



AZURE
MINERALS LIMITED



ACTIVITIES REPORT

For the period ended 31 March 2011

Azure Minerals Ltd is an Australian mineral exploration company focused on developing mining projects in Mexico. The Company operates in the richly mineralised Sierra Madre Occidental mining province in northern and central Mexico.

Azure currently holds 100%-ownership of 12 projects covering an impressive area of 1,380 km² 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.

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.

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

Azure Minerals Limited (ASX: AZS, "Azure") the Mexican focussed precious and base metal explorer is pleased to provide its Quarterly Report for the period ended 31 March 2011.

HIGHLIGHTS

Corporate

- \$4.5 million capital raising successfully completed
- Agreement reached with Japan Oil, Gas and Metals National Corporation ("JOGMEC")
- JOGMEC to earn up to a 70% interest in the El Tecolote Project by sole funding \$13 million of exploration expenditure over 6 years

Projects

- Environmental Impact Statement for drilling on Promontorio Project approved by the Federal Ministry of Environment and Natural Resources
- 6,000m diamond drilling program to test extensions of the high grade copper-gold-silver deposit at Promontorio scheduled to commence late April 2011
- Technical due diligence evaluation of the proposed acquisition of the San Francisco Manganese Project in Jalisco, Mexico continues
- Diamond drilling program at Reyna del Cobre copper-zinc prospect completed - multiple mineralised skarn zones intersected in all drill holes with a best intercept of **11.0m @ 1.3% Copper, 3.0% Zinc, 7.1g/t Silver, 17.2g/t Indium & 31.9% Iron.**
- Diamond drilling in progress on San Eduardo Project, where joint venture partner OZ Minerals may earn a 70% interest by sole-funding US\$13 million over 8 years
- Airborne and ground geophysics and diamond drilling to commence shortly at El Tecolote



PROJECTS

PROMONTORIO

Copper - Gold - Silver

Promontorio Central (Azure has right to acquire 100%)

Promontorio Regional (Azure 100%)

Azure announced during the Quarter that it had received approval from the Mexican Federal Government to continue with its next stage of drilling on the Promontorio Project ("Promontorio"). This approval allows Azure to operate in all areas where the land surface has undergone disturbance through previous exploration, mining or forestry activities.

Exploration will now recommence at Promontorio, with a 6,000m program of up to 40 diamond drill holes scheduled to begin in late April 2011.

Promontorio contains a JORC Code mineral resource (Indicated + Inferred) of:

502,000 tonnes @ 4.7% Copper, 2.1 g/t Gold and 99 g/t Silver

The deposit remains open in all directions and Azure believes that drilling along strike to the north and south, as well as deeper drilling of the depth extensions of the high grade veins, will significantly enlarge the potential of Promontorio. Of particular interest will be drilling to follow up a wildcat drill hole completed in the last drilling campaign at Promontorio. Drill hole APR-DD-041 was drilled 120m north along strike from the Resource and intersected **1.1 metres @ 3.8% copper, 22.1g/t gold and 168g/t silver** in massive sulphides typical of the Promontorio deposit.

Drilling will also investigate several occurrences of epithermal gold-silver mineralisation, including the Cascada prospect, where historical drill intercepts include:

- **7.6 metres @ 19.8g/t gold from 56.4 metres**
- **48.4 metres @ 1.47g/t gold from 4.6 metres**
- **24.4 metres @ 1.86g/t gold from surface**

Meanwhile, Azure has completed a second, more detailed Environmental Impact Statement and this has been lodged with the Federal Government Ministry of Environment and Natural Resources ("SEMARNAT"). When approved, this application will enable the Company to operate in previously undisturbed areas at Promontorio.



SAN FRANCISCO

Manganese

(Azure has right to acquire 100%)

Subject to satisfactory due diligence, Azure has agreed to purchase 100% ownership of the San Francisco Manganese Mine and the surrounding exploration areas, located in the state of Jalisco, Mexico. San Francisco is a high grade manganese deposit with a recent production history and an excellent location close to existing transport and port infrastructure.

As part of the due diligence process, Azure appointed mining consultancy Coffey Mining Pty Ltd to undertake a technical study of the San Francisco Project and provide the Company with an Independent Technical Report. This report, which is nearing completion, includes:

- estimating a JORC Code compliant Mineral Resource for the deposit
- assessing the exploration potential outside the defined resource area
- metallurgical testwork, mining, process and infrastructure design, and estimation of operating and capital costs

The deposit forms a flat-lying layer (manto) of high grade (>30%) manganese oxide with reported low levels of impurities. Previous extensive underground mine development, comprising of more than 4,000 metres of horizontal ore drives provides good access to the mineralisation, enabling Azure to undertake systematic channel sampling of the underground exposures.

A small scale mining operation undertaken by the current owners in 2008-09 produced 7,524 tonnes grading 44.6% Mn which was shipped to China. This shipment, in effect a bulk sample from within the San Francisco deposit, confirms the quality of the ore.

The San Francisco Project is ideally situated only 3 hours drive on the Mexican National Highway #80 from the modern deep water port of Manzanillo. Manzanillo is located on the Pacific coast, is Mexico's largest container port, and has ship loading facilities for bulk mineral commodities with iron ore currently a major export. Spare capacity is available at the port for loading both bulk commodity and containerised cargoes.

Under the terms of the purchase agreement, Azure is to make staged payments to the vendors over two years from May 2011, totalling US\$15 million, for 100%-ownership of the project. Additional royalty payments will also be made to the vendors based upon production. Azure has mandated corporate advisors RFC Corporate Finance to assist in the completion of the acquisition and various funding alternatives are being considered. In this regard, Azure has already received a number of approaches from third parties interested in both off-take and joint venture participation.



EL TECOLOTE JOINT VENTURE

Copper-Zinc-Silver

(Azure 100% - JOGMEC earning up to 70%)

During the Quarter, Azure entered into a farm-in and joint venture (“JV”) agreement with the Japanese Government organisation, JOGMEC on this 100% owned project.

Under the terms of the JV, JOGMEC may spend US\$5.0 million on exploration over the next three years to earn an initial 51% interest in El Tecolote. JOGMEC can then earn an additional 19% stake by spending a further US\$8 million during the subsequent three years, taking its total project equity to 70%.

The El Tecolote Project lies adjacent to and between Azure’s 100%-owned San Eduardo Project, where OZ Minerals Limited (ASX : OZL) may earn up to a 70% interest through expenditure of US\$13 million and the La Tortuga Project, where JOGMEC may earn a 51% interest through expenditure of US\$3 million.

The 138km² property contains the now-closed El Tecolote Mine, a significant skarn-hosted copper-zinc-silver mining and processing venture operated by Grupo Mexico between 1978-1984. Historical production is recorded as **1.4Mt @ 1.9% copper, 7.0% zinc & 47g/t silver**. Production ceased in 1984 due to low commodity prices, leaving unmined copper and zinc mineralisation surrounding the old mine workings. It is Azure’s belief that further potential exists along strike of the Mine and at depth, however no modern exploration has occurred in the district to date.

With potential for skarn-hosted copper-zinc deposits as well as porphyry copper and structurally-controlled gold deposits, an intensive \$1.5 million exploration program is planned for the next 12 months, including:

- Geological mapping and surface sampling
- Airborne magnetic and electromagnetic survey over the entire Project area
- Induced Polarisation and resistivity surveys covering the areas around the El Tecolote Mine and the Reyna del Cobre prospect
- Diamond core drilling, initially exploring the extensions of the El Tecolote Mine and Reyna del Cobre, followed by testing anomalies generated by the geophysical surveys

Azure recently completed a diamond drilling program to test the Reyna del Cobre copper-zinc prospect (4 holes for 426m) and the Monarca gold prospect (3 holes for 361m).

Located 6 kilometres west of the Tecolote Mine, Reyna del Cobre is a 300 metre long zone of skarn-hosted copper-zinc mineralisation up to 20 metres wide at surface. All four diamond holes intersected multiple skarn zones containing mostly oxidised mineralisation.

The best intercept (**11.0m @ 1.3% Copper, 3.0% Zinc, 7.1g/t Silver, 17.2g/t Indium & 31.9% Iron** from 72-83m in RC-DD-001) comprised massive magnetite hosting mixed oxide/sulphide mineralisation. Based on observations at the Tecolote Mine, where base metals are depleted in the upper, oxidised part of the deposit, it is considered likely that at Reyna del Cobre, the primary mineralisation located deeper in the sulphide system will yield higher grades. Further deep drilling will be scheduled to be carried out at Reyna del Cobre during the June Quarter.

Drilling at Monarca intersected a narrow shear zone containing gold values up to 5.4g/t Au. No further exploration is planned for this prospect.



SAN EDUARDO JOINT VENTURE

Copper-Zinc

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

Geological mapping and sampling in 2010 identified a porphyry copper target at the El Venado prospect. Drilling commenced during the period and to date has encountered significant pyrite mineralisation associated with subordinate magnetite and chlorite alteration.

LA TORTUGA JOINT VENTURE

Copper-Zinc

(Azure 100% - JOGMEC earning 51%)

Reconnaissance Induced Polarisation surveying and surface geochemical sampling in 2010 identified a strong chargeability and resistivity response, and a geochemical anomalism coincident with an aeromagnetic anomaly typical of porphyry copper signatures. Drill testing of this target with a 500 metre deep hole was recently completed and Azure is currently awaiting assay results.

ESTACION LLANO

Gold

(Azure 100%)

This 24km² property covers the interpreted western extension of the mineralised system hosting the >1.3 million oz San Francisco Gold Mine (currently producing at a rate of 100,000oz gold per year). Drilling by Canadian owner Timmins Gold Corp, confirms the mineralised system extends west towards Estacion Llano, however no significant historical exploration activities, including drilling, have occurred on Azure's property.

The Company commenced exploration with a program of reconnaissance soil sampling which returned gold anomalism coincident with the interpreted extensions of the San Francisco mineralised system. The Company is currently planning an IP survey which may be followed by reconnaissance drilling.

POZO DE NACHO

Molybdenum

(Azure 100%)

Pozo de Nacho contains a substantial body of molybdenum mineralisation hosted within an intrusive porphyry system and surrounding sediments. During 2006/07 Azure drilled mineralisation over an area of 800 by 250 metres, from surface to depths in excess of 300 metres, and it remains open-ended in most directions. An Induced Polarisation and Resistivity survey covering 24km² of the property was completed in late 2010, with several strong anomalies identified. It is Azure's intention to target these anomalies with diamond drilling in mid-2011.



CORPORATE

The Company remains in a strong position to advance its exploration projects with cash on hand at the end of the March quarter standing at \$6.56 million.

Azure and its financial advisor, RFC Corporate Finance Ltd, were very pleased to successfully raise in excess of A\$4.5 million during the Quarter to continue the Company's exploration activities. These funds will enable Azure to implement significant exploration activities on its properties, particularly Promontorio and San Francisco, while continuing to advance San Eduardo, La Tortuga and El Tecolote by using joint venture funding.

In 2010 Azure entered into an option to sell its 100%-owned Tabisco Project to the Canadian junior company StoneShield Capital Corp (TSX-V: STS). To acquire and maintain this option for a 12 month period, StoneShield issued 300,000 of its shares to Azure. StoneShield have recently elected to terminate the option. Azure's shareholding equates to 1.7% of the issued capital of StoneShield.

-ENDS-

For further information, please contact:

Tony Rovira
Executive Chairman
Azure Minerals
+61 8 9481 2555

Press / Investor Relations

Victoria Thomas
Six Degrees Investor Relations
+61 3 9674 0347

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.



Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

Azure Minerals Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(1,335)	(2,587)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(371)	(1,027)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	18	164
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (JV advances)	274	785
Net Operating Cash Flows		(1,414)	(2,665)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(4)	(187)
	(b) equity investments	-	-
	(c) other fixed assets	(13)	(46)
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		(17)	(233)
1.13	Total operating and investing cash flows (carried forward)	(1,431)	(2,898)

Appendix 5B
Mining Exploration Entity Quarterly Report



1.13	Total operating and investing cash flows (brought forward)	(1,431)	(2,898)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,333	4,257
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 – security deposits	-	(22)
	Net financing cash flows	4,333	4,235
	Net increase (decrease) in cash held	2,902	1,337
1.20	Cash at beginning of quarter/year to date	3,652	5,243
1.21	Exchange rate adjustments to item 1.20	6	(20)
1.22	Cash at end of quarter	6,560	6,560

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	106
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\$80,000 towards its US\$3 million earn-in in the Los Nidos – La Tortuga joint venture and OZ Minerals contributed US\$200,000 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	800
4.2 Development	-
4.3 Production	-
4.4 Administration	300
Total	1,100

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	435	185
5.2 Deposits at call	6,125	3,467
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	6,560	3,652

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 Preference securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	394,000,000	394,000,000		
7.4 Changes during quarter				
(a) Increases through issues	50,782,334	50,782,334		
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	500,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/01/12
	500,000	Nil	\$0.35	30/01/13
	12,500,000	Nil	\$0.088	30/11/12
	4,500,000	Nil	\$0.13	30/11/13
	400,000	Nil	\$0.25	Various dates
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000	Nil	\$0.175	30/01/11
	400,000	Nil	\$0.25	30/01/11
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				



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 blue ink, appearing to read "Brett Dickson".

Sign here: Date: 28 April 2011
(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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