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Azure Minerals Limited 08 Sep 10

AZS

AUD \$0.04



All cashed up and ready to explore

At the end of 2Q10 the company had A\$5.2 million in cash and is well positioned to explore the its 100% owned projects in Mexico. Azure is hunting in elephant country and with metal prices rising again some of its prospects look very interesting. In addition, the company has started exploring the San Eduardo project which is being funded by JV partner OZ Minerals.

At this juncture it is worth noting the company's thesis for focussing its efforts on Mexico. Not only is the geology excellent for the potential discovery of large copper-gold and/or polymetallic ore deposits, but there are other good reasons.

Australia is sliding down the scale of good countries to explore in. Talk of an excess mining profit tax has not helped but in Western Australia for example, there are considerable hurdles placed in front of explorers before carrying out the most basic of exploration tasks. Getting sign-offs for one thing or another frequently leads to inordinate delays. This is making companies look at other jurisdictions whether it be Mexico, Mongolia, Africa or South America.

Sovereign risk in Mexico is low and Mexico is ranked as one of the most favourable countries in which to invest in mineral exploration. Mexico has a flat Corporate Tax rate, a maximum of 35%, and no mining royalties are paid.

All of Azure's projects are in the State of Sonora in the Sierra Madre Occidental province of north western Mexico. This is a major metallogenic province with legacy production of 40 million ounces of gold, 2 billion ounces of silver and base metals. Mexico has 500 years of mining history and the industry is well supported by government and the people.

Azure says that "Mexico has strong environmental laws and regulations, and a commitment to uphold them. Mining companies that follow Mexican laws and internationally accepted environmental practices can expect their development projects to advance without undue interference or delay."

With respect to Mexico's Mining Law, the granting of a Mining Concession gives the holder both exploration and exploitation rights for a term of 50 years from the date the exploration concession was registered. There are certain costs and taxes that have to be paid to keep a Concession in good order.

The Government of Mexico does not restrict foreign ownership of Mexican companies; but foreign companies exploring and mining in Mexico must be in a JV with a Mexican company, or operate through a Mexican subsidiary. Azure Minerals operates in Mexico through its 100% owned Minera Piedra Azul SA de CV.

The company has only recently raised significant funds; until now the exploration activities of the company have been restricted. The news flow will increase during 2H10 and continue in 2011.

The market is only valuing the mining prospects at A\$10 million and considering that OZ Minerals is spending US\$3 million over three years to earn a 51% interest in San Eduardo, the other projects are not valued at much and include La Tortuga where JOGMEC is earning a 51% interest by spending US\$3 million. Diamond drilling a Tortuga is about to get underway.

SHARE PRICE CHARTS AND COMMENTS:

Azure Minerals tested the 3 cents region in April. Previously, this region has resulted in Azure bouncing off strongly, which has been the case on a number of occasions as highlighted by the orange ellipse on the daily chart. In effect, a very move higher resulted which saw a swift move higher towards the 11.5 cents on May 3. This represents a gain of 8.1 cents or 238.24%, which marks a substantial increase.

Azure has since corrected a vast portion of the upward move and is currently testing support at the 50 period moving average (green line) at 4 cents. Overhead resistance is located at the 200 period moving average (red line) at 4.7 cents.

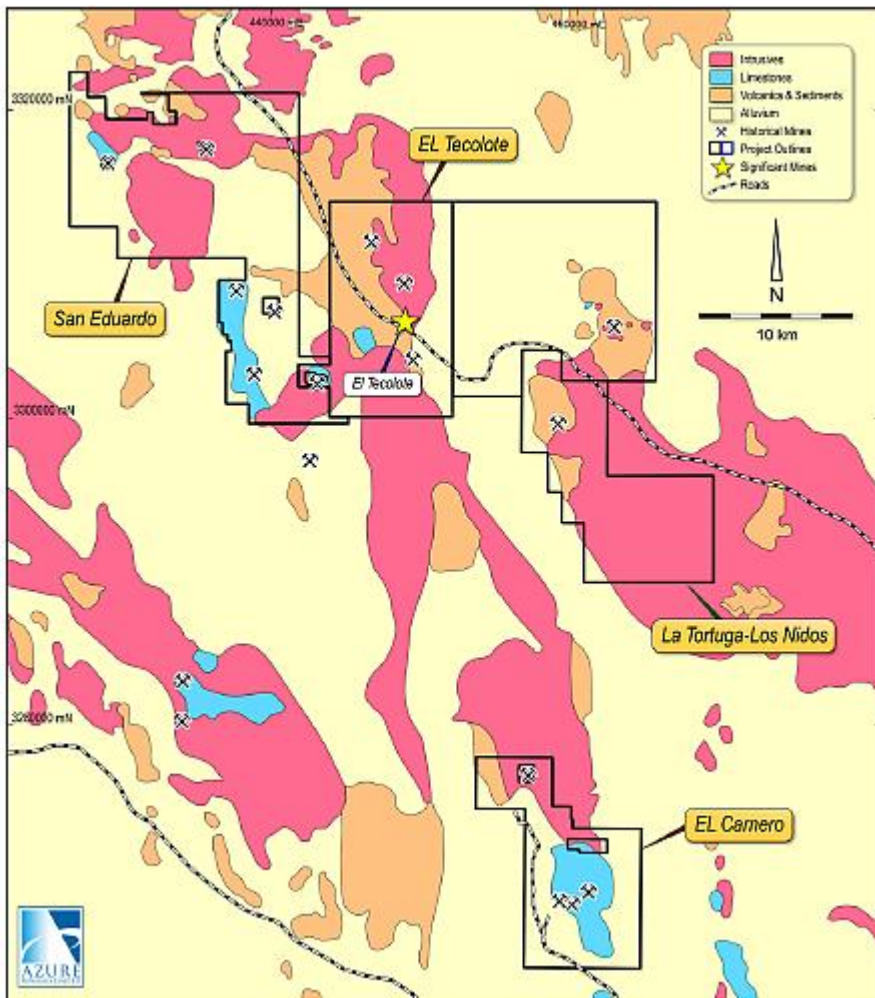


The weekly chart depicts the break of the downtrend line in place since 2007, which is a bullish sign. Should Azure break above the 39 week moving average (green line) at 4.7 cents this would result in a boost of upward momentum and signal the emergence of an upward trend.



STATE OF PLAY

Just to recap the JV with OZ Minerals, the deal is that to earn a 70% interest in San Eduardo, OZ has to sole-fund US\$13 million over eight years. The expenditure requirement for the first year is not onerous, just US\$0.3 million. Azure is the operator for San Eduardo and is no doubt being watched carefully by OZ Minerals to see whether more deals are done with Azure over other projects. A map of the project area is shown in the next figure taken from a company presentation.



The first phase of exploration is underway, starting with helicopter magnetic and radiometric surveys. At the same time field crews are mapping and sampling. Two areas have been identified with potential for porphyry copper and skarn mineralisation. At the time of the June quarter report, 156 rock and soil samples had been collected; the highest assays returned 3.24% copper and 11.3% zinc. Azure has staked more ground at San Eduardo that now has an area of 238 square kilometres.

Mapping and sampling will continue in 2H10 and IP surveys will be completed to help define the best targets for drilling. Azure expects to begin drill testing targets in the second half of this year. We would be very surprised if drilling did not produce encouraging results.

During the June quarter Phase-3 exploration of the La Tortuga JV started. Copper and molybdenum mineralisation has been observed in a strongly altered zone with stockwork veining. The style of alteration at La Tortuga is similar to that found at many porphyry deposits.

A previous drill hole at La Tortuga intercepted a broad zone, 159.6 metres, with an average grade of 0.2% copper and 0.4% from surface. This bottom 26.0 metres of this hole averaged 0.5% copper, 0.4% zinc and 12 g/t silver. This project is also managed by Azure with technical assistance from JOGMEC.

Diamond drilling is scheduled to commence during 3Q10; good drill results would be a catalyst for re-rating the company's share price.

The company is delayed in exploring its 100% owned Promontorio prospect. The project is

within the boundaries of a Protected Natural Area and the Government has asked Azure to prepare an Environmental Impact Statement (EIS) before the next stage of drilling and project development. This is expected to take 2-3 months to complete.

A resolution will be made within 60 days of lodgement of the EIS. Companies are allowed to explore and mine within Protected Natural Areas. The company believes that its correspondence with government concerning the matter has been positive.

Soil and rock chip sampling programs at the 100% owned El Tecolote project have returned positive results. Anomalous values of zinc and molybdenum are coincident with elevated copper assays grading as high as 2.4%.

The company also has to explore the skarn hosted El Tecolote copper-zinc-silver mine. This mine was worked over two periods and last mined in 1984. Historical production was 1.4 million tonnes at 1.93% copper, 7.02% zinc and 47 g/t silver. At current metal values this is high grade ore and the deposit is open at depth and along strike.

El Tecolote has the hallmarks of a large porphyry copper system. Azure does not have the financial strength to fund a major exploration effort at El Tecolote. Azure is looking at the various options to fund a major exploration program. Perhaps a second JV deal with OZ Minerals?

Now that the company has cash in the bank it is making plans to test the theory that the 1.3 million ounce San Francisco gold mine extends eastwards onto the company's 100% owned Estacion Llano prospect.

Over the next 6-9 months there is going to be a lot of news flow from Azure. With major exploration activity on four fronts the outlook for shareholders is exciting. With exploration still in its early stages the risk to reward ratio is excellent and we are recommending the stock as a speculative BUY for Members without exposure.

Snapshot AZS

Azure Minerals

Azure is an explorer and developer of precious and base metal projects in Mexico. The company is exploring in the richly-mineralised Sierra Madre Occidental mining province in northern Mexico, and is expanding its activities to other mining districts in northern Mexico. Azure currently holds nine 100%-owned projects and 13 projects in joint venture with TSX-V listed Geoinformatics Exploration Inc, in which Azure has earned an initial 51% interest. The entire project portfolio now covers an impressive area of 186,200 hectares (1,862 km²). Drilling has intersected promising mineralisation in copper, gold, silver, zinc, lead and molybdenum. The company's flagship project at present is the Promontorio Project in the state of Chihuahua, which has the potential for small-scale, high-grade mining.

Market Capitalisation	A\$14.8m
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