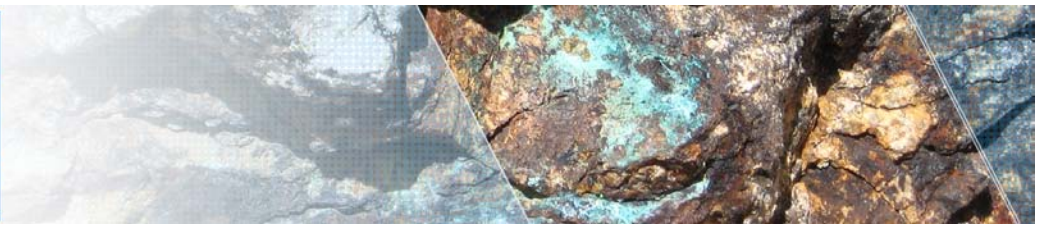

ASX: AZS **14 JUNE 2011**

MAIDEN RESOURCE FOR SAN FRANCISCO MANGANESE PROJECT

Azure Proceeds to Next Stage of Development

Mexican-focused **Azure Minerals Limited** ("Azure" or "Company") is pleased to announce that it has completed its Due Diligence studies at the San Francisco manganese project with favourable results. Investigations confirm that the deposit is of the size indicated by the Vendor and can be effectively mined and processed with a high operating margin.

HIGHLIGHTS INCLUDE:

- Maiden JORC Mineral Resource of **1,045,000 tonnes grading 30% Mn**[1]
- Significant potential for resource expansion - Exploration Target of additional **2 million tonnes to 4 million tonnes @ 30% Mn to 40% Mn**[2]
- Excellent metallurgical results - simple beneficiation process produces a premium export standard product of +43% Mn
- Road transport and port infrastructure immediately available for San Francisco, including bulk mineral loading facilities with spare capacity at the nearby Manzanillo Port, Mexico's largest deep-water Pacific port
- Acquisition terms renegotiated with majority of payments delayed until after expected commencement of production and cash flow

As a result of the positive Due Diligence results, Azure will finalise the acquisition of the San Francisco project and move to the next stage of development, which will include further drilling to expand the resource size, conversion of existing resources to reserves, and advanced development studies.

Azure Executive Chairman, Mr Tony Rovira, said that Azure has worked hard to achieve its strategic objective of becoming an independent minerals producer in Mexico.

"This acquisition will deliver full ownership of a high quality, advanced stage manganese project with a near term pathway to a potentially very profitable mining operation. A very good relationship has developed with the Vendor and this has enabled us to restructure acquisition payments so that the majority will now occur after the expected commencement of production and cash flow."

"This is just the beginning for San Francisco, with substantial further potential both near the currently defined deposit, as well as in the wider project area," said Mr Rovira.

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[1] Details of the resources classification and estimation methodologies are detailed in Appendix A.

[2] The potential quantity and grade of the Exploration 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.

Independent Technical Report

Azure appointed international mining consultancy Coffey Mining Pty Ltd (Coffey) to undertake a high level technical study of the San Francisco Project and to produce an Independent Technical Report. This included estimation of a Mineral Resource reported in accordance with the JORC Code, metallurgical testwork, mining, process and infrastructure design, and estimation of operating and capital costs.

To assist with the resource calculation and to test exploration potential, Azure completed a 10 hole (1,966m) diamond drilling program into and around the deposit. High grade intercepts were returned from outside the initial resource area towards the north and northwest, indicating potential for further resource expansions in those directions.

Due Diligence Results

Resources Estimation

The maiden Mineral Resource estimate[1] for the San Francisco Manganese Project stands at:

CATEGORY	TONNES	GRADE	CONTAINED MANGANESE
Inferred	**1,045,000**	**30%**	**312,000 tonnes**

Exploration Potential

Five exploration drill holes were completed outside the initial resource area. All three holes drilled to the north and northwest of the resource intersected mineable widths of high grade manganese mineralisation. The two holes drilled to the south intersected low grade mineralisation.

These results reveal continuity of mineralisation to the north and northwest of the existing underground mine development, demonstrating that the resource remains open in this direction at high manganese grades. Additional exploration in this area is likely to add significantly to the resource base.

Additionally, there are several other prospects within the project area where manganese mineralisation is present at surface. No modern exploration has been undertaken to date and Azure believes that further exploration is now warranted in these areas.

These results indicate the potential for significant resource increases, with the Company now pursuing an Exploration Target of an additional **2 to 4 million tonnes @ 30% - 40% Mn**[2].

Mining

Several mining methods were investigated in the study, with the recommendation that the deposit can be effectively mined by mechanised room and pillar underground mining methods.

Processing

Metallurgical testing indicated that the ore can be successfully beneficiated to produce a final concentrate grade between 35% Mn to 50% Mn using a simple crushing and Dense Media Separation circuit with recoveries of 67% to 88%. An average **final product grade of 43% Mn was indicated at a 75% Mn recovery**.

Project Economics

While the study was completed at a concept study level with an accuracy of +50%/-30%, the following initial estimates of operating and capital costs are promising with:

- mine operating costs of approximately US$20/t ore
- process operating costs of approximately US$2.60/t of mill feed
- transport of concentrate from site to FOB at the Manzanillo port of approximately

US$21/t of concentrate

- total operating costs of approximately US$100/t of concentrate
- concentrate value of approximately US$300/t at 43% Mn and a $7/dmtu Mn price

Project Background

San Francisco is a manganese project with recent mine production history, excellent location, and minimal work required to recommence production.

The deposit is a flat-lying body of high grade manganese oxide with very low impurities, forming the western extension of a 1960's mine, which exported 4 million tonnes of manganese ore at an average grade of 38% Mn. Within Azure's project area, extensive underground mine development comprising of 4,000 metres of horizontal ore drives has been prepared. However, although the mining blocks were prepared, operations ceased before this area was mined.

After lying dormant for 40 years, a small scale mining operation was undertaken in 2009 by the current owners from within the San Francisco deposit. A total of 7,500 tonnes at a grade of 45% Mn was mined and shipped to China.

The San Francisco Project is ideally situated only 7km from the city of Autlan de Navarro (pop: 45,000), and 3 hours drive on Mexican National Highway #80 from the modern deep water port of Manzanillo. Located on the Pacific coast, Manzanillo 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 containerised and bulk commodity cargoes.

Manzanillo Port – Bulk Mineral Loading Facility

Acquisition Agreement

Under the terms of the acquisition agreement, Azure will gain 100% ownership of the project

for a total consideration of US$15 million across six tranches (see Table 1). It is expected that the majority of the consideration will be funded from project cash flow following the commencement of production.

Azure has mandated corporate advisors RFC Corporate Finance to assist in the completion of the acquisition and the Company has already received a number of approaches from parties interested in both purchasing off-take and joint venture participation.

Table 1: Acquisition Schedule

KEY DATES	PAYMENTS
15 December 2011	$1,500,000
Transfer of mining titles to Azure	$1,500,000
15 December 2012	$2,000,000
15 June 2013	$2,000,000
15 December 2013	$4,000,000
15 December 2014	$4,000,000
Total Payments	**$15,000,000**

Azure retains the right to withdraw from the project at any time during the acquisition process. If it elects to withdraw prior to completing all acquisition payments, then the project will revert to the Vendor and Azure will have no further payment obligations.

Manganese Factsheet

Manganese is a critical metal for the development of society. Manganese has a wide range of uses but its largest and most important use is in modern steelmaking (90% of usage). Manganese ores are processed in a variety of ways, eventually being used to alloy steels, adding a host of properties to modern steels that cannot be created by any other additive. The demand and uniqueness of the properties of manganese makes the exploration for high grade deposits a valuable search.

Why Manganese?

- 4th most used metal after Iron, Aluminum and Copper
- Critical component in modern steelmaking
- Increases hardness, toughness, stiffness and wear resistance as an alloying element
- No satisfactory substitute

Manganese - a high-value product

- Strong demand for manganese in world markets, especially for consistent supply of high grade, high quality ore. Demand growth is forecast to be 25% year on year
- Chinese consumption increasing whilst production from Chinese mines is low quality and decreasing. China is now a net importer of manganese ores
- Long term pricing of +US$300/t for 40% Mn, gives manganese ore a high in-situ value and large margins
- Simple processing by beneficiation means CAPEX for plant is low (compared to gold and base metals)

-ENDS-

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Competent Person Statements:

Information in this document that relates to Sample Data, Assay Data and 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.

Information in this document that relates to the Mineral Resource is based on information compiled by Mr Ingvar Kirchner, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Kirchner is employed by Coffey Mining Pty Ltd, and 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 Kirchner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FIGURE 1: Mexico

FIGURE 2: San Francisco Mine Location

APPENDIX A

San Francisco Manganese Project

JORC Compliant Resource Estimate

CATEGORY	TONNES	GRADE	CONTAINED MANGANESE
Inferred	**1,045,000**	**30%**	**312,000 tonnes**

Ordinary Kriged Whole Block Estimates using an accumulation method with back-calculated grades for Mn.

20mE x 20mN x 500mRL Parent Block Dimensions. Seam model prototype used to generate a single vertical subcell across the width of the subhorizontal mineralised zone.

Reported using a Mn>5% lower cutoff grade, unconstrained and using rounded figures.

Mn Grade-Tonnage Distributions subdivided by JORC Resource Categories.

Depleted for historical underground mining where significant mining has occurred.