



# ACTIVITIES REPORT

For the period ended 30 June 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.

The Board of Azure Minerals Limited (ASX: AZS, "Azure") is pleased to provide the Quarterly Report for the period ended 30 June 2010.

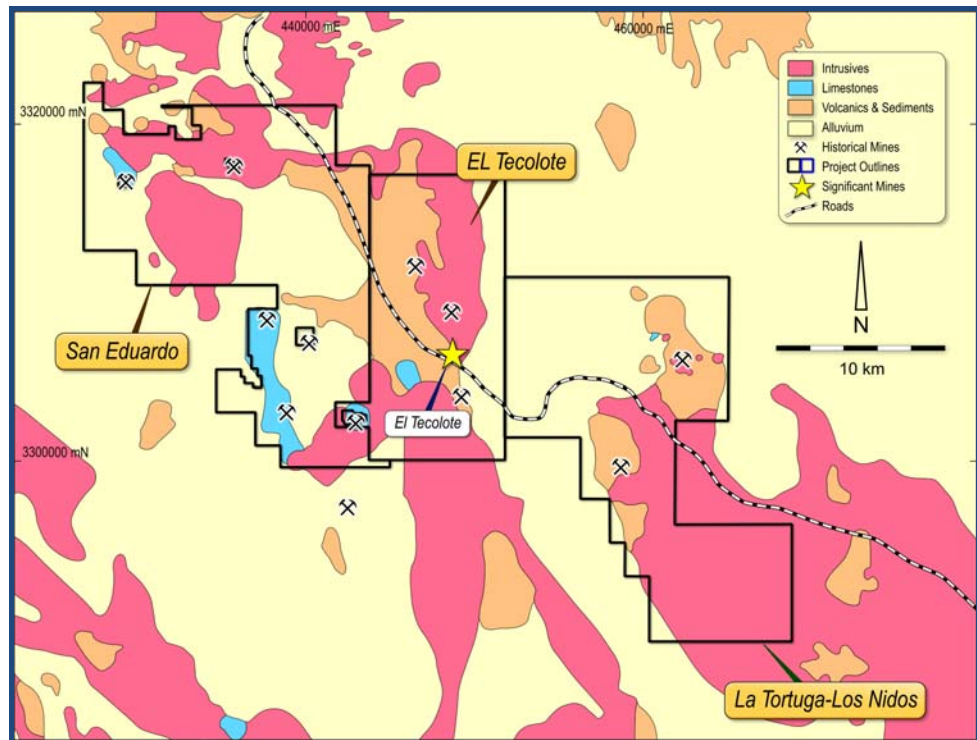
## Highlights

### Corporate

- Azure successfully completes a \$5.0 million capital raising.
- Azure's enters into an option to sell its 100%-owned Tabisco Project to Canadian company StoneShield Capital Corp.

### Projects

- Exploration commences on the San Eduardo Project, with joint venture partner OZ Minerals Ltd earning a 70% interest by sole-funding US\$13 million over 8 years.
- Exploration continues on the La Tortuga Project, with joint venture partner JOGMEC earning a 51% interest by sole-funding US\$3 million over 3 years.
- Copper exploration commences on the El Tecolote Project.



- At Promontorio, Azure is preparing an Environmental Impact Statement to submit to the Mexican Federal Government for approval to undertake further drilling.



## PROJECTS

### San Eduardo Joint Venture

**Copper-Gold**

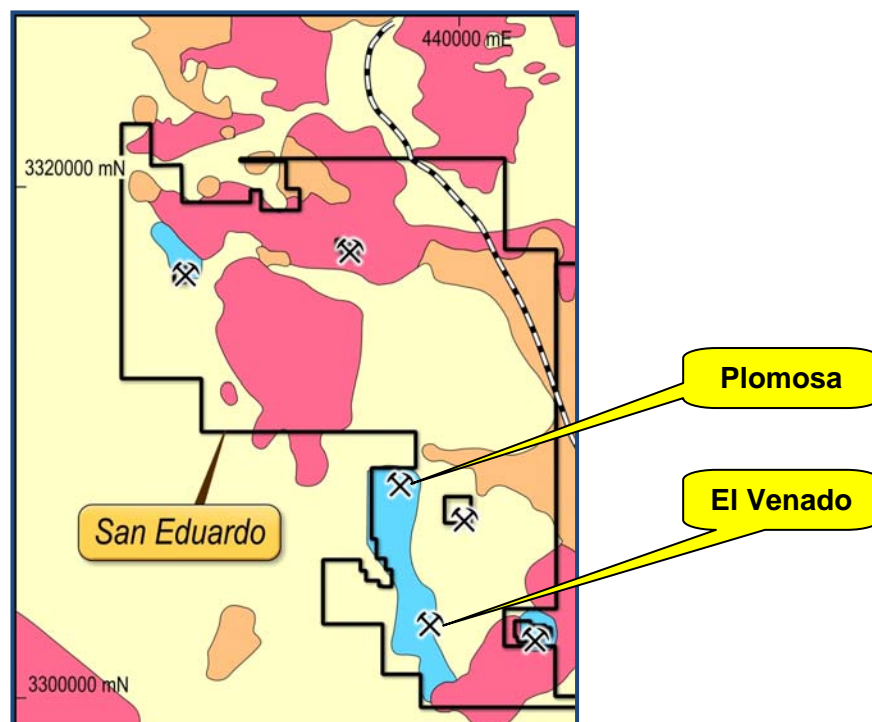
**(Azure 100% - OZ Minerals earning up to 70%)**

The first phase of exploration of the OZ Minerals – Azure joint venture commenced during the Quarter, with helicopter-borne magnetic and radiometric surveys, geological mapping and sampling carried out.

This identified two areas, El Venado and Plomosa, as having potential to host significant porphyry and skarn copper mineralisation. A total of 156 rock and stream sediment samples were collected, returning grades up to 3.24% Copper and 11.30% Zinc. Further exploration on these prospects will comprise Induced Polarisation surveys followed by drilling, which will be undertaken during the second half of 2010. Meanwhile, the program of reconnaissance mapping and sampling will continue in the northern half of the property.

During the Quarter, the San Eduardo Joint Venture property was increased by staking two additional areas, with the project area now covering 238km<sup>2</sup>. 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).

To earn an initial 51% interest in San Eduardo, OZ Minerals must spend US\$3 million over 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.







## La Tortuga Joint Venture

**Copper-Gold**

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

Phase III of the La Tortuga Joint Venture exploration program commenced during the Quarter. This work focused on prioritising drill targets in the western part of the La Tortuga Porphyry where outcropping, strongly altered porphyry is associated with enhanced geophysical anomalism. Diamond drilling is expected to commence in the September Quarter.

Previous drilling of the La Tortuga porphyry intersected copper oxide, copper sulphide and molybdenum mineralisation hosted within strong phyllic (quartz-sericite-pyrite) alteration and stockworked quartz veining, and included an interval of **159.6m @ 0.2% copper and 0.2% zinc** from surface, with the bottom **26.9m** returning **0.5% copper, 0.4% zinc & 12g/t silver**.

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.

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%)**

As a portion of the Promontorio project area is located within the boundaries of a "Protected Natural Area" (an "ANP"), and the project is advancing towards development, the Environment Department ("SEMARNAT") of the Mexican Federal Government has requested Azure submit an Environmental Impact Statement ("EIS") before approval is given for the next stage of drilling and project development.

Clifton Associates Ltd, Mexico's largest environmental consultancy, has been engaged by Azure and has commenced work on this EIS study which is expected to take about 2-3 months to complete. Upon submission of the EIS, SEMARNAT has 60 days in which to issue its resolution.

Exploration and mining activities are permissible within ANP's, and Azure has received correspondence from the Regional Director of the Environment Department, that "the Promontorio project is being considered from the standpoint of the applicable legislation as positive to be developed".



Azure's environmental consultants have commented, "Environmentally, the proposed site is not inconsistent with any other regulation of use of land in force, so no limitation is expected under such issue."

In addition to this environmental work, Azure has continued other activities towards the development of the Promontorio Project. The Company prepared a quantity of concentrate sufficient to be provided to smelters interested in purchasing the Promontorio concentrate. Two smelters requested sample parcels for smelting evaluation testwork. Azure will report more fully on these activities and discussions when completed.

## El Tecolote

## Copper-Zinc-Silver

(Azure 100%)

This 138km<sup>2</sup> property contains the skarn-hosted El Tecolote Copper-Zinc-Silver Mine, a significant mining and processing venture operated in the periods 1939-1944 and 1978-1984. Historical production is recorded as **1,405,396 Tons @ 1.93% Cu, 7.02% Zn & 47g/t Ag**. Production ceased due to low metals prices with unmined copper and zinc mineralisation remaining around the old mine workings, with further potential existing along strike and at depth. No modern exploration has been undertaken around this mine.

Elsewhere within the property there is potential for porphyry copper mineralisation, with the recently discovered, altered and mineralised Tecolote Porphyry, surfacing over a 2.5 x 2km area. First stage geochemical sampling by Azure returned very encouraging results from rock chip and stream sediment sampling. Numerous significant copper values were returned, including 2.4%, 0.98% and 0.44%, hosted within strong phyllic altered zones which increase in intensity towards the north and northeast of the outcropping portion of the porphyry. Anomalous values of zinc and molybdenum are coincident with the elevated copper values, indicating the potential for this mineralized porphyry outcrop to be part of a major porphyry copper system.

Azure is considering various exploration options for this property.

## Estacion Llano

## Gold

(Azure 100%)

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.



## CORPORATE

Despite the volatility in the global financial markets during the June Quarter, Azure and its financial advisors and joint lead managers RFC Corporate Finance Ltd and Southern Cross Equities Ltd, were very pleased to successfully raise in excess of A\$5 million to continue the Company's exploration activities in Mexico. This will enable Azure to implement significant exploration activities on its 100%-owned properties, while continuing to advance San Eduardo and La Tortuga by using joint venture funding.

Azure continued to add value to its non-core properties by entering into an option to sell its 100%-owned Tabisco Project to the Canadian junior company StoneShield Capital Corp (TSX-V: STS). To acquire the option, which is open for six months, StoneShield has issued 100,000 of its shares to Azure. To exercise the option StoneShield must pay Azure US\$100,000 and issue a further 300,000 StoneShield shares. The option period may be extended for up to a further two years by making a series of additional share issues to Azure at six monthly intervals. StoneShield will commence exploration at Tabisco within the next few weeks.

-ENDS-

**For further information, please contact:**

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

Or visit [www.azureminerals.com.au](http://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.*

# Appendix 5B

## Mining Exploration Entity Quarterly Report

Name of entity

<b>Azure Minerals Limited</b>
-------------------------------

ABN

46 106 346 918
----------------

Quarter ended ("current quarter")

30 June 2010
--------------

### Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
<b>Cash flows related to operating activities</b>	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(285)	(1,456)
(b) development	-	-
(c) production	-	-
(d) administration	(88)	(848)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (JV advances)	229	872
<b>Net Operating Cash Flows</b>	<b>(141)</b>	<b>(1,403)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(214)	(423)
(b) equity investments	-	-
(c) other fixed assets	(2)	(3)
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>(216)</b>	<b>(426)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(357)</b>	<b>(1,829)</b>



1.13	Total operating and investing cash flows (brought forward)	(357)	(1,829)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,781	5,810
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	(17)	(95)
	<b>Net financing cash flows</b>	4,764	5,715
	<b>Net increase (decrease) in cash held</b>	4,407	3,886
1.20	Cash at beginning of quarter/year to date	820	1,346
1.21	Exchange rate adjustments to item 1.20	16	11
1.22	<b>Cash at end of quarter</b>	5,243	5,243

**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\$50,000 towards its US\$3million earn-in in the Los Nidos – La Tortuga joint venture and OZ Minerals contributed US\$150,000 towards its initial US\$3 million earn-in in the San Eduardo 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	400
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	600

### 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	476	146
5.2 Deposits at call	4,767	674
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	5,243	820

### 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>	343,217,666	343,217,666		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	100,005,177	100,005,177		
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
	800,000	Nil	\$0.25	Various dates
7.8 Issued during quarter				
7.9 Exercised during quarter				
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.



Sign here: ..... Date: 29 July 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.

== == == == ==