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Azure Minerals Limited 11 May 11

El Tecolote gets a JOGMEC farm-in

Azure Minerals has released its March 2011 Quarterly Activities Report. Drilling was high on the agenda at Reyna del Cobre and San Eduardo. For Promontorio however, drilling is about to recommence. San Francisco is still in the due diligence investigation stage, while corporate action has JOGMEC stepping up to El Tecolote. The following figure shows the company's Mexican assets. The recent San Francisco acquisition is not shown. San Francisco is further to the south in the state of Jalisco.



Japan Oil, Gas and Metals National Corporation (JOGMEC) will earn up to a 70% interest in El Tecolote copper project by funding US\$13 million in exploration expenditure over the next six years. Azure will retain a 30% interest in the El Tecolote project and have a free carry for the six year period.

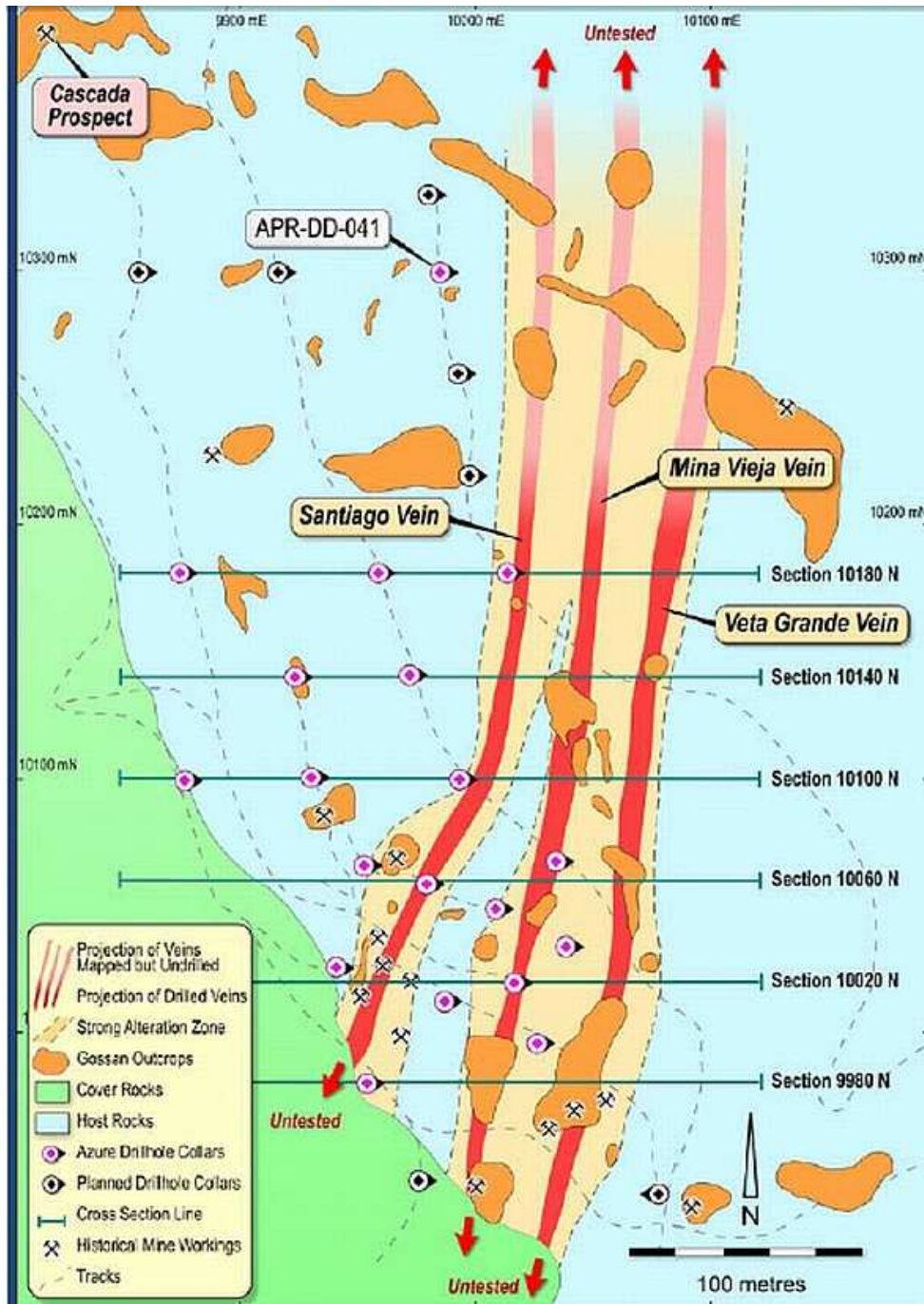
Under the terms of the joint venture agreement JOGMEC will spend US\$5 million in the first three years to earn a 51% interest in El Tecolote. JOGMEC can earn an additional 19% interest by spending a further US\$8 million in years four through six to take its interest to 70%.

We view the farm-in joint venture, as an opportunity to expose El Tecolote to exploration at an accelerated pace, that would otherwise not likely occur for sometime into the future. To this end, an intensive program of US\$1.5 million will be spent over the next 12 months and includes airborne and ground geophysics surveys and diamond drilling.

It is better to have a 30% free carry and exploration happening, than maintain 100% ownership with constrained exploration activity.

We consider the region is likely to be very prospective for skarn-hosted copper-zinc deposits as well as porphyry copper and secondary gold deposits. The Reyna del Cobre prospect has been discovered within the tenement (reviewed later in this report).

Drilling has recommenced at the company's major Promontorio copper-gold-silver project. A planned program of 6,000 metres of diamond drilling will be completed in the season. The following figure shows a schematic of the Promontorio planned drill hole locations.



The aim of the programme will be to better define zones of higher grade mineralisation, test the strike extension of the resource and test previously identified exploration targets. **Given the prospective ness of the tenement, we believe this programme has the potential to deliver positive news as results are released.**

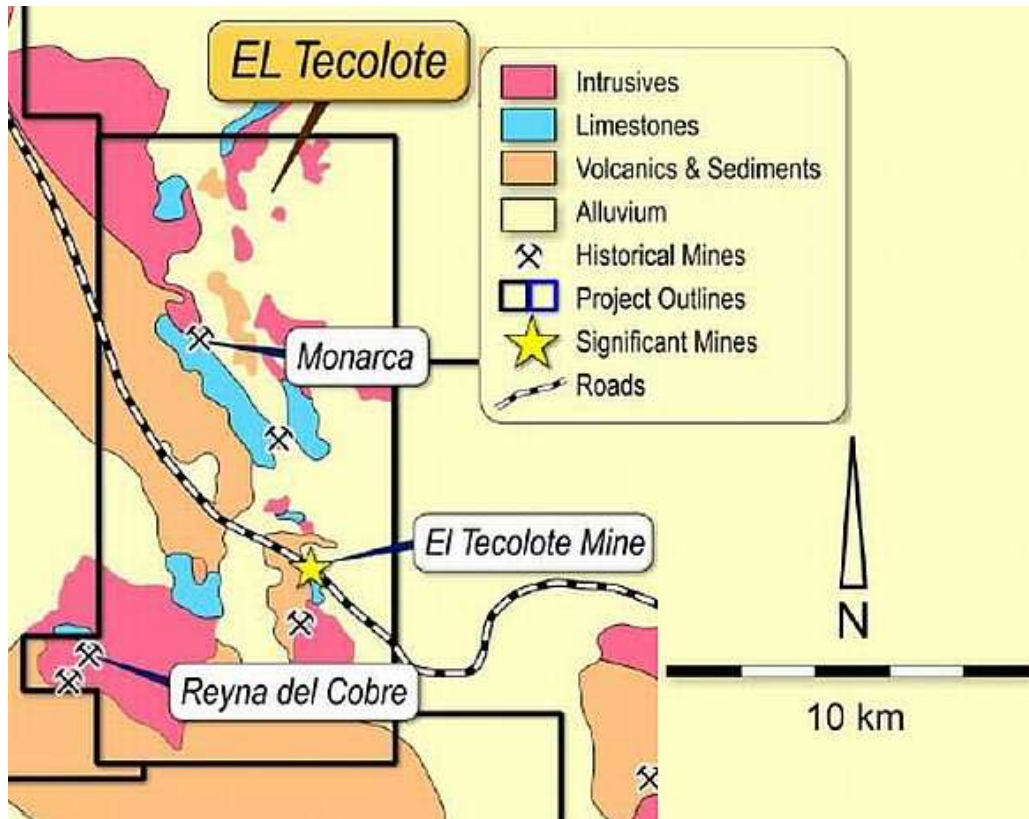
Promontorio's current joint ore reserve code (JORC) resource stands at 502,000 tonnes (indicated and inferred) of ore showing 4.7% copper, 2.1 grams per tonne (g/t) gold and 99g/t silver. **The company is of the opinion, and we agree, that the drill programme will deliver future upgrades to the current resource number for Promontorio.**

An Environmental Impact Statement covering the Promontorio tenement has been lodged with the Federal Authorities. Approval of the statement will allow the company to access previously undisturbed (by human activity) regions at Promontorio.

Due diligence activities are underway at the company's recently acquired San Francisco manganese project in the state of Jalisco, Mexico. The mine and tenements cost US\$15 million (Refer FAT-MIN-257).

Coffey Mining has been appointed to complete a technical study on the mine and provide Azure with an independent report regarding its value. Release of the report is imminent. The key aspects of the report will include estimating a JORC compliant mineral resource, assess exploration potential beyond the known mine ore body and capital and production costing and infrastructure design. **We expect the report will have a positive view concerning the value of the project.**

Encouraging results have been received from the company's first drill programme at its Reyna del Cobre copper and zinc prospect in the El Tecolote tenement. The figure below shows the location of the Reyna del Cobre prospect.



The Reyna del Cobre prospect is a 300 metre long outcropping of skarn-hosted copper-zinc mineralisation up to 20 metres wide at the surface. The four holes drilled to date each encountered mineralisation. The better of the intercepts were 11 metres showing 1.3% copper, 3% zinc and 7.1g/t silver, with showings of indium and iron and four metres showing 1.2% copper, 4.6% zinc and 3.8g/t silver, with showings of indium and iron. **With the mineralisation found across all four holes indicates the potential for a major deposit.**

Follow-up activities will include deeper drill holes and the conducting of an airborne electromagnetic survey of the entire tenement. **JOGMEC will meet the costs of these programmes under the new joint venture agreement.**



After finding solid support at the 3 cents region on a number of occasions, AZS managed to surge higher, reaching a high of 12 cents in January. Since then, AZS has slowly peeled off once more, finding support at the structural support level of 6.5 cents. Resistance is located at the 200 day moving average, followed by the 50 day at 8.3 cents.



The weekly chart depicts the break of the downtrend line in place since 2007, which is bullish. A sustained break above resistance at 12 cents, would result in a new leg higher to commence over the longer term.

Over the next twelve months there is going to be a lot of news flow from Azure. With major exploration activity on a number of fronts and development work at San Francisco as it progresses to production, the outlook for shareholders looks positive.

With exploration still in its early stages for a number of its projects the risk to reward ratio is excellent. We continue to recommend the stock as a speculative buy for Members without exposure.

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