



Promontorio promises to be a robust mining development

Despite a somewhat disappointing share price performance over recent times, we retain confidence in the company's exploration and development prospects in Mexico. The company is performing strongly on two fronts, with encouraging results from its advanced Promontorio copper-gold-silver deposit, demonstrating robust project economics, whilst a second phase of exploration work has begun on its La Tortuga joint venture exploration project.

Fat Prophets initially recommended Azure Minerals at 15.5 cents in June 2007 (Fat Mining 81). Our last review of this stock was in March (Fat Mining 164).



From a charting perspective, unfortunately, the overall outlook remains weak for Azure Minerals. As evident on the daily chart, prices are currently consolidating above recent lows at 3.6 cents, and remain in an overall downward bias. Furthermore, rally attempts, such as we saw in January and April, are failing to gain any upside momentum at present.

One encouraging sign is the large increase in trading volumes over the past month. In our opinion, this signals a period of accumulation, which often occurs at major lows. However, given the depth of the decline during 2008, further base-building at the lows is still likely, before a sustainable upward trend can emerge.



The company has announced the completion of a high-level evaluation of the economic potential of its Promontorio copper-gold-silver deposit in Chihuahua, Mexico. The study has found that the Promontorio project has potential to be developed and operated at a profit, and based on typical costs for similar mining projects in Mexico, the high-grade nature of the mineralisation provides a significant positive margin over operating costs. Importantly too, there is a noticeable trend of increasing grade with depth.

The Study is an initial conceptual analysis designed to provide an order-of-magnitude estimate of capital and operating costs, financial return and overall economic viability. The Study was based upon the existing Mineral Resources and assumed a selective underground mining operation at approximately 150,000 tonnes per annum, followed by treatment using conventional crushing, grinding and flotation technology.

This would produce a high-grade copper-gold-silver concentrate to be on-sold to a smelter capable of processing the concentrate. Operating revenue is estimated at US\$2,361 per tonne of processed plant feed. Operating costs are estimated to be approximately US\$96 per tonne of processed plant feed.

Capital costs for a standard crushing, grinding and flotation treatment plant, other surface infrastructure and pre-mining development, are estimated to be US\$27.3 million, based upon similar operations recently constructed in Mexico. Using just the current Mineral Resource, the Study indicated an NPV of US\$17 million (using a 7% discount rate).

The company carried out further cashflow modelling based on additional mineralisation that is assumed will be discovered through ongoing exploration activity. These results provided further encouragement, with the NPV increasing to US\$59 million if minable resources are increased to 1 million tonnes, and to US\$92 million if increased to 1.5 million tonnes.

The company has therefore taken a number of significant steps towards its goal of production at Promontorio, with the publication of the JORC compliant resource in January, the positive metallurgical results reported in February, and now the very encouraging results from the economic evaluation.

Therefore, the Promontorio Project continues to advance, and further work will be undertaken to evaluate additional resource potential near the currently defined deposit, as well as in the wider Promontorio tenement.

As a reminder, the Promontorio project in Chihuahua, Mexico, is Azure's flagship project. It

contains a high-grade copper-gold-silver deposit hosted in veins of massive and semi-massive sulphides, and has outstanding further exploration potential. Azure has completed a 42-hole drill-out of the central part of the mineralised system to produce an initial mineral resource and a program of metallurgical test-work.

As we have previously advised, the JORC-compliant mineral resource for the Promontorio deposit comprises 502,000 tonnes @ 4.7% copper, 2.1 g/t gold and 99 g/t silver at a 1% copper cut-off, containing a total of 23,400 tonnes of copper, 34,000 ounces of gold and 1.6 million ounces silver.

Azure has entered into options to purchase 100% ownership of the central tenements by paying to the vendors a total of US\$4.0 million, staged over four years, with future ownership unencumbered by any royalties. To date, Azure has paid US\$450,000 in vendor payments. Azure holds 100% ownership of the surrounding mining concession.

Elsewhere in Mexico, the company has commenced Stage 2 exploration work on its La Tortuga Project, in Sonora. La Tortuga is a joint venture with Japan Oil, Gas and Metals National Corporation (JOGMEC), which is sole-funding the first US\$3 million of exploration expenditure to earn a 51% interest in the project. JOGMEC's objective is the discovery of large porphyry copper deposits, and several promising indications of mineralised porphyry systems have already been found. The joint venture is managed and staffed by Azure with technical assistance from JOGMEC.

La Tortuga covers 207km², and is situated only three kilometres east of the El Tecolote Mine, (previous production of 1.6 million tonnes @ 1.8% copper, 6.9% zinc and 50g/t silver). The project area is located 90 kilometres northwest of Hermosillo, the capital of Sonora State, where Azure has its exploration and administration base. The Joint Venture is managed and staffed by Azure with technical assistance from JOGMEC.

Stage 1 exploration commenced in January this year with geological mapping and sampling, an Induced Polarisation (IP) survey, an aeromagnetic and radiometric survey, and a reconnaissance diamond core drill hole to 502 metres depth. In excess of US\$400,000 was expended on the Stage 1 exploration program, and the results were very encouraging, identifying five exposed and three buried targets. JOGMEC have now committed to Stage 2, the second earn-in phase of the joint venture.

Stage 2 exploration will include further IP surveying, ground magnetics surveys, detailed geological mapping and sampling, and 3 deep (+500 metre) drill holes. A budget of US\$600,000 (approximately A\$750,000) has been approved for this program.

The joint venture has identified several targets at La Tortuga which warrant considerable follow-up work, including drilling, which will commence in the middle of this year. The next stage of exploration now underway at La Tortuga will see a sustained exploration program take place throughout the remainder of 2009.

We look forward to further major announcements with respect to both the Promontorio and La Tortuga projects during the balance of the year. We retain our confidence in the company's exploration and development appeal. The company's market value is miniscule at just \$9 million.

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's flagship project at present is the Promontorio Project in the state of Chihuahua, which has the potential for small-scale, high-grade mining.

Market Capitalisation

A\$9m

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