



Initial JORC resource estimate disappoints

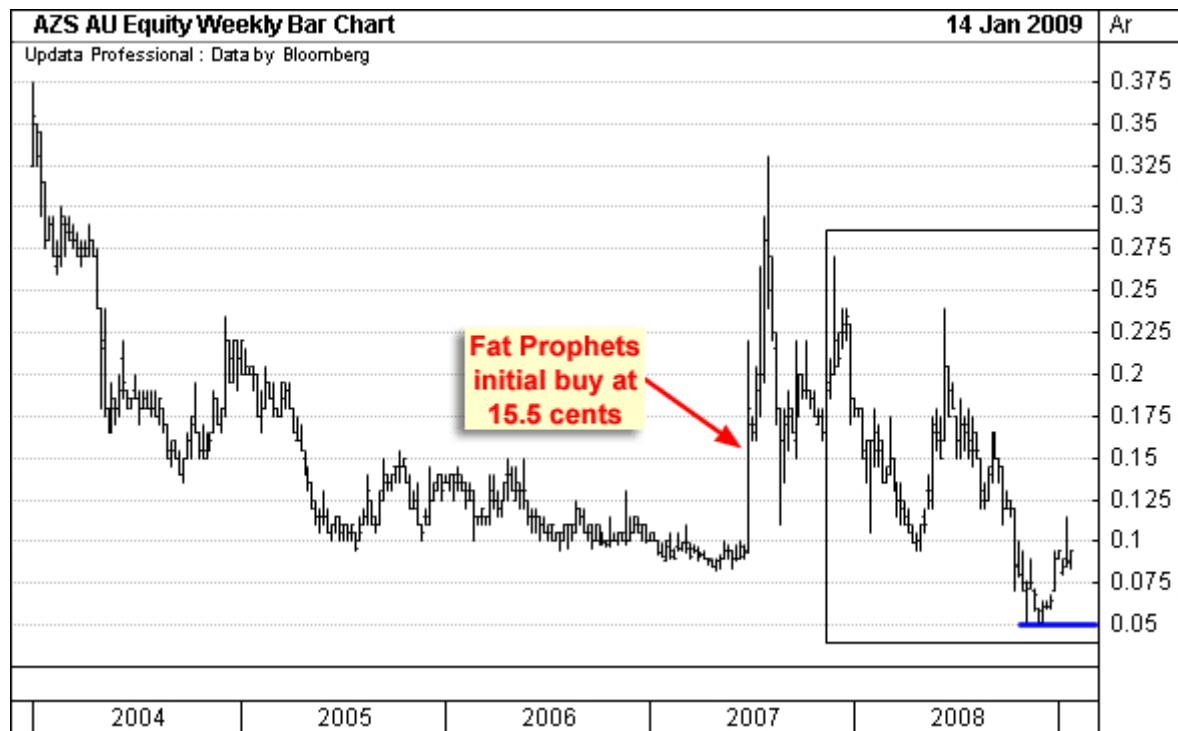
In contrast to most of its resource sector peers, the company has generated reasonable sharemarket momentum of late. A primary factor was the recent farm-in deal with respect to two of its Mexican exploration projects involving major Japanese group JOGMEC. We had hoped that the company would maintain this momentum with the release of its much-anticipated initial JORC resource estimate for its Promontorio project. Unfortunately, the market was left somewhat underwhelmed with the initial resource figure, which was substantially below expectations.

Fat Prophets initially recommended Azure Minerals at 15.5 cents in June 2007 (Fat Mining 81). Our last review of this stock was in December (Fat Mining 153).



Since our last review in December, there has been an encouraging improvement to the near-term outlook for Azure Minerals. As evident on the daily chart, after finding support at 5 cents, prices have recently lifted higher to reach 11.5 cents last week. In our opinion, this signals renewed investor support for the stock.

From a broader perspective, there still remains significant resistance above current levels. As such, while recent gains are a positive sign, several more months of consolidation and base building will be required, before a sustainable upward trend is likely to emerge.



In previous coverage of Azure Minerals we had indicated our feeling for an initial ballpark JORC-compliant resource estimate at the company's Promontorio project in Mexico of between 1.3 and 1.5 million tonnes grading around 4% copper, with gold and silver grades in excess of previous estimates.

Our view was based on ongoing discussions with Azure MD Tony Rovira and the fact that Promontorio historically hosted a non-JORC compliant resource of around 1 million tonnes grading 4% copper, 2.4g/t gold and 63g/t silver. This estimate was compiled by independent experts during 1997 when the project was owned by North American company Sierra Nevada Gold.

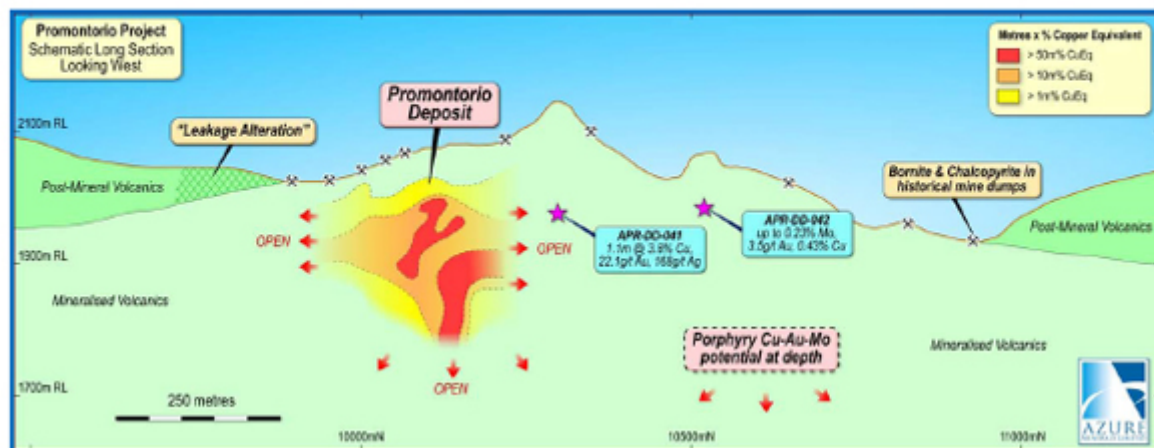
Azure has released its much-anticipated initial resource estimate, however the initial numbers fall below both our and market expectations, at 502,000 tonnes @ 4.7% copper, 2.1g/t gold and 99g/t silver at a 1% copper cut-off. This resource hosts contained metal comprising 23,400 tonnes of copper, 34,000 ounces of gold and 1.6 million ounces of silver.

We have spoken with Tony Rovira and whilst clearly disappointed with the initial numbers, he remains of the view that the overall resource potential at Promontorio remains undiminished. He believes that one of the explanations for the discrepancy between resource expectations and actuality lies with conservatism on the part of the independent mining consultants that compiled the resource estimate, Coffey Mining.

It seems that Coffey has been particularly ruthless with respect to the data that it has used to generate the resource numbers, cutting back the grade of many of the higher-grade zones and discounting areas of mineralisation where it believes drilling was insufficient. As a result, both the grade and size of the resource was below expectations.

We remain confident that Promontorio can still live up to its resource expectations. The initial mineralised zone that forms the basis of the initial resource estimate was diamond drilled over a strike length of 200 metres and to depths of around 150 metres. Essentially, the mineralisation remains open along strike to both the north and south, and also at depth, with at least another 650 metres of untested strike potential before it disappears under cover rocks.

FIGURE 1 – PROMONTORIO LONG SECTION



On a step-out basis, two holes drilled 120 metres and 340 metres respectively further to the north of Promontorio have intersected good mineralisation. The current resource therefore represents just a small portion of the overall mineralised vein system at Promontorio. Furthermore, we would anticipate that both the grade and size of the resource within the currently assessed zone will increase.

In addition, evidence of elevated levels of chalcopyrite, bornite and molybdenite mineralisation, together with high-temperature minerals such as tourmaline and sericite, suggest the potential for more copper-rich mineralisation and a potential porphyry intrusion at depth, which could be the source for the near-surface mineralisation at Promontorio.

Only time and more deeper drilling will tell, but this represents an additional exciting exploration opportunity for the company. Of course, all this costs money and the company will need to address its cash situation, which is likely to be sitting at around the \$1 million mark at the present time.

To help ease its cash concerns and simultaneously boost activity levels on two of its key projects, Azure late last year entered into a joint venture with the major Japanese Government organisation, Japan Oil, Gas and Metals National Corporation (JOGMEC).

The exploration deal encompasses Azure's 100%-owned La Tortuga and Los Nidos properties and will see JOGMEC invest up to US\$3 million over the next 3½ years to earn a 51% stake in these two projects. JOGMEC is required to spend a minimum of US\$400,000 on exploration by the end of March 2009.

Azure believes there is abundant evidence of copper mineralisation within the project area, indicating the potential for major porphyry-copper deposits. Previous exploration returned several significant drilling intercepts of porphyry-hosted copper and molybdenum mineralisation, including 110 metres @ 0.2% copper from surface, 20 metres @ 0.06% molybdenum from 20 metres depth and 3 metres @ 1.65% copper from 30 metres depth.

The upside for Azure shareholders is that exploration work will be accelerated to a much larger degree than would otherwise be possible if Azure had to rely on sourcing its own project funding. Furthermore, the company can focus its exploration spending on its advanced, core Promontorio project.

Returning to Promontorio, Coffey Mining is now working with the company on identifying the optimum processing route for Promontorio ore, as well as comparisons of ballpark capital and operating costs. We anticipate the release of metallurgical results during Q1 2009.

Importantly, we believe the Promontorio project's resource potential is still high, but we expect the company will focus less on intense infill drilling in the immediate future and to instead take a much broader drilling approach to try and identify the overall scope of the Promontorio resource.

Azure believes there is also further potential elsewhere in the Promontorio district and consequently made an application last year for a 120 sq km mineral concession surrounding the current Promontorio tenements. This new property is considered prospective for further Promontorio-style deposits and to potentially be the source of the mineralised porphyry system.

We therefore look ahead to announcements regarding capital raising initiatives and metallurgical testwork over the coming quarter. We retain our confidence in the company's exploration appeal.

Accordingly, Azure Minerals will remain firmly held within the Fat Prophets Mining & Resources Portfolio.

Snapshot AZS

Azure Minerals

Azure is an explorer and developer of precious and base metal projects in Mexico. The company is exploring in the richly-mineralised Sierra Madre Occidental mining province in northern Mexico, and is expanding its activities to other mining districts in northern Mexico. 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 186,200 hectares (1,862 km²). Drilling has intersected promising mineralisation in copper, gold, silver, zinc, lead and molybdenum. The company has recently secured an option to purchase 100% ownership of the Promontorio Project in the state of Chihuahua, where an historical resource of 1M tonnes @ 4.0% copper, 2.4g/t gold & 63g/t silver exists. Azure recently announced an initial JORC-Code-compliant resource of around 0.5 million tonnes grading 4% copper and with significant gold and silver credits.

Market Capitalisation	A\$16m
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