

# Mexico the Azure

In Australia Mexico may be synonymous with enchiladas, burritos, tacos and tequila, but what is lesser known is the country's appetite for mining.

However, the wheels are in motion for that to change.

According to a Metals Economics Group survey conducted in 2010, Mexico led the way for Latin America as a favoured destination for exploration expenditure.

Based on 2,200 companies across the globe with a total purse of \$US11.5 billion, Mexico attracted 6% of that spend behind Canada (19%), Australia (12%) and US (8%).

Canadian mining and exploration companies dominate the Mexican minerals landscape however Australia's presence is limited – single digit representation actually but what is unbeknown to Australian explorers is that Mexicans are serious about their mining and look towards mature jurisdictions, such as Australia's, to add to the country's industry culture.

Most of the country's 31 states universities are complete with a School of Mines, which has contributed to the high number of geoscientists produced out of Mexico, giving foreign mining companies an abundance of in-country expertise to leverage off.

That may have been part of the message being delivered Australia-wide by the Mexican Department of Mines' delegation throughout its visit during August.

The insight provided by the Department on its resources sector may have been news to some however for one Australian company – Azure Minerals Ltd – the story of the Mexican mining sector is a familiar one.

The company has established a neat portfolio since entering Mexico six years ago.

Azure has pegged a number of exploration interests however close attention is being paid to its three major projects – El Tecolote, Promontorio (copper) and San Francisco (manganese).

It also has the Pozo de Nacho project, where a maiden molybdenum resource is not



Production at San Francisco could potential start late in 2012

far off being announced.

San Francisco, in the central Mexican state of Jalisco, is its asset closest to production with Azure planning a significant increase on the 1mt @ 30% manganese resource.

"Expansion drilling is under way and we will be looking to expand the resource to the north and west. If that drilling comes in, we'll probably be looking at increasing the resource by 50-100%," Azure managing director Tony Rovira said.

An exploration target of 2-4mt @ 30-40% manganese has been set with feasibility studies including metallurgical test work being conducted and drilling results analysis in progress.

The outcomes will determine whether the company proceeds with the 100% \$15 million acquisition (2011-2014) or continues to review the project.

At decision time, the company will take into account the ease of access to transportation that will assist it into production in 2012/13.

Manzanillo, the largest port on Mexico's Pacific coast, is three hours by road from San Francisco. Importantly only 60% of the port's capacity is being utilised.

Azure has engaged with the port's loading manager who has expressed an interest in taking the company's load on board to fulfil the 5 mtpa port capabilities.

Ideally Azure would truck its material daily to a lay down area at Manzanillo then ship its product to the US and growing Mexican manganese market.

Rovira said the company would look to purchase its own mine fleet and run an owner-operator type scenario with construction tipped at \$13.5 million.

Details of project financ-

ing are being worked on with the company's cash balance about \$4 million.

Some of its cash has been designated to exploration activities at the 502,000t @ 4.7% copper, 2.1 g/t gold and 99 g/t silver Promintorio project, Chihuahua State, where recent work has identified a second zone of mineralisation at Cascada.

"More exploration is to be done on the Cascada gold-silver prospect where we have done a lot of mapping and sampling. Those results will be coming through in the next few months. In addition to that we'll be looking to plan another drilling programme at Cascada," Rovira said.

"We have completed drilling along strike from the existing resource (at Promintorio) and that has come in with some very positive numbers so we'll be looking to continue our exploration on that and recalculating the resource some time in 2012."

In parallel with its activities at Promintorio, the company will be progressing its El Tecolote copper-zinc project with assistance from JOGMEC.

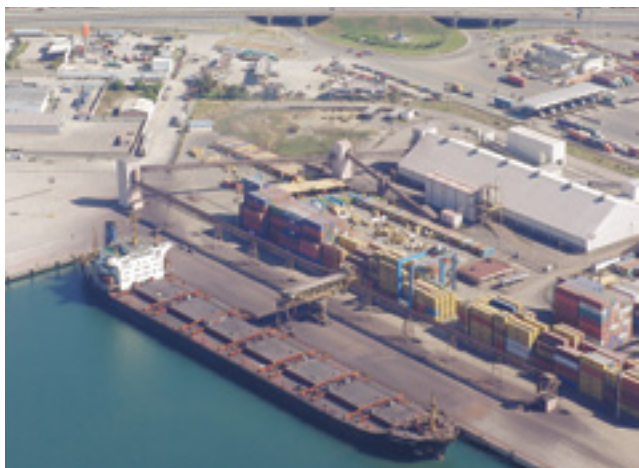
The Japanese outfit farmed into the project in May and can earn a 70% interest by funding \$US13 million in exploration over the next six years.

Azure will maintain a 30% stake and have a free carried interest for the six-year period.

Several geophysical surveys have been carried out at El Tecolote and when **Paydirt** spoke with Azure the company was waiting to finalise results and define targets to be drilled from October.

"We have a 3,000m diamond drilling programme planned for the rest of 2011 and our expenditure on that project will be \$1.5 million for 2011. We have a budget of about \$2 million for 2012. Most of that will include diamond drilling, we have a significant amount of drilling targeting the copper and zinc deposits at El Tecolote," Rovira said.

– Mark Andrews



Manzanillo is Mexico's largest port on the Pacific coast which Azure plans to use