

ACTIVITIES REPORT

For the period ended 30 June 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 testwork 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 nine 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 215,480 hectares (2,155 km²).

Azure Minerals Limited
ABN 46 106 346 918
Level 1, 30 Richardson Street
West Perth WA 6005
Tel: +61 8 9481 2555
Fax: +61 8 9485 1290
Email: tony@azureminerals.com.au

www.azureminerals.com.au

Quarterly Overview

The Board of Azure Minerals Limited (ASX: AZS, "Azure") is pleased to provide the Quarterly Report for the period ended 30 June 2009.

Highlights

Promontorio

Azure completes high level evaluation of the economic potential of Promontorio, which finds that:

- The Promontorio project has potential to be developed and operated at a profit.
- The high grade mineralisation provides a significant positive margin over operating costs.
- There is a noticeable trend of increasing grade with depth.
- Further work to advance Promontorio is in progress.

La Tortuga Joint Venture

- Joint Venture with JOGMEC continues exploration for large porphyry copper deposits on the La Tortuga project (100%-owned by Azure).
- 502 metre deep diamond drill hole containing sulphide mineralisation in strongly altered porphyry returns anomalous copper, molybdenum and zinc.
- Strong IP chargeability anomalies located within an 8km long structural corridor, most likely representing bodies of disseminated sulphide mineralisation.
- Following good results, JOGMEC commits to the second earn-in phase with a budget of US\$600,000.
- Stage 2 exploration underway with geophysical survey, mapping and sampling.
- Further diamond drilling to be carried out in September Quarter.
- Sole-funding by JOGMEC of US\$3.0 million exploration expenditure over 3 years will earn it a 51% interest.

Corporate

- Successfully raised a further \$0.9 million through issuing shortfall shares from the February renounceable rights issue.

Azure's Executive Chairman, Mr Tony Rovira, said that against the backdrop of recent challenging market conditions for resource companies, Azure had been able to continue a substantial amount of value adding activity on its Mexican projects.

"Promontorio continues to advance, with considerable potential upside identified if further mineralisation is successfully defined. Our joint venture partner at La Tortuga is supporting a significant ongoing exploration effort, underscoring the large porphyry potential of the project. We look forward to continuing to deliver further advances to our projects, particularly as market conditions continue to improve," said Mr Rovira.



Projects

Promontorio (Azure right to acquire 100%)

Copper – Gold – Silver

Economic Evaluation

During the quarter, Azure completed a high level evaluation of the economic potential of the Promontorio copper-gold-silver deposit in Chihuahua, Mexico (“**Study**”).

It found that:

1. The Promontorio project has potential to be developed and operated at a profit;
2. Based on typical costs for similar mining projects in Mexico, the high grade of mineralisation provides a significant positive margin over operating costs; and
3. There is a noticeable trend of increasing grade with depth.

The Study is an initial conceptual analysis designed to provide an order of magnitude estimate of capital and operating costs, financial return and overall economic viability.

The Study was based upon the existing Mineral Resources and assumed a selective underground mining operation at approximately 150,000 tonnes per annum followed by treatment using conventional crushing, grinding and flotation technology. This would produce a high grade copper-gold-silver concentrate to be on-sold to a smelter capable of processing the concentrate.

Operating revenue is estimated at US\$236¹ per tonne of processed plant feed. Operating costs are estimated to be approximately US\$96 per tonne of processed plant feed. Capital costs for a standard crushing, grinding and flotation treatment plant, other surface infrastructure and pre-mining development are estimated to be US\$27.3 million.

Using just the current Mineral Resource, the Study indicated an NPV of US\$17 million (using a 7% discount rate). Further cashflow modelling was carried out based on additional mineralisation that is assumed will be discovered through continued exploration. These results provided further encouragement with the NPV increasing to US\$59 million if minable resources are increased to 1 million tonnes, and to US\$92 million if increased to 1.5 million tonnes.

The Study assumed processing tonnages and used preliminary metallurgical data, and as such should be regarded with appropriate caution. This high level Study is early stage and there is no certainty that the estimates of the Study will be realised in the future.

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

¹ Metals prices used: Copper @ US\$2.00/lb, Gold @ US\$875/oz, Silver @ US\$12.40/oz



methodologies are contained in Azure's announcement released to the ASX on 7th January 2009.

The metallurgical testwork program 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.

Promontorio comprises a central group of three granted mining concessions totalling 187 hectares and a surrounding mining concession covering 120km². 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\$450,000 in vendor payments. Azure holds 100% ownership of the surrounding mining concession.

JOGMEC Joint Venture **(Azure 100% - JOGMEC earning 51%)**

Copper - Gold

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 project is managed and staffed by Azure with technical assistance from JOGMEC.

The Joint Venture's objective is the discovery of large copper deposits, and several promising indications of mineralised porphyry and skarn systems have already been found.

Stage 1 exploration, comprising mapping, sampling, an aeromagnetic and radiometric survey, an Induced Polarisation (IP) survey, and one deep diamond drill hole was completed in March. In excess of US\$400,000 was expended with very encouraging results. Five exposed and three buried targets were identified, with Targets A and F being the most advanced at this stage (see Figure 1).

The IP survey was carried out at Target A and identified four strong chargeability anomalies within a northwest trending structural corridor, indicating a significant accumulation of disseminated sulphide mineralisation. The northernmost anomaly is particularly interesting. It is located in an area covered by transported sand and possibly represents a near surface body of sulphide mineralisation of significant size.

The southernmost (and weakest) of the four IP anomalies, was drill tested by the drillhole TOR-DD-001 with encouraging results. TOR-DD-001 encountered disseminated and veinlet sulphide mineralisation hosted in strongly altered porphyry rocks and returned highly anomalous copper, molybdenum and zinc values, confirming the presence of a mineralised porphyry system in this area.



JOGMEC have now committed to Stage 2, the second earn-in phase of the joint venture, which includes further IP surveying to extend the coverage at Target A and commencing a new survey at Target F. Ground magnetic surveys, detailed geological mapping and sampling, and 3 deep (+500m) drill holes will also be undertaken. A budget of US\$600,000 (approximately A\$750,000) has been approved for this program.

Work on the Stage 2 exploration program is in progress. IP surveying has been completed at Target A and is now underway at Target F, and detailed geological mapping and sampling is in ongoing.

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 Mine, (previous production of 1.6Mt @ 1.8% copper, 6.9% zinc and 50g/t silver). 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.

Las Viboras (Azure 100%)

Silver-Lead-Zinc

Azure's regional exploration program in northern Mexico continues to produce exciting results. A reconnaissance trip by the Company's geologist to the Las Viboras project in the state of Coahuila returned excellent values from the initial geochemical sampling program.

Ten rock chip samples were collected, with six returning good grades, including values up to **87.5g/t silver, 21.4% zinc, 1.8% copper and greater than 20% lead.**

Better results from individual samples include:

Sample	Assay Results			
	Silver	Lead	Copper	Zinc
300540	87.2g/t	>20%	<0.1%	3.1%
300542	62.5g/t	0.2%	1.8%	0.3%
300543	43.1g/t	8.4%	0.2%	0.4%
300544	8.2g/t	2.6%	0.4%	1.4%
300545	87.5g/t	7.5%	1.3%	0.1%
300548	36.4g/t	5.3%	<0.1%	21.4%

The Las Viboras concession covers a sequence of Cretaceous and Jurassic limestones that correlate with the limestones hosting large precious and base metal mines at:



- Santa Eulalia (38.5Mt @ 300g/t Ag, 7.3% Zn, 8.8% Pb & 1.5% Sn produced);
- Concepcion del Oro (40Mt @ 1.5g/t Au, 275g/t Ag, 2% Cu, 13% Zn, & 6% Pb produced); and
- Sierra Ramirez (approximately 1Mt @ 3,000g/t Ag produced).

At Las Viboras, high grade silver-lead-zinc sulphide mineralisation has formed manto and chimney bodies by replacing limestone beds immediately beneath thin, relatively impervious shale units, which is similar in style to that at the mines mentioned above. The historical mine workings at Las Viboras have exploited numerous of these bodies, and there is excellent potential for more undiscovered orebodies in this area.

No recent exploration, including modern geophysical and drilling techniques, has been completed within the project area previously. It is considered likely that extensions to the known manto and chimney orebodies, as seen in the old mine workings, exist in the project area, along with further, blind deposits.”

The Company will continue to conduct further low cost exploration at Las Viboras comprising geological mapping and sampling to develop priority targets ready for geophysical surveys and drill testing.

Corporate

Azure successfully raised approximately \$0.9 million in fresh capital through the placement of shortfall securities arising from the renounceable rights issue completed during the March Quarter. Funds will be used to continue advancing the Promontorio project and for general working capital. Azure is strongly encouraged by the continued willingness of the existing shareholders and wider capital markets to support the development of the company’s high quality Mexican portfolio of assets.

-ENDS-

For further information, please contact:

Tony Rovira
Executive Chairman
Azure Minerals Limited
+61 8 9481 2555

Shane Murphy
FD Third Person
+61 8 9386 1233
+61 (0) 420 945 291

Or visit www.azureminerals.com.au

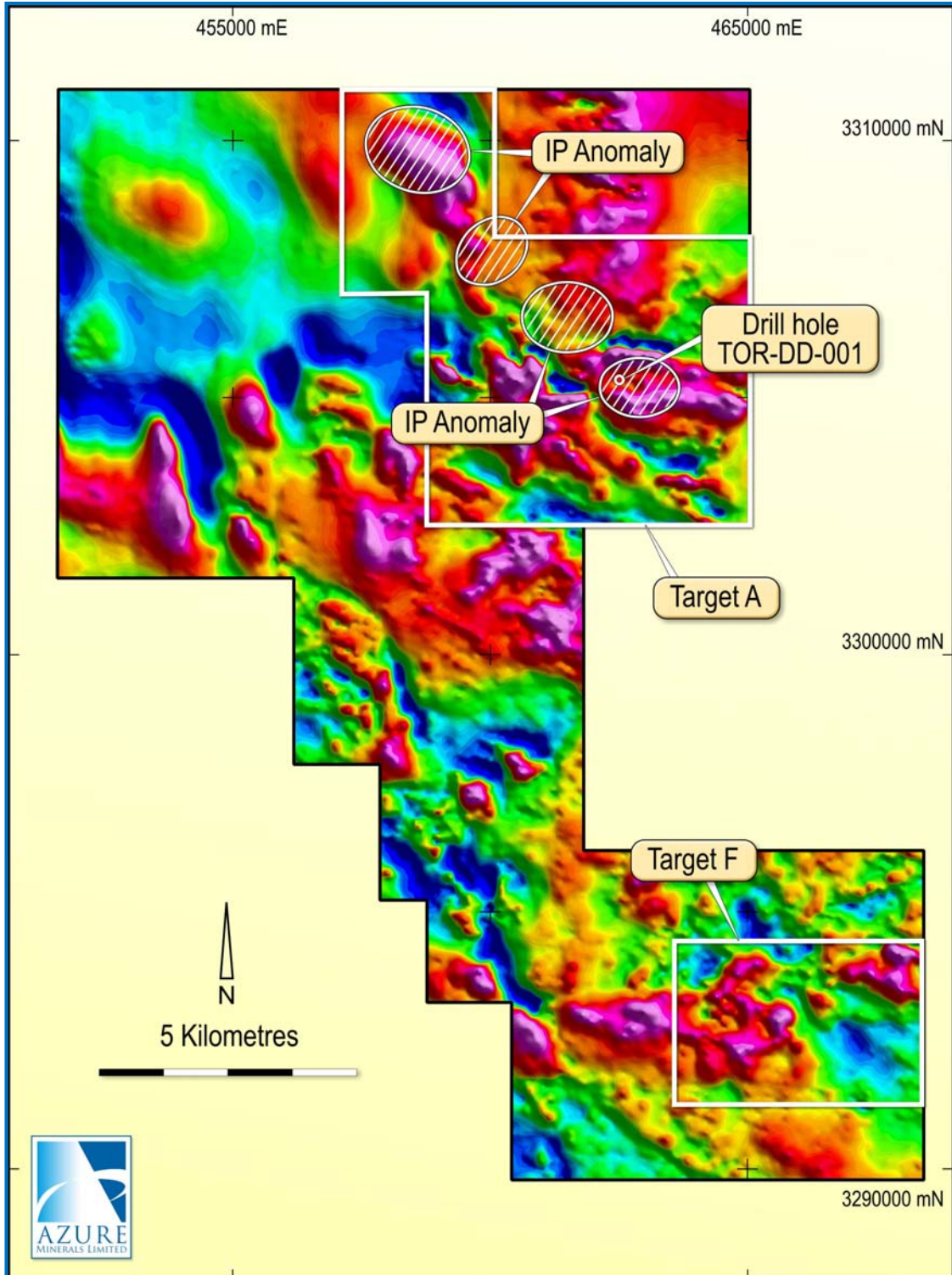
Competent Person Statement:

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.



Figure 1

La Tortuga Project: Magnetic Image with IP Anomalies and Main Targets



Appendix 5B

Mining exploration entity quarterly report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2009

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	(340)	(3,450)
(b) development	-	-
(c) production	-	-
(d) administration	(230)	(1,163)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (JV advances)	260	957
Net Operating Cash Flows	(305)	(3,608)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(206)	(530)
(b) equity investments	-	-
(c) other fixed assets	(10)	(17)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	6	11
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(210)	(536)
1.13 Total operating and investing cash flows (carried forward)	(515)	(4,144)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(515)	(4,144)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	859	4,330
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 – preparation for Canadian listing	-	(103)
	Net financing cash flows	859	4,227
	Net increase (decrease) in cash held	344	83
1.20	Cash at beginning of quarter/year to date	1,101	1,420
1.21	Exchange rate adjustments to item 1.20	(99)	(157)
1.22	Cash at end of quarter	1,346	1,346

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	70
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\$200,000 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	300
4.2 Development	-
Total	300

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	203	254
5.2 Deposits at call	1,143	847
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,346	1,101

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	22,203,000	22,203,000	\$0.04	\$0.04
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				
	200,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/11/09
	200,000	Nil	\$0.25	30/11/10
	300,000	Nil	\$0.175	30/01/11
	300,000	Nil	\$0.25	30/01/12
	300,000	Nil	\$0.35	30/01/13
	500,000	Nil	\$0.15	30/11/09
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: 23 July 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.

== == == == ==