

# ACTIVITIES REPORT

For the period ended 30 September 2008

Azure Minerals Limited (ASX: AZS) is an Australian mining and exploration company focused on developing precious and base metal mining projects in Mexico. The Company is operating in the richly mineralised Sierra Madre Occidental mining province in northern Mexico, and is expanding its activities to other mining districts in Mexico.

The Company is committed to developing and adding value to its assets through becoming an independent minerals producer at the high grade Promontorio copper-gold-silver project in Chihuahua, Mexico, where it has secured an option to purchase 100% ownership. Azure has completed an intensive drilling campaign to produce a JORC Code compliant resource and to further expand the resources, and has made a fast track start on a pre-feasibility study.

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 206,400 hectares (2,064 km<sup>2</sup>). Drilling has intersected promising mineralisation in copper, gold, silver, zinc, lead and molybdenum on several projects.

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## Quarterly Overview

The Board of Azure Minerals (ASX: AZS, "Azure") is pleased to announce their quarterly report for the quarter ended 30 September 2008. Highlights for the quarter include:

## Exploration

- Significant resource drillout program conducted, with 38 holes for a total of 6,695 metres completed.
- Exceptional drilling results from Promontorio to date include:
  - **13.35 metres @ 5.7% copper, 2.2g/t gold & 108g/t silver from 94.65m**
  - **2.30 metres @ 23.1% copper, 3.1g/t gold & 253g/t silver from 91.65m**
  - **3.00 metres @ 15.4% copper, 2.1g/t gold & 170g/t silver from 132.50m**
  - **4.20 metres @ 15.3% copper, 3.4g/t gold & 192g/t silver from 190.10m**
- Initial JORC compliant resource statement for Promontorio expected within the December quarter.
- Potential for mineralised extensions identified at Promontorio, with a further 650m of untested strike potential and further prospective areas.
- Application made for additional 120km<sup>2</sup> mineral concession surrounding the original Promontorio tenements.

## Corporate

- Successfully raised \$2.5 million in fresh capital to fund Promontorio through to feasibility stage.

Azure's Executive Chairman, Mr Tony Rovira, said the company's focus and efforts at Promontorio had rewarded Azure with very pleasing results.

"After completing this successful drilling campaign, Azure is now well placed to end 2008 on a significant high note," said Mr Rovira.

"Our initial resource statement for Promontorio will be completed within the next two months, which will be followed by preliminary economic indicators and metallurgical test work results from our consultants. We expect Promontorio to continue delivering positive news as we develop the project further."

"I am also significantly encouraged by the recent support shown by our shareholders and new investors, which gives us great encouragement for the continued ability of the company to develop Promontorio in the current market conditions," continued Mr Rovira.



## Projects

### Promontorio (Azure right to acquire 100%)

### Copper – Gold – Silver

During the quarter, Azure's exploration program was principally focused on the Promontorio project. An extensive resource drill out program was conducted, totalling 38 holes for 6,695 metres of drilling.

The drilling program was very successful, exceeding the company's initial expectations for the deposit, with consistently high copper and precious metal grades being intersected in multiple mineralised veins.

Some of the more spectacular intercepts returned during the drilling program include:

#### **APR-DD-001**

- **13.35 metres @ 5.7% copper, 2.2g/t gold & 108g/t silver from 94.65m depth; including: 2.35 metres @ 20.5% copper, 5.4g/t gold & 303g/t silver from 103.40m depth;**

#### **APR-DD-008**

- **2.80 metres @ 10.2% copper, 1.8g/t gold & 120g/t silver from 85.20m depth, including: 1.20 metres @ 23.2% copper, 3.9g/t gold & 268g/t silver from 85.20m depth;**

#### **APR-DD-009**

- **9.40 metres @ 12.5% copper, 3.9g/t gold & 266g/t silver from 82.00m depth; including: 2.65 metres @ 27.7% copper, 7.4g/t gold & 501g/t silver from 84.50m depth; and: 1.35 metres @ 28.1% copper, 6.1g/t gold & 654g/t silver from 89.75m depth.**
- **1.40 metres @ 20.7% copper, 1.2g/t gold & 270g/t silver from 130.60m depth; including: 0.80 metres @ 35.6% copper, 1.8g/t gold & 455g/t silver from 130.60m depth.**

#### **APR-DD-010**

- **10.05 metres @ 5.3% copper, 1.2g/t gold & 45g/t silver from 104.95m depth, including: 3.85 metres @ 11.3% copper, 1.2g/t gold & 89g/t silver from 106.15m depth.**

#### **APR-DD-015**

- **2.30 metres @ 23.1% copper, 3.1g/t gold & 253g/t silver from 91.65m depth.**

#### **APR-DD-023**

- **3.0 metres @ 15.4% copper, 2.1g/t gold & 170g/t silver from 132.5m depth.**
- **4.2 metres @ 15.3% copper, 3.4g/t gold & 192g/t silver from 190.1m depth.**



Drill hole APR-DD-009 in particular returned some extremely high grades of well over 40% copper, requiring specialised assaying techniques. These were the highest copper grades to date at Promontorio, being:

- **0.50 metres @ 43.9% copper from 86.00m;**
- **0.50 metres @ 46.6% copper from 90.25m; and**
- **0.40 metres @ 44.2% copper from 130.60m.**

The resource drilling results will now be used by international mining consultants Coffey Mining Pty Ltd (Coffey) to calculate an initial JORC compliant resource statement for the Promontorio deposit. The result is expected to be published within the next two months.

Promontorio comprises multiple sulphide-rich veins containing very high grades of copper, gold and silver. All veins strike approximately north-south, dip steeply to the west, and demonstrate good geological continuity.

Three different types of sulphide mineralisation - massive, semi-massive and disseminated – have been identified within the deposit. Bulk samples of approximately 100kg have been collected from each of the three ore types and submitted to the laboratories of AMDEL Ltd in Perth for metallurgical test work under the supervision of Coffey.

Coffey will provide Azure with recommendations on the optimum process route, further downstream processing options, and comparisons of likely capital and operating costs. First results from this program are expected within the next eight weeks.

Potential for the definition of further resources past the initial statement exists, with the mineralised system still remaining open-ended to the north and south with at least a further 650 metres of untested potential before it becomes obscured under cover rocks. Drilling has confirmed the mineralisation extends to depths in excess of 150 metres, with good three-dimensional continuity demonstrated throughout the deposit.

Historical drilling at the separate Cascada prospect identified significant gold mineralisation holding potential for a bulk tonnage gold deposit, as well as being prospective for bonanza-grade gold mineralisation. Isolated drill intercepts and numerous mineralised structures and old mine workings also remain untested. Further work in all these areas is being planned.

Azure believes there is also further potential elsewhere in the Promontorio district, and consequently has made an application for a 120km<sup>2</sup> mineral concession surrounding the original Promontorio tenements. This new property is considered prospective for further Promontorio-style deposits and the source mineralised porphyry system.

Azure is focusing the majority of its resources to the development of Promontorio. Opportunities to continue to progress the Company's other projects within the portfolio are being canvassed, including potential farm-out arrangements.



## Corporate Activity

Azure successfully raised over \$2.5 million in fresh capital during the quarter to further the development of Promontorio, despite challenging market conditions. The capital was raised through a combination of support from existing investors via a share purchase plan and investment from fresh and existing institutional investors.

Azure is now sufficiently funded to progress the Promontorio project through to the feasibility stage. Azure is strongly encouraged by the continued willingness of the existing shareholders and wider capital markets to support the development of the company's high quality Mexican portfolio of assets.

-ENDS-

### For further information, please contact:

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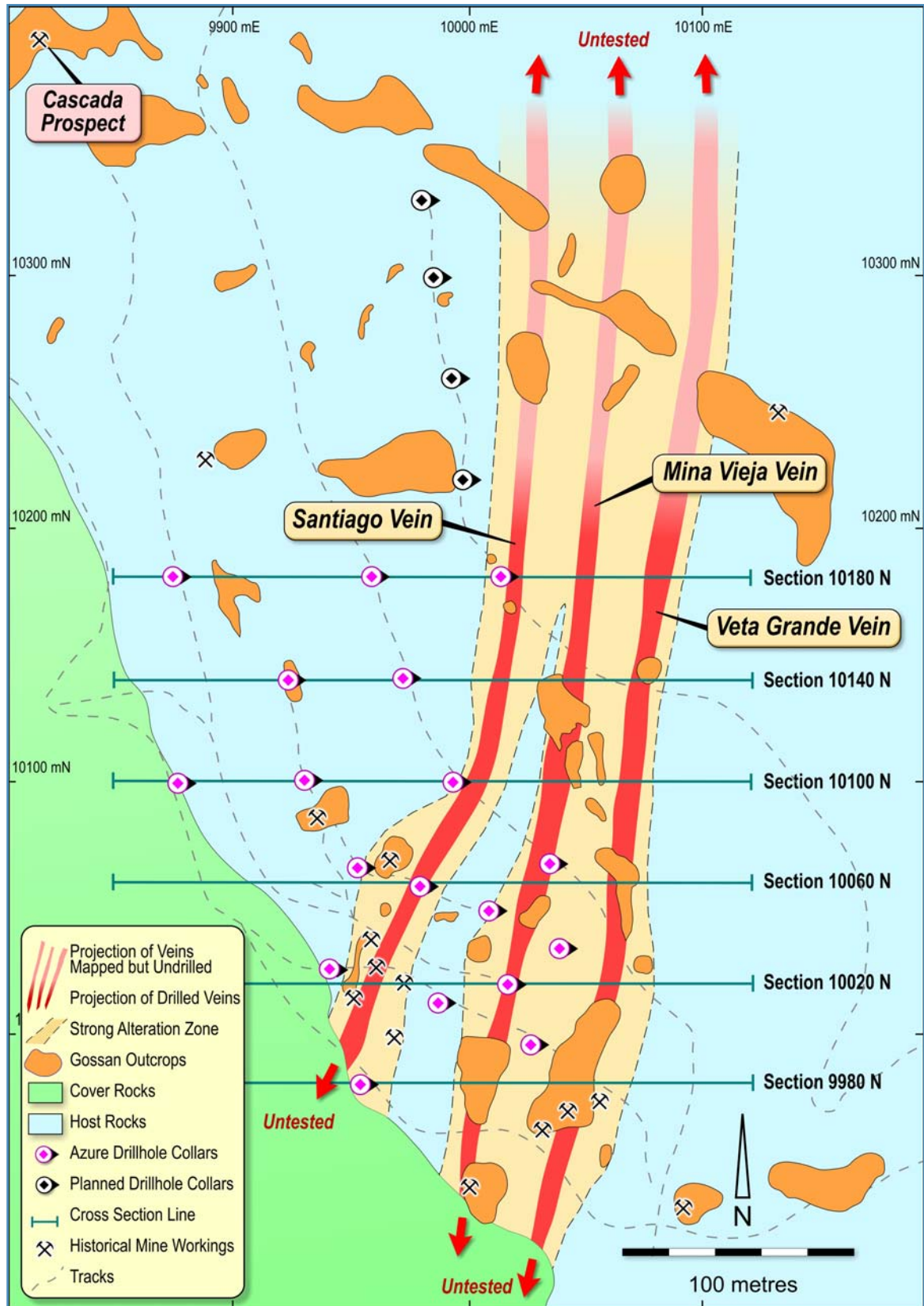
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*Information in these documents that relates to Exploration Results is based on information compiled by Mr Pat Manouge, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Manouge is a full-time employee of Azure Minerals Limited. Mr Manouge 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 Manouge consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears.*

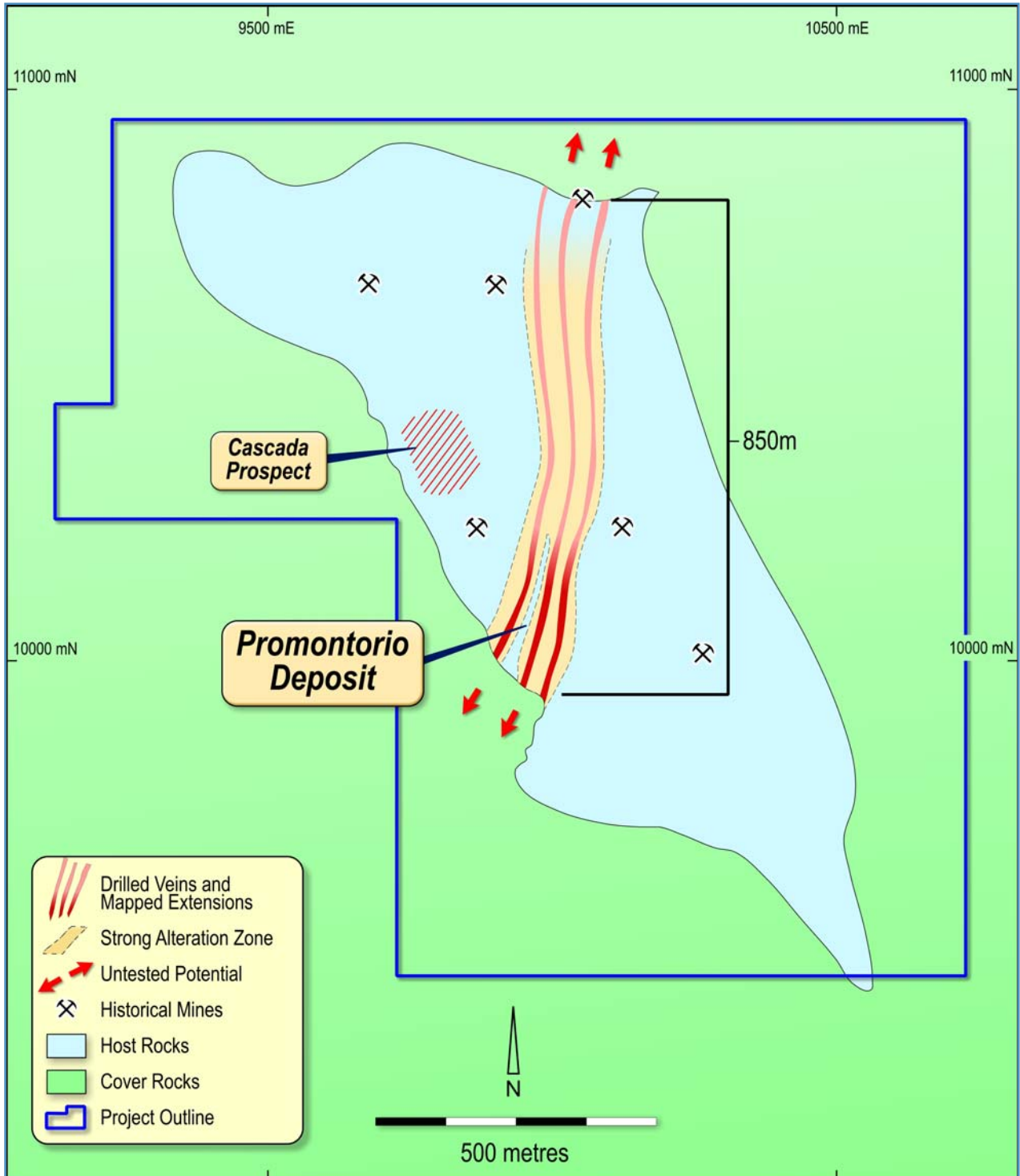


**FIGURE 1: PROMONTORIO DEPOSIT GEOLOGY**





**FIGURE 2: PROMONTORIO PROJECT AREA**



# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**Azure Minerals Limited**

ABN

46 106 346 918

Quarter ended ("current quarter")

30 September 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,300)	(1,300)
(b) development	-	-
(c) production	-	-
(d) administration	(264)	(264)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,544)</b>	<b>(1,544)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	(13)	(13)
(b)equity investments	-	-
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	4	4
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>(14)</b>	<b>(14)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,558)</b>	<b>(1,558)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,558)	(1,558)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,533	2,533
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 – preparation for Canadian listing	(103)	(103)
	<b>Net financing cash flows</b>	<b>2,430</b>	<b>2,430</b>
	<b>Net increase (decrease) in cash held</b>	<b>872</b>	<b>872</b>
1.20	Cash at beginning of quarter/year to date	1,420	1,420
1.21	Exchange rate adjustments to item 1.20	(9)	(9)
1.22	<b>Cash at end of quarter</b>	<b>2,283</b>	<b>2,283</b>

**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	88
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

N/A

### 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	-
<b>Total</b>	800

### 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	649	120
5.2 Deposits at call	1,634	1,300
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	2,283	1,420

### 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	-		

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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>	169,382,272	169,382,272		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	20,365,600	20,365,600	\$0.125	\$0.125
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>	1,500,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/11/08
	3,000,000	Nil	\$0.25	30/11/09
	3,000,000	Nil	\$0.25	30/11/10
	800,000	Nil	\$0.175	30/01/11
	1,300,000	Nil	\$0.25	30/01/12
	1,300,000	Nil	\$0.35	30/01/13
	2,950,000	Nil	\$0.15	30/11/09
	1,000,000	Nil	\$0.25	<i>Various dates</i>
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: 29/10/2008  
(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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