

# AZURE MINERALS LTD

## *Australia's Leading Explorer in Mexico*

ASX: AZS

30 July 2014

### QUARTERLY ACTIVITIES REPORT

### FOR PERIOD ENDED 30 JUNE 2014

#### HIGHLIGHTS:

- Acquired 100% ownership of the Promontorio and El Magistral mineral concessions
- Reached non-binding agreement with a major mining company for an Earn-In and Joint Venture over the Promontorio Project – documentation ongoing
- Premium quality copper concentrate produced from metallurgical testwork at Cascada deposit – readily saleable product identified
- 10 hole, 1,500m diamond drilling program commenced at Cascada post quarter – four holes completed to date and assays awaited
- Completed A\$1.73 million share placement to existing and new investors

The Board of Mexican-focused copper and gold explorer **Azure Minerals Limited** (“Azure” or “the Company”) is pleased to provide its Quarterly Activities Report for the period ended 30 June 2014, a period which has proved to be very productive on both technical and corporate levels.

The Company achieved a major milestone at its flagship Promontorio Project by completing the acquisitions of 100% of both the Promontorio and El Magistral mineral concessions. In addition, positive results were received from metallurgical testwork undertaken on copper mineralisation from the Cascada deposit, and the Company has since commenced a further 10 hole, 1500m diamond drilling program, to test potential along-strike extensions of the mineralised body.

**Azure’s Managing Director, Tony Rovira, commented:** *“The June quarter saw Azure continue to build momentum at its flagship Promontorio Project with the achievement of several key technical and corporate milestones.*

*Finalising the acquisition of 100% ownership of the Promontorio and El Magistral mineral concessions was a significant achievement for the Company. This has provided certainty of Azure’s ownership, which the Company considers vital as it moves towards mine development and/or a potential joint venture.*

*Results from the metallurgical testwork undertaken on the Cascada copper sulphide mineralisation were very encouraging, confirming that a premium quality, readily saleable copper concentrate could be produced from the deposit.*

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*Drilling has now resumed at Cascada, and I look forward to keeping our shareholders updated on the progress and results from this program and on further corporate activity in the coming months."*

### PROMONTORIO PROJECT (AZS 100%)

#### **OVERVIEW**

Azure's flagship project comprises four mineral concessions totalling 10,700ha located in the Sierra Madre province of northern Mexico. The Company has 100% ownership of three of these concessions and the right to purchase 100% ownership of the fourth concession. The Company has identified several different styles of mineralisation, including:

- The epithermal Promontorio and Cascada copper-gold-silver deposits
- Hydrothermal breccias containing high grade gold-copper mineralisation
- Porphyry copper mineralisation beneath Cascada and Promontorio
- Epithermal mineralisation at Risco Dorado, Creston Colorado and Sehue

#### **PROMONTORIO DEPOSIT**

Promontorio was originally viewed as a high grade but relatively small copper-gold-silver deposit. However, following recent exploration success, the Company believes it is now of a scale where it can be considered a potential company-making project.

Work to date at Promontorio has indicated the existence of a variety of styles of precious and base metal mineralisation, which could host deposits ranging from large, bulk-tonnage resources to smaller, high grade bodies. The Company continues to believe that Promontorio will support a large scale, long life mining operation.

#### **CASCADA DEPOSIT**

Cascada is a high sulphidation epithermal copper-gold-silver deposit with mineralised widths up to 40m averaging +5% Copper Equivalent (CuEq<sup>1</sup>) and peak grades of +40% copper.

Mineralisation starts near surface and is open-ended with a strike length in excess of 150m and extending down-dip for over 150m. Azure believes the Cascada deposit could potentially be developed as a bulk-tonnage open pit mining operation or as a selective underground mine.

#### **Metallurgical Testwork**

A 100-kg composite sample of copper sulphide mineralisation from the Cascada deposit was submitted to SGS Minerals Services ("SGS") in Lakefield, Canada for metallurgical testing. The program was conducted under the supervision of

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metallurgist Mr Andrew Holloway, P.Eng.,CEng, of AGP Mining Consultants ("AGP"), based in Toronto, Canada. (Refer to ASX announcement dated 14 May 2014).

The metallurgical testwork program comprised:

- chemical analysis and mineralogical characterisation of the composite sample
- multiple open circuit bench scale tests consisting of two stage, sulphide flotation processing
- two bench scale Locked Cycle Tests
- chemical analysis of final flotation concentrates

Results throughout the testwork process repeatedly returned cleaner concentrate grades of >30% copper. The concentrate also contains high grades of gold and silver while arsenic values were below the commercially important 0.5% threshold.

Metal recoveries were excellent with all tests demonstrating that >90% of the copper, and most of the gold and silver, report to the sulphide concentrate. A small proportion of the gold and silver associated with pyrite was rejected at the cleaner flotation stage.

Grade and recovery details for the two Locked Cycle Tests are shown in Table 1.

**TABLE 1: METALLURGICAL TESTWORK RESULTS**

	<b>Composite Head Grade</b>	<b>Cleaner Concentrate</b>	<b>Locked Cycle Test #1</b>	<b>Locked Cycle Test #2</b>
<b>Mass</b>	<b>100%</b>	<b>Recovery (%)</b>	<b>7.7</b>	<b>6.8</b>
<b>Copper</b>	<b>2.72%</b>	<b>Grade (%)</b>	<b>32.8</b>	<b>37.7</b>
		<b>Recovery (%)</b>	<b>93.7</b>	<b>93.2</b>
<b>Gold</b>	<b>1.24ppm</b>	<b>Grade (ppm)</b>	<b>12.5</b>	<b>15.2</b>
		<b>Recovery (%)</b>	<b>75.8</b>	<b>75.1</b>
<b>Silver</b>	<b>35.8ppm</b>	<b>Grade (ppm)</b>	<b>398</b>	<b>470</b>
		<b>Recovery (%)</b>	<b>83.4</b>	<b>82.8</b>
<b>Arsenic</b>	<b>0.04%</b>	<b>Grade (%)</b>	<b>0.44</b>	<b>0.49</b>
		<b>Recovery (%)</b>	<b>89.3</b>	<b>89.7</b>

To identify the component minerals of the Cascada ore and their relative abundance, a QEM-ARMS (Automated Rapid Mineral Scan) mineralogical analysis was completed on the flotation feed composite sample material. Sulphide minerals

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comprised pyrite (9.3%), chalcocite (2.9%), bornite (0.7%), chalcopyrite (0.2%) and enargite (0.1%).

Overall, results from this metallurgical testwork confirm that a high quality copper concentrate with high metal recoveries is achievable through a conventional sulphide flotation process. AGP has made recommendations for future metallurgical testwork to further refine and improve the flotation process, as well as to include some variability samples.

Importantly, the arsenic grades of <0.5% in the Cascada concentrate are considerably lower than for the Promontorio concentrate. This suggests that a readily saleable product could be produced from Cascada alone or as a Cascada-Promontorio blend.

### **Diamond Drilling Program**

Post the end of the quarter, Azure commenced a 10 hole, 1,500m diamond core drilling program at Cascada, as part of the next phase of exploration at the deposit.

Key objectives of this drilling program are to:

- Test the westerly and easterly strike extensions of the Cascada copper-gold-silver deposit
- Finalise data requirements for the maiden Cascada mineral resource estimate
- Follow-up the exciting breccia-hosted high grade gold mineralisation previously intersected to the west and south of Cascada (refer to ASX announcement dated 12 February 2014):
  - **42m @ 2.5g/t Au (APR-DD-110)**
  - **18m @ 6.6g/t Au (APR-DD-111)**

Located only 200 metres northwest of the Promontorio deposit (see Figure 1), the Cascada mineralised body strikes northeast-southwest with a moderate northwesterly dip. Drilling to date has yet to define the boundaries of Cascada and this drilling program will test potential strike extensions of the mineralised system.

Several holes will also be drilled to follow up the gold-rich hydrothermal breccia mineralisation intersected in the previous drilling program. Hole APR-DD-110 intersected **150m @ 1.5g/t Au, including 42m @ 2.5g/t Au** at the bottom of the hole. The first task of the current program will be to re-enter hole 110 and extend it for a further 40-50m to determine the extent of the mineralisation in this hole. Additional holes will test along strike and up/down dip extensions.

The drilling program is expected to take three weeks to complete, with results expected over the following 3-4 weeks. Following completion of the drilling and receipt of all assays and bulk density results, the Company will commence the estimation of a JORC-compliant Mineral Resource.

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Figure 1: Promontorio and Cascada deposits and Risco Dorado prospect, overlying ground magnetic image. Long Section A-B is shown in Figure 2

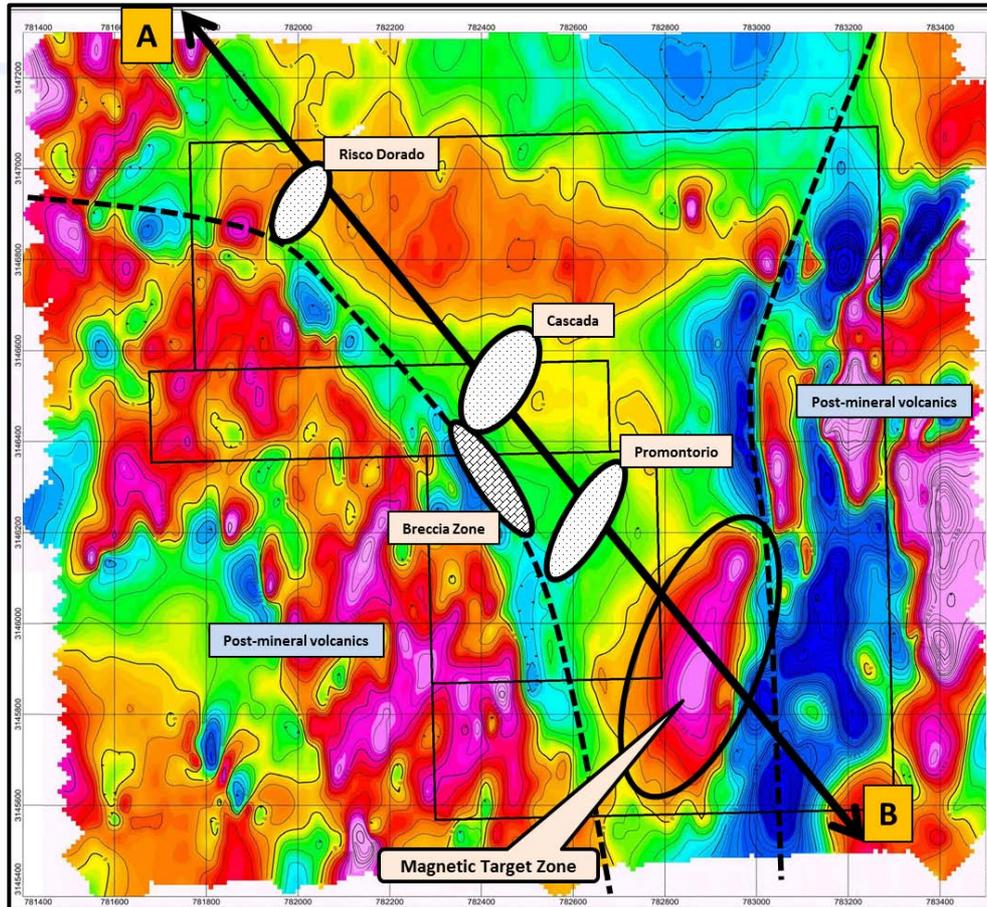
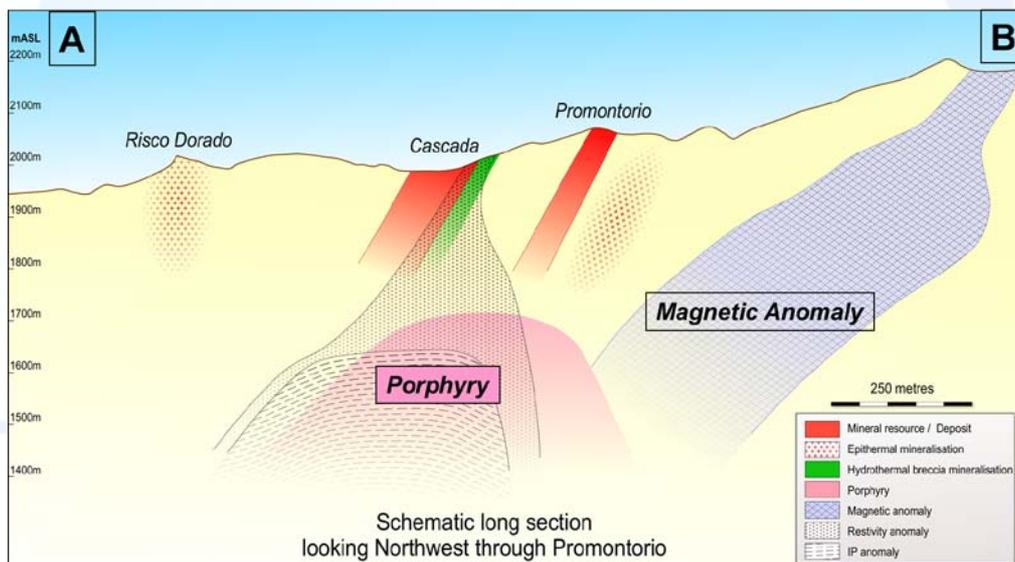


Figure 2: Promontorio Long Section A-B



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### CORPORATE

#### **Securing 100% Ownership of Mineral Concessions**

During the quarter, Azure completed the acquisition of 100% ownership of the Promontorio and El Magistral mineral concessions and negotiated a 24 month extension of the agreement covering the Hidalgo concession (refer ASX announcements on 29 April and 26 June 2014).

In order to secure and confirm 100% ownership of the Cascada deposit, the Company exercised its option to purchase the Promontorio concession, making the final option payment to the vendors of US\$750,000 plus taxes.

Azure further solidified its position by purchasing 100% ownership of the El Magistral concession, which hosts the emerging Risco Dorado copper prospect and covers the along-strike mineralised trend of the Promontorio and Cascada deposits.

This acquisition involved paying one of the two vendors US\$540,000 while concurrently entering into a new agreement with the second vendor. Under this new agreement, the Company will make four half-yearly payments of US\$50,000 with a final payment of US\$370,000 due in June 2016, totalling US\$570,000.

The Company also reached an agreement with the vendors to extend the Hidalgo contract for a further two years. Terms of the revised agreement are largely the same, with Azure continuing to make half-yearly payments of \$75,000 for a further two years, with a final payment of US\$600,000 due in April 2016.

#### **Potential Earn-In and Joint Venture on Promontorio**

Azure previously reported (refer ASX announcement 7 April 2014) that it had received several unsolicited approaches from major and mid-tier mining companies requesting to visit Promontorio with a view to investigating potential farm-in opportunities. Due to Confidentiality Agreements in place, Azure is not at liberty to identify these parties.

The interest in Promontorio shown by these companies was initiated by Azure's discovery of copper-mineralised porphyry at depth beneath the Cascada deposit, demonstrating the potential of this project to host large copper deposits.

During the June Quarter, Azure reached non-binding agreement on commercial terms with its preferred joint venture partner. The negotiation and documentation process is continuing.

#### **Share Placement**

In April, the Company placed approximately 64.20 million fully paid ordinary shares at \$0.027 each to raise approximately \$1.733 million. In addition, under the terms of

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the Share Placement one free attaching option exercisable at \$0.045 each (expiring on 30 November 2016) was awarded for every 8 shares allotted in the placement.

The placement was made to institutions and professional and sophisticated investors, all domiciled outside of Australia. Azure's largest shareholder, Drake Private Investments LLC, a prominent New York based investment fund participated in the placement.

Funds generated through the placement are being used to continue the ongoing exploration programs at Promontorio and Cascada, in conjunction with working capital requirements.

### **Conferences**

Managing Director Tony Rovira attended and presented at both the Australian Copper Conference in Brisbane and the Latin America Down Under Conference in Sydney. Presentations from both conferences are available on the Company's website at [www.azureminerals.com.au](http://www.azureminerals.com.au).

**-ENDS-**

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### **Competent Person Statement**

*Information in this report that relates to previously reported Exploration Results has been cross-referenced in this report to the date that it was reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement.*

### **Copper Equivalency Statement:**

- *Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date: US\$3.25/lb for Cu, US\$1,450/oz for Au and US\$27.50/oz for Ag.*
- *The CuEq grade accounts for the following metal recoveries, which were based on metallurgical testwork completed on the adjacent Promontorio deposit by independent metallurgical laboratories AMDEL and Ammtec, under the supervision of Coffey Mining Pty Ltd: 97.9% for Cu, 93.4% for Au, and 97% for Ag.*
- *It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.*
- *The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.979) + (Au (g/t) x 0.6077) + (Ag (g/t) x 0.0120)*



# Appendix 5B

## Mining Exploration Entity Quarterly Report

Name of entity

**Azure Minerals Limited**

ABN

46 106 346 918

Quarter ended ("current quarter")

30 June 2014

### 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	28	(1,723)
	(a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	(312)	(1,287)
	(d) administration	-	-
1.3	Dividends received	7	37
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	-	-
1.7	Other - JV advances	-	66
<b>Net Operating Cash Flows</b>		<b>(277)</b>	<b>(2,907)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:	(1,958)	(2,164)
	(a) prospects	-	-
	(b) equity investments	(10)	(11)
	(c) other fixed assets	-	-
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>(1,968)</b>	<b>(2,175)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(2,245)</b>	<b>(5,082)</b>

**Appendix 5B**  
**Mining Exploration Entity Quarterly Report**



1.13	Total operating and investing cash flows (brought forward)	(2,245)	(5,082)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,707	3,708
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	-	-
	<b>Net financing cash flows</b>	1,707	3,708
<b>Net increase (decrease) in cash held</b>			
		(538)	(1,374)
1.20	Cash at beginning of quarter/year to date	1,557	2,386
1.21	Exchange rate adjustments to item 1.20	(40)	(33)
1.22	<b>Cash at end of quarter</b>	979	979

**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	108
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The positive figure for exploration during the quarter reflects a receivable for IVA (The Mexican equivalent of GST) being received during the quarter.

**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

N/A

### 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	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>600</b>

### 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	921	1,499
5.2 Deposits at call	58	58
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>979</b>	<b>1,557</b>

### Changes in interests in mining tenements

Refer to Annexure 1 for full list of 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	El Magistral - 218881	Owned	Option	100%

### 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)	Amount paid up per security (see note 3)
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>	779,026,491	779,026,491		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	64,799,999 1,000,000	64,799,999 1,000,000	\$0.027 \$0.020	\$0.027 \$0.020
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>	3,000,000 17,273,611 25,000,000 25,924,075	Nil Nil Nil Nil	<i>Exercise price</i> \$0.049 \$0.020 \$0.058 \$0.045	<i>Expiry date</i> 30/11/14 30/09/14 30/06/17 30/11/16
7.8 Issued during quarter	25,924,075	Nil	\$0.045	30/11/16
7.9 Exercised during quarter	1,000,000	Nil	\$0.020	30/09/14
7.10 Expired during quarter	-			
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.

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

Sign here: ..... Date: 30 July 2014  
(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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**Annexure 1**  
**Schedule of interests in mining tenements**

<b>Project</b>	<b>Common Name</b>		<b>Tenement</b>	<b>Percentage held / earning</b>
Pozo de Nacho	Pozo de Nacho	All Minerals	222873	100%
	Pozo de Nacho 2 - Fracc. 2	All Minerals	225058	100%
La Tortuga	La Tortuga	All Minerals	230422	100% <sup>1</sup>
	La Tortuga II	All Minerals	233462	100% <sup>1</sup>
El Tecolote	El Tecolote	All Minerals	230771	100%
	El Tecolte III	All Minerals	234586	100%
Promontorio	Hidalgo	All Minerals	235270	100% <sup>1</sup>
	Promontorio	All Minerals	235269	100%
	El Magistral	All Minerals	218881	100%
	Promontorio Regional	All Minerals	234447	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%
Loreto	Loreto	All Minerals	TBA	100%

1. Azure has an option to purchase 100%