old mine working

Mapping along strike to the north of the Promontorio deposit identified a quartz-hematite breccia gossan after massive sulphides (see Figure 3). Sampling returned grades of 25.7g/t gold, 9.2g/t silver and 0.04% copper, with near-surface supergene weathering processes enriching the gold and depleting the copper values. Located 50m north of the northern resource boundary, in an area yet to be drilled, this indicates that the Promontorio mineralisation continues further along strike. Follow-up work will involve a fence of drilling to test this zone and extend the Promontorio resource further to the north.



Figure 3: Promontorio mineralised structure - gossan after massive sulphides



Background

The Promontorio project in Chihuahua, Mexico, is Azure's flagship project. It contains a high grade copper-gold-silver deposit hosted in veins of massive and semi-massive sulphides, and has outstanding further 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 announcement released to the ASX on 7th January 2009.

Metallurgical testwork included head grade analysis, mineralogical examination, comminution testing and sulphide flotation testwork. A recommendation was made on the optimum process route to produce a copper concentrate, and a preliminary evaluation was made of various downstream processing options for treatment of the copper concentrate.

Positive metallurgical test results were returned with first stage flotation tests producing a "rougher" concentrate grade of 23.1% copper, with a recovery of 99.4% of the total copper. Further flotation testing upgraded the rougher concentrate to produce a "cleaner" concentrate grade of 33.9% copper with a recovery of 98.2% of the total copper. This secondary concentrate contained a gold grade of 6.9g/t (83.2% recovery) and a silver grade of 377g/t (93.5% recovery).

The Project Promontorio comprises a central group of three granted mining concessions totalling 187 hectares (Promontorio Central) and a surrounding mining concession covering 105km² (Promontorio Regional). Azure has entered into options to purchase 100% ownership of the central tenements by paying to the vendors a total of US\$4.0 million staged over four years, with future ownership unencumbered by any royalties. To date, Azure has paid US\$580,000 in vendor payments. Azure holds 100% ownership of the surrounding Promontorio Regional mining lease.

La Tortuga Joint Venture (Azure 100% - JOGMEC earning 51%)

Copper – Gold - Molybdenum

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 it a 51% interest. The Joint Venture's objective is the discovery of large copper deposits, and promising indications of mineralised porphyry and skarn systems have been found.

During September the joint venture commenced a 5 hole diamond drilling program. Drilling targets were identified by the exploration completed in 1H/2009, including mapping, sampling, geophysics (aeromagnetic, radiometric and IP surveys), and drilling of one diamond core hole (TOR-DD-001).



By the end of the September Quarter three holes were completed and post Quarter-end a further two holes have been drilled, totaling 1,800m. The first two holes tested blind targets identified by coincident, strong aeromagnetic and IP anomalies. The remaining three holes tested the La Tortuga porphyry, with an along strike hole spacing of 500 metres.

In the first hole (TOR-DD-002) significant quantities of magnetite mineralisation were intersected throughout the hole, with no copper mineralisation being observed. The presence of the magnetite is considered sufficient to explain the strong magnetic and IP responses.

The second hole (TOR-DD-003) intersected a brecciated and hydrothermally altered (quartz-calcite-pyrite-iron oxide veinlets) sedimentary sequence containing anomalous, but not economically significant, gold, zinc and molybdenum values. This confirms the presence of a mineralised porphyry system within the district and further follow-up work is warranted.

The third hole (TOR-DD-004) was drilled into the La Tortuga porphyry, targeting an IP high / magnetic low anomaly, coincident with a radiometric anomaly (indicating strongly altered rocks at surface), and strong copper-molybdenum soil geochemistry. The hole intersected intervals of altered porphyry containing strong veinlet stockwork development, with copper oxide and copper sulphide mineralisation recognised (see Figure 4). Assays are awaited.

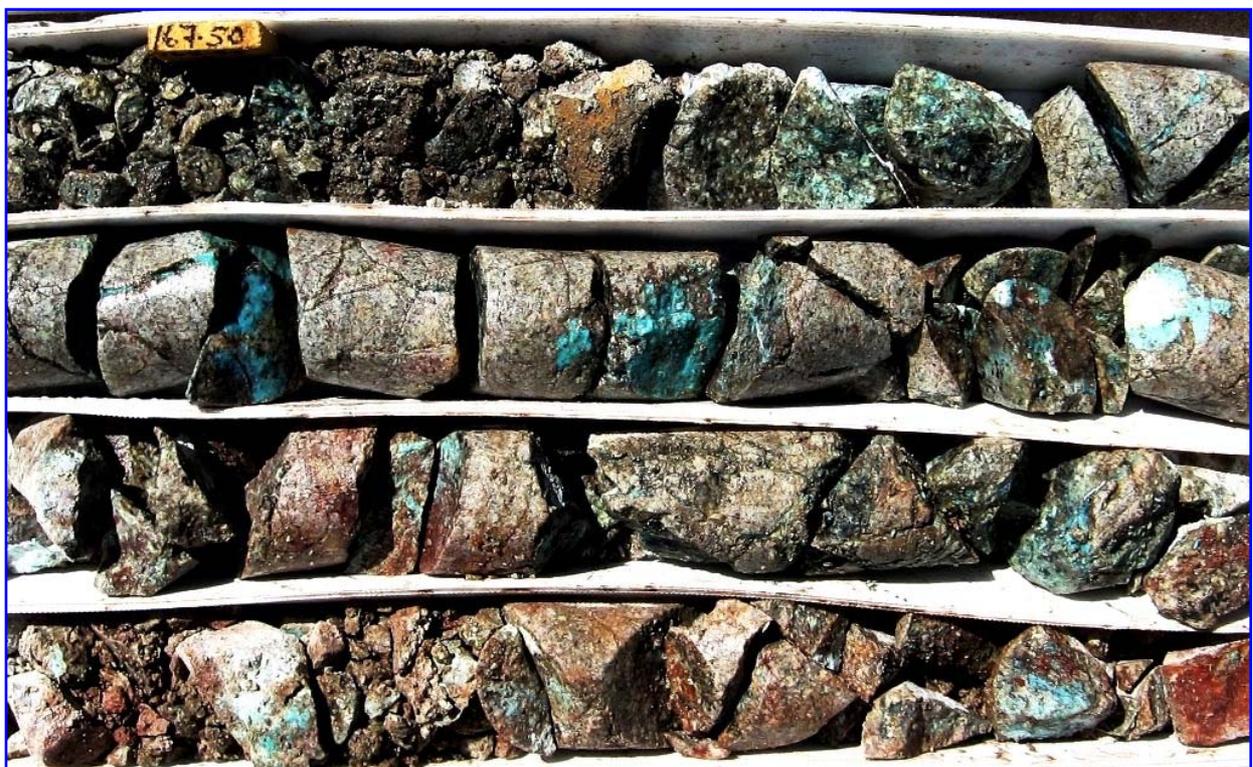


Figure 4: La Tortuga - Copper oxide mineralisation (green-blue) in altered porphyry



Since the end of the Quarter, drill holes TOR-DD-005 and 006 have also been completed, intersecting similar geology as holes TOR-DD-001 and 004. With all four holes drilled into the La Tortuga porphyry intersecting attractive geology, the joint venture has approved the drilling of an extra 500m deep diamond core hole (TOR-DD-007), which is currently in progress.

Background

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.

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.

La Tortuga covers 207km², and is situated only three kilometres east of the El Tecolote copper-zinc-silver mine. The project area is located 90 kilometres northwest of Hermosillo, the capital of Sonora State, where Azure has its exploration and administration base. The Joint Venture is managed and staffed by Azure with technical assistance from JOGMEC.

-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.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(456)	(456)
(b) development	-	-
(c) production	-	-
(d) administration	(220)	(220)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (JV advances)	290	290
Net Operating Cash Flows	(372)	(372)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
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)	-	-
Net investing cash flows	(2)	(2)
1.13 Total operating and investing cash flows (carried forward)	(374)	(374)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(374)	(374)
	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 – capital raising expenses	(31)	(31)
	Net financing cash flows	(31)	(31)
	Net increase (decrease) in cash held	(405)	(405)
1.20	Cash at beginning of quarter/year to date	1,346	1,346
1.21	Exchange rate adjustments to item 1.20	(12)	(12)
1.22	Cash at end of quarter	929	929

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	88
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\$250,000 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	150
4.2 Development	-
Total	150

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	273	203
5.2 Deposits at call	656	1,143
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	929	1,346

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	-		

Appendix 5B
Mining exploration entity quarterly report

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	217,212,489	217,212,489		
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>	2,800,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/11/09
	2,800,000	Nil	\$0.25	30/11/10
	500,000	Nil	\$0.175	30/01/11
	500,000	Nil	\$0.25	30/01/12
	500,000	Nil	\$0.35	30/01/13
	2,450,000	Nil	\$0.15	30/11/09
	1,000,000	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.



Sign here: Date: 28 October 09
(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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