

ASX: AZS

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DRILLING & EVALUATION IN PROGRESS AT **SAN FRANCISCO MANGANESE PROJECT**

Mexican focused **Azure Minerals Limited** ("Azure" or the "Company") is pleased to report that diamond core drilling is underway at the San Francisco Manganese Project, located in the state of Jalisco, Mexico (see Figure 1).

The drilling comprises two stages – resource confirmation drilling which will be followed immediately by a program of exploration drilling (see Figure 2).

The resource confirmation program comprises 5 holes totalling approximately 900 metres. Location of the holes was designed by international mining consultancy Coffey Mining Pty Ltd to assist in converting the existing Foreign Resource Estimate (refer ASX Announcement 2 December 2010) to a JORC Code compliant Mineral Resource.

This resource estimation is part of a wider mine evaluation and development program overseen by Project Manager Gary Leighton. Concurrent evaluation activities include confirmatory underground sampling, metallurgical testwork, geotechnical studies, mine planning, process and infrastructure design, and cost estimation.

The exploration drilling program comprises 7 holes for approximately 1,500 metres. Each hole will be collared 200-250 metres outside of the boundaries of the existing Foreign Resource Estimate and is designed to test the potential to significantly expand the resource base of the project.

Azure has mandated corporate advisors RFC Corporate Finance to assist in the completion of the acquisition. The acquisition is expected to complete in May 2011 and various funding alternatives are being considered. In this regard, Azure has already received a number of approaches from parties interested in both off take and joint venture participation.

Background

The San Francisco deposit is an extensive flat-lying layer of high grade manganese oxide with very low impurities. It forms the western extension of the original Autlan Manganese Mine which produced approximately 4 million tonnes of manganese ore at an average grade of 38% Mn, before closing in the mid-1960's due to low metals prices at that time.

Extensive underground mine development comprising more than 4,000 metres of horizontal ore drives was prepared in anticipation of mining in the area which now forms the San Francisco deposit, however operations ceased before this area was mined. Recent detailed channel sampling throughout this mine development has confirmed the mineralisation extends over an area of at least 250,000m².

An assessment of the exploration potential has been completed and, based on the geological setting, the ore deposit remaining open in all directions, and the area of tenure held, a target of a further **3.2 – 5.8 million tonnes at a grade of 35 – 42% Mn¹ has been estimated.**

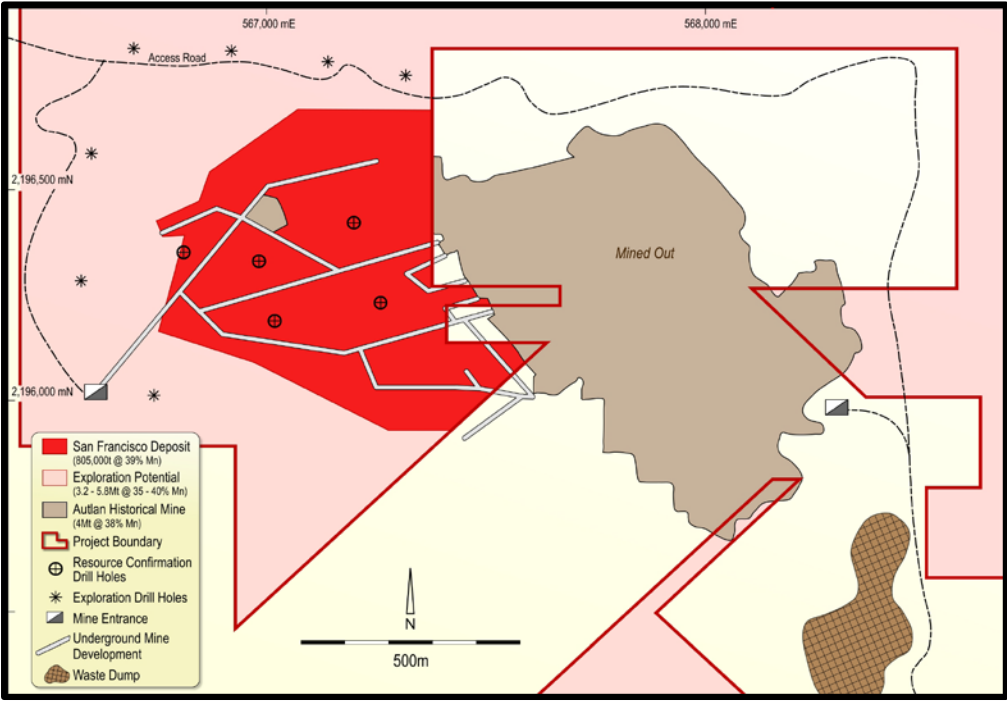
¹ The potential quantity and grade of the target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The San Francisco Project is ideally situated only 3 hours drive on Mexican National Highway #80 from the modern deep water port of Manzanillo to the south. 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.

Figure 1: San Francisco Project Location



Figure 2: San Francisco Drilling Locations



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Competent Person Statement:

Information in this document that relates to Exploration Results and Mineral Resources 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.