

Azure taking the lead in Mexico

Azure Minerals Ltd is one of a handful of Australian companies with resources projects in Mexico but it is far from alone in the mining scene south of the US.

A quick search of ASX-listed companies shows there are seven companies with interests in Mexico: Azure, BHP Billiton Ltd, Rio Tinto Ltd, Cerro Resources NL, Global Geoscience Ltd, Global Resources Corporation Ltd and Oz Minerals Ltd.

It's a minimal amount compared to the number of Canadians toiling away in Mexico's resources landscape; Azure executive chairman Tony Rovira estimates there being more than 350.

Essentially it is the Canadians who are driving mining investment in Mexico. They are the reason why the Latin American destination ranked fourth behind Canada, Australia and the US for exploration expenditure in 2010, according to research from the Metals Economics Group.

The attraction to Mexico may be reflective of its mature mining history, which dates back 500 years and is the world's largest producer of silver and bismuth and a leading producer of lead (5th), zinc (6th) and copper (10th).

Given Mexico's prospectivity and Australian explorers' appetite for adventure, it's surprising a jurisdiction such as Mexico hasn't been popular with the folk from down under.

But as Rovira explained, there are many opportunities in the country for intrepid explorers.

"Canadians are very busy in Mexico but they tend to operate differently to Australians. A lot of their work is centred on historical mine sites whereas a lot of Australian companies are very good at exploring in areas that are more grassroots-style exploration.

"The mining laws are also very straightforward. One form of tenure (mineral concession) is all that is required and the application takes about three to four months to be granted. Once that comes to pass it is valid for 50 years from exploration through to development and mining so there is no need to apply for an exploration licence and mining licence," Rovira said.

The favourable mining laws, as well as the high-grade copper, silver and zinc potential, are the reasons Azure is keen on Mexico.

At the moment the company is focused on its Promontorio copper and San Francisco manganese projects in northern and



Mexico's largest deepwater port, Manzanillo, which Azure hopes to capitalise on when it brings its San Francisco manganese project on-stream

central Mexico respectively.

A budget of \$1.5 million for about 40 holes and 6,000m worth of drilling has been planned for Promontorio this year. The aim is to double the current resource of 502,000t @ 4.7% copper, 2.1 g/t gold and 99 g/t silver.

"We're looking to at least double that resource tonnage upwards of 1mt and maintain the same grade. If we can do that then it has the potential to become a very lucrative mining operation at a grade of about 7% copper-equivalent, which would be very valuable at current copper prices," Rovira said.

The company has completed various feasibility studies at Promontorio including two stages of metallurgical test work, mine planning and basic costings.

Promontorio presents a longer-term project for the company, with production potentially coming to fruition in three years time. However the San Francisco manganese project

could enter the production space within two years.

Located in central Mexico, about 150km from the coast, the project was last mined in the 1960s.

A JORC resource is imminent, however the non-compliant resource is currently at 805,000t @ 38.8% manganese.

The company has an option to purchase 100% of the project, where an exploration target at the upper end of 6mt @ 35-42% manganese has been slated.

As with Promontorio the company has completed metallurgical and other mining studies at San Francisco.

Often the dilemma with bulk commodities is how to get the product to market but there appears to be a ready-made solution for Azure at San Francisco.

Rovira said it is about a three-hour drive from Mexico's largest deepwater port, Manzanillo.

Manzanillo is equipped with container and bulk commodity loading facilities that are currently being used by iron ore exporters.

However there is spare capacity – about 40% – that is not being used at the port.

Early discussions between Azure and the port operators have been positive with the green light flickering for Azure to make good use of the spare capacity.

"There are lay-down areas at the port and we could potentially get it on to ship for about \$20/t so it is a very favourable project. We will be looking at doing more drilling to increase the size of the resource later this year and carrying out more mine studies with the aim of bringing this into production in the next two years," Rovira said.

With \$5.5 million in the bank the company is adequately funded to carry out its activities well into next year.

The money may be primarily directed at the San Francisco and Promontorio projects, however the company's footprint in Mexico is not limited to those operations.

It also holds ground in JV with JOGMEC and Oz Minerals Ltd, which are both earning an interest in the El Tecolote copper-zinc-silver project by spending cash.

Having such big entities accompany Azure's Mexican ambition is a great fillip for the company as it graphs an unfamiliar pathway by an Australian company in Latin America.

– Mark Andrews



A rainbow of hope over Azure's Promontorio copper project. Azure is one of only a few ASX-listed companies operating in Mexico