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AZURE MINERALS
ANNUAL REPORT 2007

COMPANY OVERVIEW

FINANCIAL REPORT

Anthony Paul Rovira
Executive Chairman

Dr Wolf Martinick
Non Executive Director

John Walter Saleeba
Non Executive Director

Brett Douglas Dickson
Company Secretary

CORPORATE INFORMATION

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THE CHAIRMAN'S REPORT

Dear Fellow Shareholders,

On behalf of the board, it is with great pleasure I present to you the Azure Annual Report for 2007, my first as Chairman.

This has been a year of great progress for Azure as we continued to focus our exploration efforts on the highly prospective portfolio of projects we hold in Mexico.

Our philosophy has been to have a very active exploration program, and this has delivered excellent results throughout the year from several projects and across different commodities. Amongst others, Jagüey has again demonstrated high grade silver, lead and zinc mineralisation in massive sulphide veins. Pozo de Nacho has returned some excellent drilling results indicating the potential for a large scale molybdenum deposit, and copper mineralisation was discovered at Potreritos. In addition initial surface sampling on a number of our early stage projects has returned very promising high grade results.

I am also pleased that we have initiated our own continuous program of regional exploration, target identification and project acquisition, which has delivered Azure's first 100% owned projects in Mexico. This is a major milestone for the Company. This ongoing program, together with further projects being delivered via the Geoinformatics joint venture pipeline, gives us a bright future in Mexico with further opportunities on the horizon.

Mexico continues to offer outstanding possibilities for Azure, as the region is host to numerous world class mines, while still offering many under-explored opportunities for us to pursue. Whilst one of few Australian companies operating in Mexico, we have made a place for ourselves in the local community, with a fully staffed administration and exploration office in Hermosillo. This permanent local presence of our exploration team is a key factor to our continued success in Mexico.

We are examining strategies for further growth in North America, with the evaluation of a listing on one of the TSX Group exchanges. We consider that a Canadian listing has the potential to significantly benefit our existing shareholders and will provide opportunities for international participation in the Company's exciting exploration projects.

The year ahead is planned to be very active with a continuing commitment to intensive exploration and project acquisition in Mexico. Highlights for the coming year are expected to include first drilling on our 100% owned properties, further drilling on our advanced Jagüey and Pozo de Nacho projects, the completion of the initial 51% interest earn-in on our joint venture properties, and further opportunities for project acquisition.

Azure's vision is to become an independent minerals producer through exploration success and selective project acquisition. I look forward to your continuing support as we continue to bring this vision closer over the next 12 months, with our active exploration and project generation programs.

On your behalf, I would like to compliment and thank the entire Azure team for the excellent work they have carried out over the past year, particularly to two of our founding directors, Mr Cam Ansell and Mr Michael Fowler who recently retired from the company. All have contributed to the increasingly strong position of the Company, which has us well placed to continue Azure's growth in Mexico.

Anthony Rovira
Executive Chairman

100% AZURE PROJECTS

Azure, through its wholly-owned Mexican subsidiary Minera Piedra Azul SA de CV, has implemented a continuous program of regional exploration and target identification in northern Mexico in order to acquire 100% owned properties, both through application for mineral concessions over vacant ground and, where appropriate, by purchasing advanced stage projects. The effectiveness of this program is enhanced by Azure's establishment of an exploration and administration centre in Hermosillo, the capital of Sonora, where the Company has based its team of exploration geologists.

Throughout Mexico there are many areas containing strong evidence of mineralisation, including historical mine workings, anomalous surface geochemistry, and mineralised drill intercepts, which are currently vacant and available for staking. Azure has been successful in making six new applications for 100%-owned mineral concessions in highly prospective mineral districts, and the Company's technical team is continuing to monitor several areas of interest.

Three new 100%-owned properties, La Providencia, La Tortuga, and El Ermitaño, covering a total area of 267 km^2 were staked in Sonora during the June quarter of 2007. All three have since been granted by the Mexican Government.

Post the end of the financial year three more properties, El Cuervo, Coronado and Los Nidos, covering 400km^2, were staked in Chihuahua (El Cuervo and Coronado) and Sonora (Los Nidos).

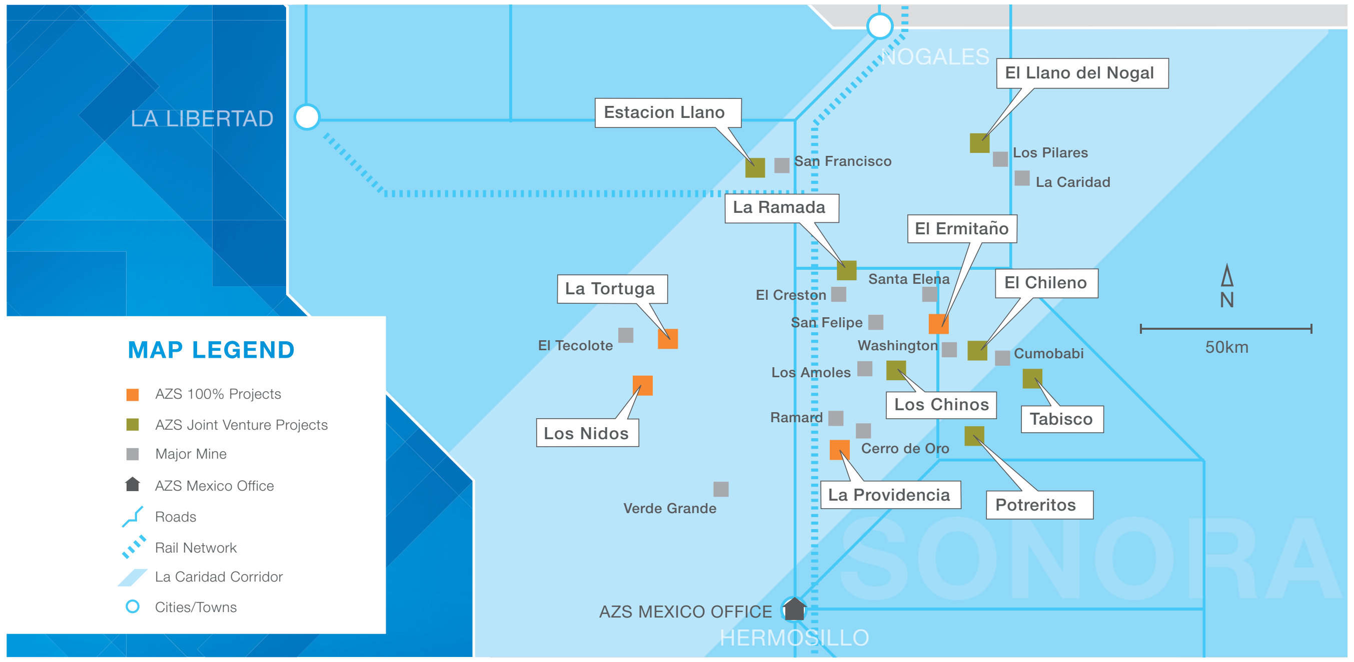
Mexico is renowned for its world class base metal carbonate replacement deposits which can be both large and high grade; for example the Santa Eulalia Mine, with 48Mt @ 304g/t silver, 7.5% zinc, 7.6% lead and 1.0% copper, and the Naica Mine with 40.6Mt @ 182g/t silver, 4.4% zinc, 5.8% lead, 0.4% copper and 0.3g/t gold, both in Chihuahua. Azure is focusing on acquiring properties with potential to host this style of mineralisation and El Cuervo and Coronado are excellent acquisitions in this strongly mineralised region.

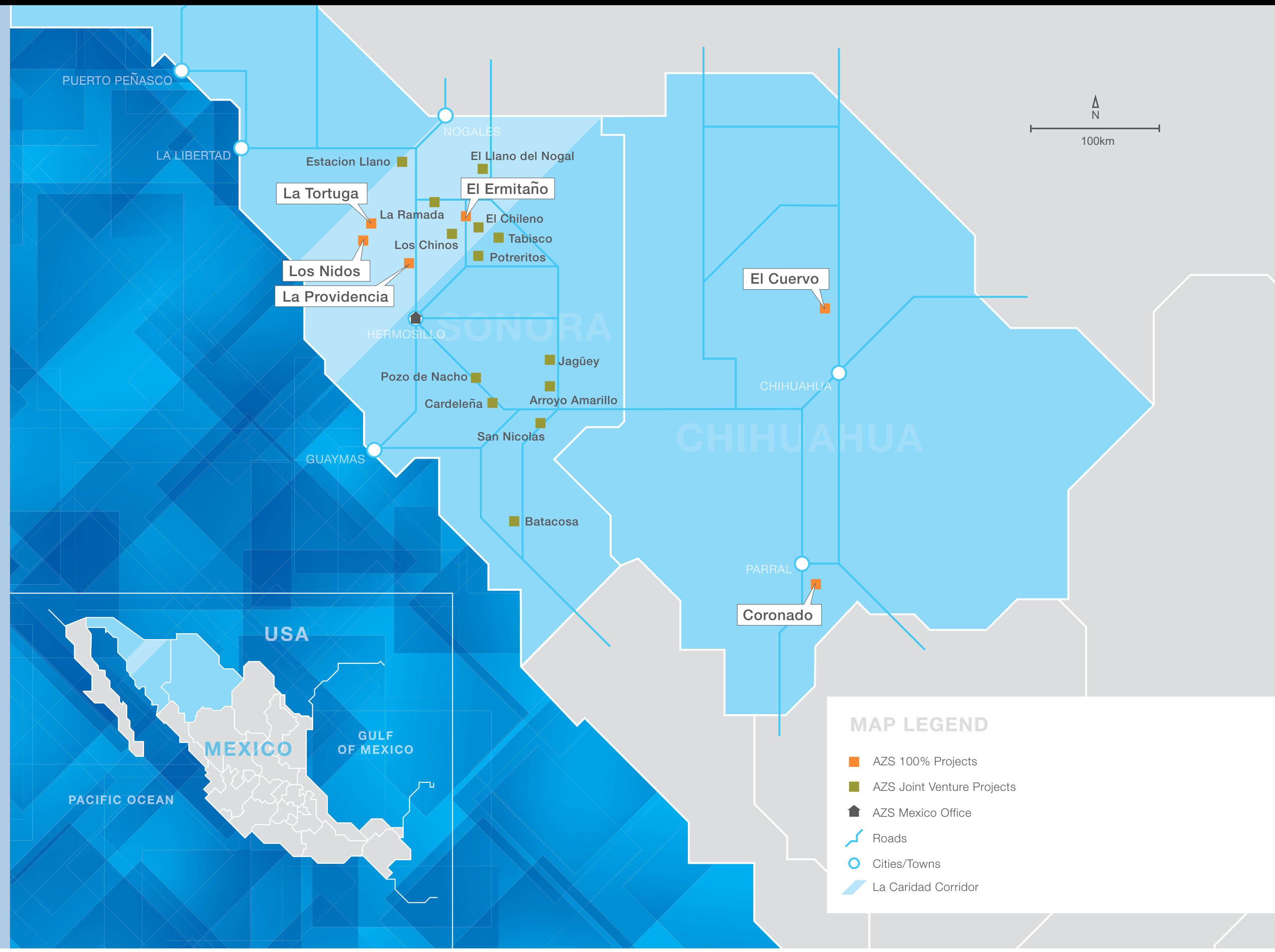
In addition, Azure has focused on acquiring properties situated within the La Caridad Corridor, a highly mineralised trend containing numerous major mining operations and recently discovered deposits (see Figure A).

The La Caridad Corridor is a very mineralised district considered highly prospective for the discovery of further deposits. It is currently the centre of significant international exploration interest, particularly from the North American mining sector. Several Canadian companies have recently announced successful exploration activities and exciting results from projects within the Corridor.

The Company is continuing its ongoing target generation program, which it expects will result in the identification and staking of further prospective properties. Locations of Azure's wholly-owned properties are shown in Figure B.

FIGURE A - AZURE'S PROJECTS AND THE LA CARIDAD CORRIDOR





LA TORTUGA

COPPER-ZINC-MOLYBDENUM

La Tortuga is located 95 kilometres northwest of Hermosillo and covers 52km^2. It contains abundant evidence of mineralisation at surface. The property was previously held by Teck Cominco, who drilled at least seven Reverse Circulation (RC) holes into the mineralised system, with one hole intersecting 110 metres @ 0.2% copper. Initial surface sampling by Azure has returned highly anomalous results, including: copper (up to 8.5%), zinc (up to 4.3%) and molybdenum (up to 408ppm). Follow-up work will include detailed mapping and sampling prior to drilling.

MINERAL	SURFACE SAMPLING RESULTS UP TO:
COPPER	8.5%
ZINC	4.3%
MOLYBDENUM	408ppm

LA PROVIDENCIA

SILVER-LEAD-ZINC

La Providencia is located 45 kilometres north of Hermosillo and covers an area of 87km^2. It contains significant occurrences of carbonate replacement style base metal mineralisation. Azure's surface sampling returned high grade mineralisation, including zinc (up to 45.4%), lead (up to 5.3%) and silver (up to 532g/t). More recent exploration has discovered quartz veins hosting visible gold with associated base metal mineralisation. Dump and rock chip samples returned numerous anomalous results, including gold (up to 3.25g/t), silver (up to 156g/t), copper (up to 2.1%), lead (up to 0.7%) and zinc (up to 0.95%).

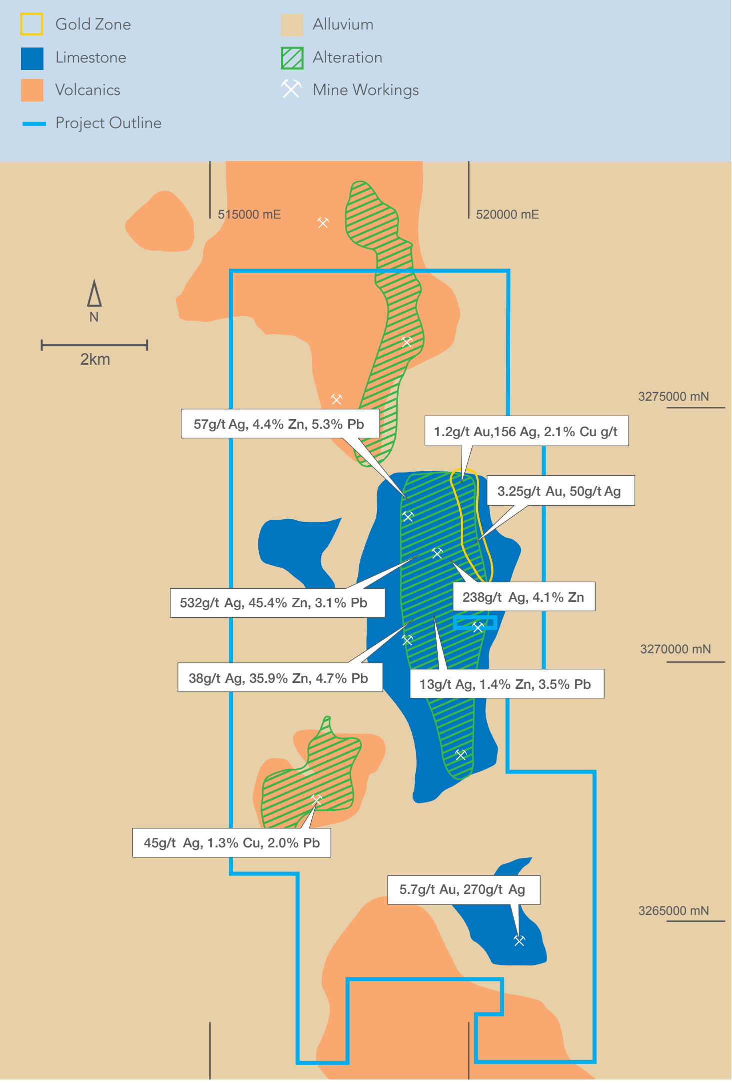
Historic small scale mine workings, which exploited mineralisation hosted in oxidised massive sulphide mantos, veins and breccias, are common throughout the property. Mineralisation is mostly carbonate replacement style, where limestones have been altered and replaced by sphalerite (zinc sulphide) and galena (lead sulphide) introduced by hot magmatic fluids associated with porphyry intrusions. High grade silver mineralisation accompanies the sphalerite and galena.

Base metal carbonate replacement deposits are common throughout central and northern Mexico. One example is the Ramard Project held by TSX-V-listed Colibri Resources Corp, which adjoins the northern boundary of the La Providencia property. Recent drilling at Ramard intersected massive sulphide mineralisation containing high grade silver, zinc and lead mineralisation (including 4.5m @ 158g/t silver, 10.8% zinc, & 2.6% lead) hosted in the same geological sequence as in La Providencia.

Azure considers that La Providencia has potential to host significant polymetallic mineralisation. Further work will include geological mapping and sampling, surface geophysical surveys to define buried sulphide mineralisation, followed by drill testing.

MINERAL	SURFACE SAMPLING RESULTS UP TO:
ZINC	45.4%
LEAD	5.3%
SILVER	532g/t
COPPER	2.1%
GOLD	5.7g/t

LA PROVIDENCIA - OVERVIEW



LOS NIDOS

GOLD-SILVER-COPPER

Los Nidos adjoins the southern boundary of the La Tortuga property and covers 48 km^2. The property contains numerous historical mine workings which exploited northwest trending, structurally controlled gold-silver-copper mineralisation hosted in an altered quartz porphyry. Azure completed a first pass surface sampling program which returned abundant indications of mineralisation, including gold (up to 12g/t), silver (up to 1,100g/t), copper (up to 3.7%) and lead (up to 1.2%). Further work, including surface exploration and drilling, will be carried out in conjunction with programs on the neighbouring La Tortuga property.

MINERAL	SURFACE SAMPLING RESULTS UP TO:
GOLD	12g/t
SILVER	1100g/t
COPPER	3.7%
LEAD	1.2%

AZURE MINERALS ANNUAL REPORT 2007

EL CUERVO

COPPER-ZINC-MOLYBDENUM

El Cuervo is located 50 kilometres north of Chihuahua City, the capital of the State of Chihuahua. This is a large property of 258km^2 located towards the northern end of the Chihuahua Trough, a major geological feature containing numerous base metal mines including the nearby giant limestone-hosted Santa Eulalia silver-lead-zinc mine.

El Cuervo is situated five kilometres north of the Terrazas zinc-copper deposit (90mt @ 1.37% zinc & 0.32% copper), which is currently under feasibility study by TSX-listed Constellation Copper Corporation. More than 20 strike kilometres of the limestone and associated felsic intrusive sequence that hosts Terrazas and other contact skarn deposits in the district are contained within the property. El Cuervo has potential for repetitions of Terrazas-style deposits and for massive sulphide silver-lead-zinc mineralisation similar to Santa Eulalia and Naica.

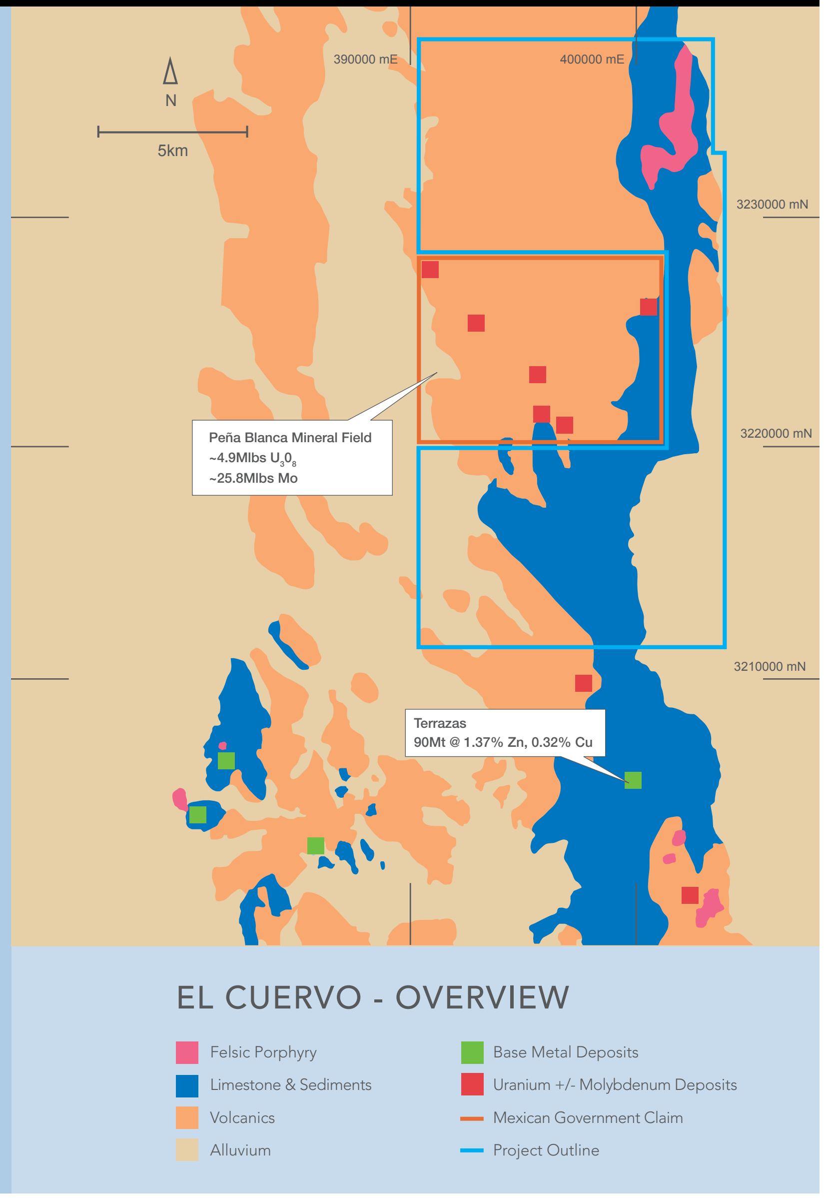
The El Cuervo property also surrounds the Peña Blanca mineral field which is held by the Mexican Government. The southern portion of Peña Blanca hosts several shallow, high grade molybdenum deposits, which are reported to contain a total of 9.3Mt @ 0.13% molybdennum for approximately 11,700 tonnes (25.8Mlbs) of molybdenum.

El Cuervo contains more than 100km^2 of the same geological sequence that hosts the Peña Blanca deposits. No known drilling has been completed within the El Cuervo property, with all historical exploration being focused on the neighbouring occurrences at Peña Blanca and its outcropping mineralisation. Azure considers El Cuervo to have potential for hosting molybdenum deposits of the Peña Blanca style and will carry out surface exploration and drilling during 2008.

EL ERMITAÑO

GOLD-SILVER

El Ermitaño is located 130 kilometres northeast of Hermosillo and covers 123km^2. It borders the Santa Elena and Cruz de Mayo epithermal silver-gold deposits which contain combined resources of 22Moz silver and 360,000oz gold, and are currently being explored by TSX-V listed SilverCrest Mines Inc. El Ermitaño contains an extensive alteration system hosting epithermal veins and breccias exploited by numerous historical mine workings. First pass exploration is currently being planned and will commence in the second quarter of 2008.



CORONADO

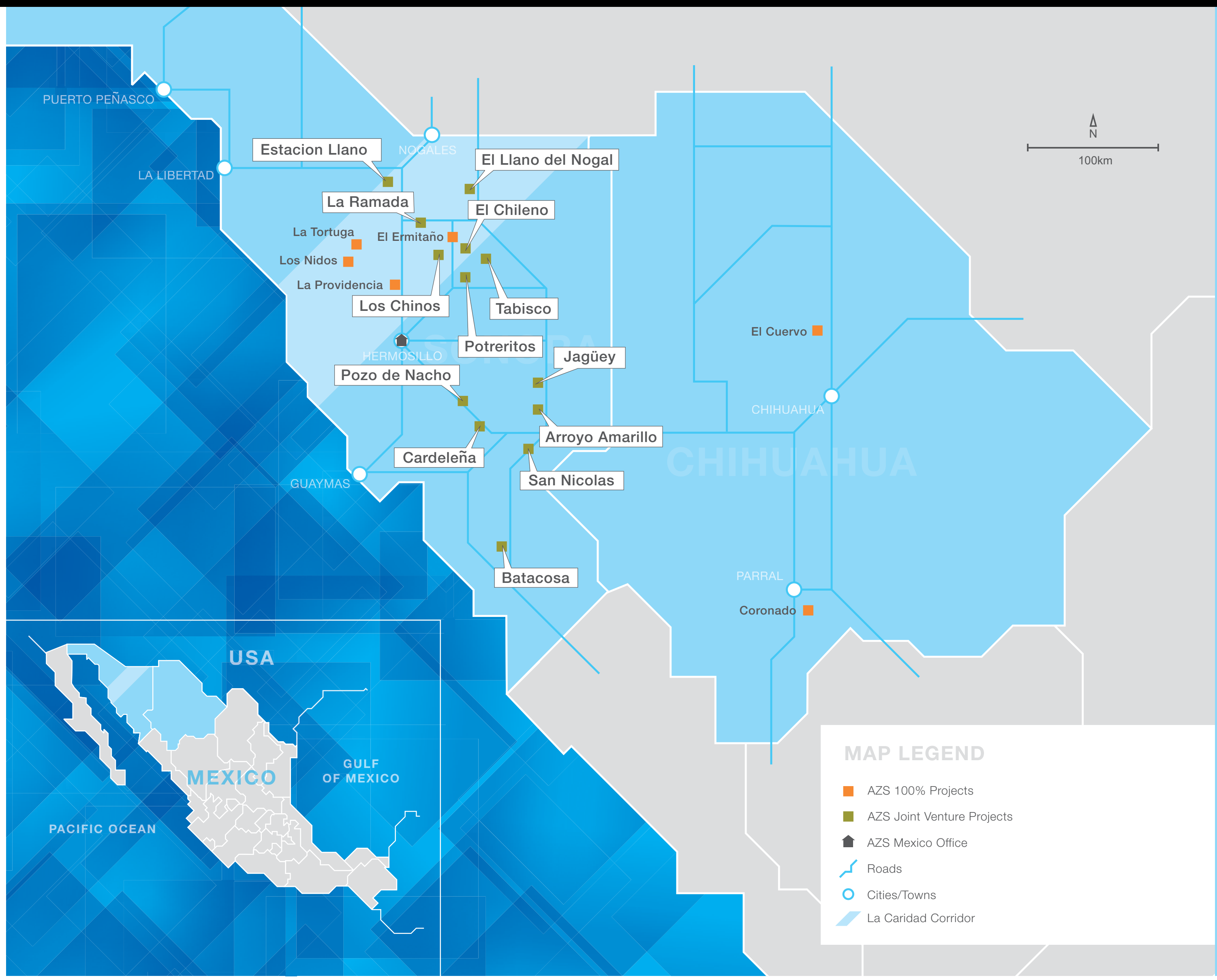
SILVER-LEAD-ZINC

Coronado is situated 230 kilometres south of Chihuahua City in the state of Chihuahua. The property contains a sequence of limestones and felsic intrusives, the same geological setting as at the nearby Adargas Mine which historically produced approximately 350,000 tonnes of ore with grades of 9-24g/t gold, 1,000g/t silver and 24-36% lead. Numerous historical mine workings and substantial areas of strong alteration are contained within the Coronado property. It is considered prospective for high grade chimney and manto hosted silver-lead-zinc mineralisation, similar to that exploited at Adargas. Exploration at Coronado will comprise surface geochemical sampling, assessment of historical mine workings, and drilling.

JOINT VENTURE PROJECTS

Azure is earning an interest in 13 projects in Sonora, Mexico in a joint venture with Canadian-listed Geoinformatics Exploration Inc (TSX-V: GXL). Under the terms of the joint venture agreement, Azure must spend US$4 million on the projects by July 2009 to earn an initial 51% interest. If GXL elects not to contribute at that stage, Azure can increase to a 75% interest in all projects by sole funding a pre-feasibility study on any one project by July 2011. As of 30 June 2007, Azure had spent approximately US$3.1 million on the projects. The Company expects to earn the initial 51% stake in the joint venture projects during 2008. Locations of Azure's joint venture properties are shown in Figure C.

FIGURE C



SIGNIFICANT DRILL INTERCEPTS - JAGÜEY

HOLE No	INTERVAL	SILVER	LEAD	ZINC
JAG-DD-006	0.5m	68g/t	1.7%	2.6%
JAG-DD-007	0.5m	400g/t	4.8%	3.1%
JAG-DD-008	2.5m	322g/t	2.7%	2.1%

JAGÜEY

SILVER-LEAD-ZINC-COPPER-GOLD

Jagüey is located in the western foothills of the Sierra Madre Occidental mountain range, about 190 kilometres east of Hermosillo. The property contains volcanic and intrusive rocks prospective for porphyry copper and associated styles of mineralisation. Historical mine workings exploited copper-gold skarns and silver-lead-zinc massive sulphide veins.

Drilling in 2006 returned several intercepts of near surface, high grade silver-lead-zinc mineralisation hosted in massive sulphide veins and breccias. These results included a spectacularly high grade intercept of 0.7m @ 3,180g/t silver, 12.8% lead & 6.2% zinc

In 2007 a further three diamond holes were drilled at Jagüey for a total of 406 metres with all holes intersecting high grade silver, lead and zinc mineralisation. Significant drill intercepts are presented above, with a complete list of mineralised intercepts in Table 1.

These results confirm the presence at Jagüey of a sheeted vein system comprising numerous massive sulphide veins of sphalerite and galena mineralisation containing high silver, lead and zinc grades.

The host rock of these sulphide veins is strongly altered volcanics which also contain disseminated sulphide mineralisation (pyrite, chalcopyrite, sphalerite and galena) between the veins.

The presence of surface mineralisation is evidenced by historical mine workings, including shafts and adits, which exploited the oxidised component of the mineralised veins. Sulphide mineralisation commences less than 10 metres below surface and is open at depth.

The vein system has an open ended north-south strike length of at least 150 metres and an overall width of approximately 50 metres. Additional historical workings are located 250 metres along strike to the north, and also on a parallel vein system 700 metres to the southwest of the drilled area.

Polymetallic massive sulphide deposits often contain a very high value product, and Azure considers this deposit style to be a high priority target. Jagüey is considered to have excellent potential for hosting a substantial quantity of this style of mineralisation and an intensive follow-up exploration program has commenced. This program comprises detailed mapping and geochemical sampling, downhole and surface geophysical surveys, and further diamond drilling.

WHAT IS MOLYBDENUM?

Molybdenum is a high melting point alloying metal used to improve the hardness and corrosion resistance of steel, and as a high temperature lubricant in greases and bearings.

Molybdenum occurs most commonly as molybdenite (Molybdenum Sulphide – MoS_2). The main regions of molybdenum production are North and South America and China, and mines usually operate in rocks with molybdenum grades between 0.01% - 0.30%.

Annual consumption of molybdenum is currently more than 400 million pounds and increasing at approximately 10% per annum. World-wide production is struggling to maintain sufficient supply, which has led to significantly higher prices. Since 2003, molybdenum prices have increased from US$5 per pound to greater than US$30 per pound in 2007.

Prices are expected to continue to grow until at least 2010, due to significantly increased demand and ongoing supply-side constraints.

POZO DE NACHO - OVERVIEW

Felsic Porphyry
Sediments
Alluvium
AZS Drillholes
Historical Drillholes
+4 (metres x Mo%)
+2 (metres x Mo%)

POZO DE NACHO

MOLYBDENUM-COPPER

Pozo de Nacho is located 95 kilometres southeast of Hermosillo on the western edge of the highly mineralised Sierra Madre Occidental region. The district contains several large molybdenum deposits, including the Cumobabi mine (46.5Mt @ 0.2% MoS_2 and the El Creston deposit (177Mt @ 0.13% MoS_2).

Azure completed two drilling programs during the year comprising seven diamond core holes and four RC holes totalling 2,432 metres. Results confirmed the presence of a large, molybdenum-rich zone of mineralisation within an intrusive porphyry system and the surrounding sedimentary sequence. Significant drill intercepts are presented here with a complete list of mineralised intercepts in Table 3.

A substantial body of molybdenum mineralisation has been intersected over an area of 800 by 250 metres, and from surface to depths in excess of 300 metres. The mineralised zone remains open in most directions.

Mineralisation is present as veins and coarse to fine disseminations of molybdenite (molybdenum sulphide: MoS_2) hosted within strongly altered quartz porphyry and surrounding sediments (sandstones and siltstones). Chalcopyrite (copper sulphide) mineralisation is present in the drill core, producing modest copper grades. Silver mineralisation is also present in moderate amounts throughout the system.

The mineralised system remains open to the east, west and north, and extends from surface to depths exceeding 300 vertical metres. In addition a large number of assays exceed 0.1%MoS_2 which augers well for delineating higher grade zones of mineralisation with future drilling.

Further confirmation of the extent of the molybdenum mineralisation was recently provided when the Company's acquisition of historical data revealed that 13 vertical percussion holes were drilled on the Pozo de Nacho property by Canadian company Cominco (a predecessor of Teck Cominco) in 1977. Seven of the 13 Cominco holes were drilled within Azure's principal area of interest to depths of between 58 to 85 metres.

Cominco collected samples at 10 foot (approximately 3.05 metres) intervals and assayed for molybdenum and copper. Assay results indicate that all seven holes intersected molybdenum mineralisation.

To confirm the validity of the historical drilling results, Azure drilled a diamond core hole (PDN-DD-006) adjacent to two of the historical holes (PCH 01 and PCH 01B). Results from PDN-DD-006 (138.9 metres grading 0.06% MoS_2 from 12.0 to 150.9 metres) confirm the Cominco results, providing confidence in the historical assays and geological interpretation.

Azure has planned follow-up diamond drilling at Pozo de Nacho to define the extent and fully delineate the potentially economic molybdenum mineralisation. In addition, deeper drilling will be undertaken to investigate the porphyry copper potential at depth beneath the molybdenum-rich zone.

SIGNIFICANT DRILL INTERCEPTS - POZO DE NACHO

HOLE No	INTERVAL	MoS_2	COPPER	SILVER
PDN-DD-01	102.8m	0.04%	0.03%	0.9g/t
PDN-DD-003	124.2m	0.04%	0.08%	3.8g/t
PDN-DD-004	183.7m	0.04%	0.06%	1.6g/t
PDN-DD-005	20.0m	0.04%	0.05%	0.6g/t
PDN-DD-006	138.9m	0.06%	0.06%	2.2g/t
PDN-RC-02A	198.1m	0.06%	0.04%	1.5g/t

CARDELEÑA

GOLD–SILVER-COPPER

Cardeleña is located 130 kilometres southeast of Hermosillo, close to established infrastructure including sealed roads, water, power and labour. The local area is well endowed with mineralisation, including porphyry and breccia-style copper systems and epithermal and structural gold-silver deposits. The project area is underlain by a highly prospective mix of intrusive and volcanic rocks and intrusive breccias.

Three diamond core holes totalling 424 metres were drilled at Cardeleña this year to follow-up strong gold and silver mineralisation intersected in initial RC drilling (including 30.5 metres @ 1.85g/t gold & 9.2g/t silver from 91.4 metres).

Drilling targeted an east-west trending ridge of outcropping breccia approximately 800 metres long and up to 30 metres wide. The gold and silver mineralisation is hosted in quartz-tourmaline-iron oxide breccias with stockwork quartz veining, contained within a much wider envelope of altered volcanics and porphyries containing anomalous gold and silver grades.

Significant drill intercepts are presented here, with a complete list of mineralised intercepts in Table 4.

In addition to the silver and gold potential, Cardeleña is prospective for copper mineralisation. Historical exploration targeted outcropping porphyry and breccia hosted oxide copper mineralisation in the vicinity of the old Cardeleña Copper Mine. Drilling returned anomalous drill intercepts from near surface, including 36 metres @ 0.3% copper, 10g/t silver & 0.07g/t gold. Further exploration to test the potential for significant copper oxide mineralisation will be carried out in 2008.

SIGNIFICANT DRILL INTERCEPTS - CARDELEÑA

HOLE No	INTERVAL	GOLD	SILVER
CAR-DD-01	21.8m	0.82g/t	6.98g/t
CAR-DD-03	31.1m	0.32g/t	10.9g/t

POTRERITOS

COPPER-SILVER

Potreritos is located 115 kilometres northeast of Hermosillo in a district containing numerous copper and molybdenum mines, primarily hosted in magmatic breccias associated with felsic intrusives.

Surface exploration by Azure identified an area containing outcropping quartz-tourmaline breccias hosting fresh chalcopyrite. Rock chip samples returned copper grades up to 1.7%. A follow-up Induced Polarisation (IP) survey identified two chargeability anomalies located beneath the mineralised breccias, indicating the presence of zones of disseminated sulphide mineralisation.

First pass RC drilling (three holes for 507 metres) intersected both semi-massive and disseminated copper sulphides at shallow depths within quartz-tourmaline breccia. Mineralisation comprises chalcopyrite (copper sulphide) and tetrahedrite (copper–silver sulphide) occurring in veins and disseminated zones hosted within hydrothermal magmatic breccias.

These encouraging drill intercepts were followed up by a second phase drilling program comprising five diamond core holes for a total of 657 metres. Two of the holes intersected visible copper mineralisation hosted in multiple flat-lying breccias. Several significant copper and silver-rich intercepts were returned, including 4.57 metres @ 4.92% Cu and 38g/t Ag from the shallow depth of 21 metres (downhole). Significant drill intercepts are presented here with a complete list of mineralised intercepts in Table 2.

Further investigation of the mineralised breccia systems at Potreritos is planned for 2008.

SIGNIFICANT DRILL INTERCEPTS - POTRERITOS

HOLE No	INTERVAL	COPPER	SILVER
POT-RC-01	24.4m	1.21%	11.3g/t
POT-RC-02	53.4m	0.15%	1.9g/t
POT-DD-001	2.0m	1.21%	16.3g/t
POT-DD-002	28.5m	0.45%	6.3g/t

LOS CHINOS

SILVER-LEAD-ZINC-COPPER

The Los Chinos property was staked by the Joint Venture in 2006 as part of the ongoing program of regional exploration, target identification and project acquisition. The property is located 80 kilometres north of Hermosillo, within the La Caridad mineralised corridor. Los Chinos has excellent potential to host significant polymetallic base and precious metal mineralisation.

The project area is characterised by numerous historical mine workings throughout the property which have exploited replacement-style mineralisation to shallow (<10 metres) depths. Mineralisation is hosted by a mixed sequence of sediments and volcanics which have undergone very strong and extensive alteration, indicating the presence of buried intrusives which are likely to be the source of the mineralisation.

Upon acquisition, rock chip samples from outcrop and dump samples from old mine workings were collected from several different areas within the property. High grades of lead, zinc, copper, molybdenum, silver and gold were returned, associated with extensive alteration and metasomatic replacement of sedimentary horizons.

Significantly an extensive alteration system containing replacement style mineralisation has been identified, covering more than 5 square kilometres. High molybdenum values, usually indicative of proximity to mineralised intrusive rocks, are present which suggests the presence of copper-molybdenum mineralised porphyry systems at shallow depths.

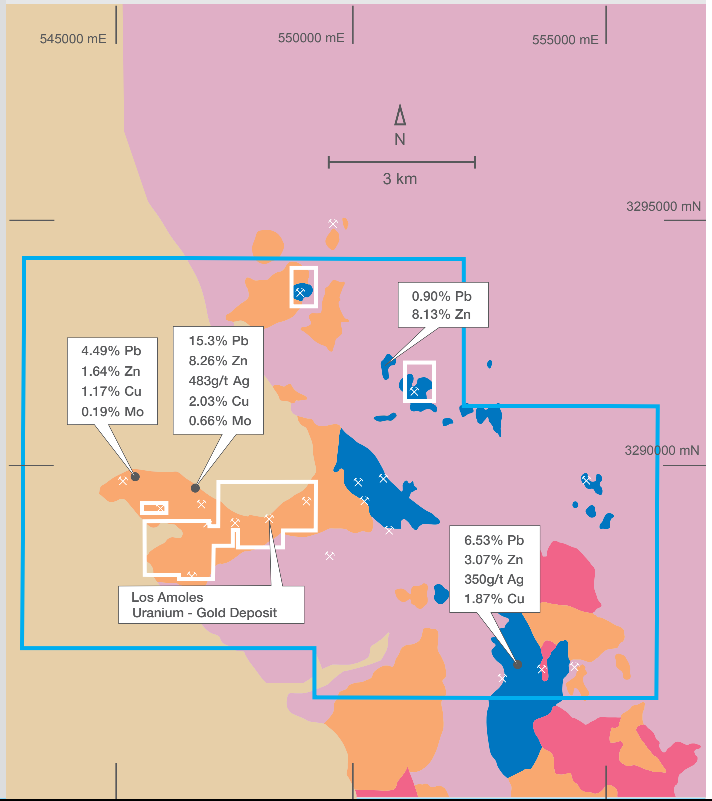
Two areas in particular returned high grade assays from mine workings and outcropping altered rocks. The first area, covering at least 600 x 600 metres, is located immediately west of the excluded claim containing the Los Amoles uranium deposit (reported to contain 2.0Mlbs of U_3O_8 in drill-defined resources). The second area is located in the southeast of the property, where limestones and volcanic rocks have been intruded by porphyry rocks and undergone widespread and intensive alteration.

Surface sampling and field assessment to date has covered only half of the claim. Elsewhere in the property other mine workings that also exploited replacement-style mineralisation within zones of strong alteration remain untested. Further exploration is in progress and drilling is planned for 2008.

MINERAL	SURFACE SAMPLING RESULTS UP TO:
GOLD	3.45g/t
SILVER	564g/t
MOLYBDENUM	0.66%
COPPER	2.03%
ZINC	8.26%
LEAD	15.3%

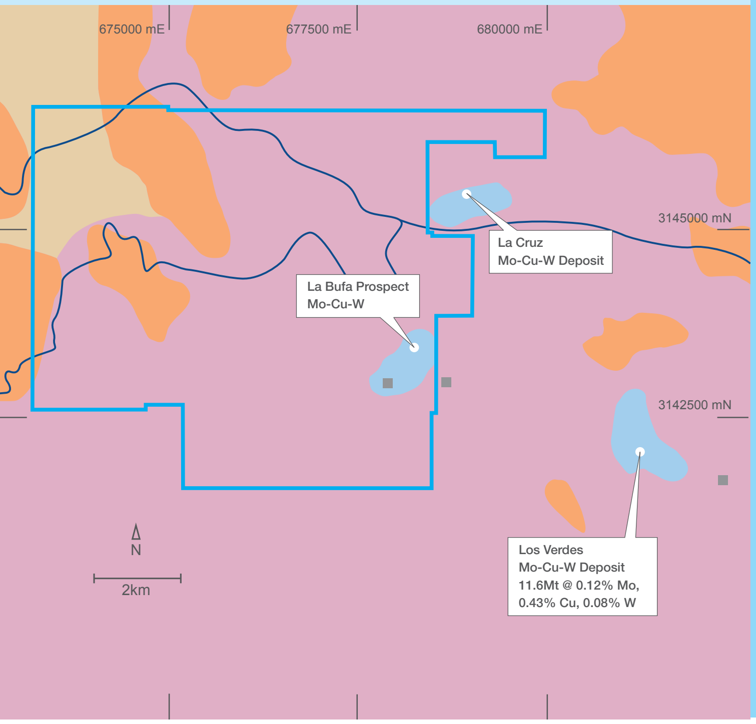
LOS CHINOS - OVERVIEW

Porphyry
Limestomes
Volcanics
Granodiorite
Alluvium
Mine Workings
Project Outline
Excisions
Best Assays



SAN NICOLAS - OVERVIEW

Breccia Bodies
Volcanics
Granodiorite
Alluvium
Project Outline
Major Project
Mineral Occurrence
Highway



SIGNIFICANT DRILL INTERCEPTS - LA BUFA

HOLE No	INTERVAL	MoS_2
NIC-DD-001	37.0	0.06%
including	3.4	0.24%
and	1.0	0.28%

SAN NICOLAS

MOLYBDENUM-COPPER

The San Nicolas project is located 185km southeast of Hermosillo, straddling the Hermosillo – Chihuahua highway. The project is situated in a well mineralised district, located about three kilometres west of the Los Verdes molybdenum-copper-tungsten deposit (12Mt @ 0.12% molybdenum, 0.43% copper & 0.08% tungsten) and two kilometres south of the La Cruz molybdenum-copper-tungsten deposit.

Exploration identified the La Bufa prospect which contained significant quantities of visible molybdenite over an area of 300m x 100m. Samples collected from the outcrop returned very high molybdenum grades, peaking at 5,340ppm Molybdenum (0.534% Mo). Very coarse-grained blebs (up to 1cm across) of molybdenite are commonly observed in the outcrop.

Anomalous channel samples, which included 30m @ 800ppm molybdenum, 32m @ 560ppm molybdenum and 8m @ 1100ppm molybdenum, were followed up by three diamond core holes totalling 457 metres.

The first hole, NIC-DD-001, was drilled beneath the molybdenum-rich channel sampling. A wide zone of anomalous molybdenum mineralisation (37 metres @ 334ppm Mo), including a high grade zone of 3.4 metres @ 1,450ppm Mo, was intersected from surface.

No high grade intercepts were returned from NIC-DD-002 and NIC-DD-003, although anomalous molybdenum and copper values are present throughout both holes.

The felsic intrusive that hosts the mineralisation continues to the south of hole NIC-DD-001 and recent surface work has revealed the presence of small historical workings in this area. Further work will focus on extending the mineralisation in this area, as drilling has not adequately explained the encouraging channel sample results.

The wider San Nicolas project is underlain by intrusive felsic to intermediate rocks and intrusive breccias, and is considered prospective for porphyry copper-molybdenum systems and associated styles of mineralisation.

OTHER JOINT VENTURE PROJECTS

ARROYO AMARILLO

Arroyo Amarillo contains strong alteration and stockwork vein development, with several groups of old mine workings present. Rock chip sampling returned high grade mineralisation, including 1,395g/t silver, 2.7g/t gold, 1.2% copper, 16.2% lead and 2.4% zinc. The alteration and mineralisation are indicative of an epithermal system and the property is considered to be prospective for silver and gold-rich, polymetallic sulphide vein mineralisation.

BATACOSA

Batacosa is located 225 kilometres southeast of Hermosillo and is situated some 60 kilometres northwest along strike from the Piedras Verdes copper oxide mine, operated by Canadian company, Frontera Copper Corporation. The Batacosa property contains a classic porphyry copper signature over a 3 kilometre x 1 kilometre area.

Previous exploration on the property by several major copper mining companies delineated a strong soil geochemical and alteration anomaly directly overlying an IP chargeability high and coincident resistivity low, indicative of disseminated sulphide mineralisation. Follow-up RC drilling returned an intercept of 300 metres @ 0.1% copper from surface to end of hole. Azure is considering its exploration options on this property.

EL CHILENO

El Chileno is located adjacent to the Washington base metal deposit (1.5Mt @ 1.6% copper, 0.11% molybdenum, 0.14% tungsten). Extensive alteration and quartz veining in outcropping felsic porphyry and breccias have been identified during initial reconnaissance. Historical drill intercepts on the property include 52 metres @ 0.13% copper from surface and 50 metres @ 0.10% copper from 120 metres. High grade surface samples have also been recorded, including 4.0g/t gold, 770g/t silver and 6.9% lead.

ESTACION LLANO

Estacion Llano adjoins the 1.1Moz San Francisco Gold Mine owned by Timmins Gold Corp (TSX-V: TMM). The major mineralised structures that host the deposits trend directly towards Azure's property. However, a thin veneer of post-mineralisation soils entirely covers the property which has rendered the previous limited geochemical sampling ineffective.

Azure plans to employ shallow, grid-based drilling across the interpreted strike extensions to the mineralised structures to define repeats of the San Francisco gold deposits. Estacion Llano's proximity to a plus one million ounce gold deposit makes it a high priority project for Azure.

LA RAMADA

La Ramada hosts numerous historical workings and surface anomalies which have not been drill tested. High grade surface samples have been recorded, including 618g/t silver, 3.4% lead, 3.1% zinc, 0.4% copper and 0.52g/t gold, and Azure will be undertaking further early stage exploration in the first half of the forthcoming year.

LLANO DEL NOGAL

Llano del Nogal reconnaissance mapping and sampling suggests that the property has potential to host substantial mineralisation associated with epithermal-polymetallic veins and breccias. Extensive areas of alteration and veining and highly encouraging levels of silver (to 1,060g/t), gold (to 5.1g/t), lead (to 16.7%), copper (to 2.6%) and zinc (to 1.7%) are indicative of a large, high grade system. Follow-up work will be carried out in 2008.

TABISCO

Tabisco is approximately 150 kilometres northeast of Hermosillo. Drilling by Azure in 2006 identified an epithermal quartz vein system in the vicinity of old mine workings. The first hole intersected several zones of high grade gold and silver mineralisation associated with quartz veins. The second and third holes returned lower grade, albeit still significant, gold and silver mineralisation. Better intercepts included 1.7 metres @ 22.0g/t gold & 332g/t silver from 16.1 metres and 4.0 metres @ 4.00g/t gold & 144g/t silver from 27.0 metres.

SIGNIFICANT DRILL INTERCEPT RESULTS

TABLE 1: SIGNIFICANT DRILL INTERCEPTS – JAGÜEY PROJECT

HOLE No	FROM (m)	TO (m)	INTERVAL (m)	SILVER (g/t)	LEAD (%)	ZINC (%)
JAG-DD-006	21.5	22.0	0.5	68	1.7	2.6
	81.5	82.5	1.0	62	1.9	1.0
JAG-DD-007	17.5	18.0	0.5	158	3.5	5.6
	19.0	19.5	0.5	728	2.4	1.3
	24.0	24.5	0.5	145	3.7	0.9
	44.5	45.0	0.5	154	3.8	4.0
	51.5	52.0	0.5	48	1.0	1.4
	60.0	60.5	0.5	400	4.8	3.1
JAG-DD-008	60.5	63.0	2.5	322	2.7	2.1
including	60.5	61.0	0.5	791	7.0	7.9
and	62.5	63.0	0.5	786	6.1	1.8
	70.0	70.5	0.5	305	4.2	0.8
	87.0	87.5	0.5	96	1.8	1.2
	97.5	98.0	0.5	518	0.9	0.3
	107.0	107.5	0.5	83	1.3	1.6
	113.5	114.0	0.5	52	1.7	2.4

DD samples were all half core and assayed by ALS-Chemex (Vancouver) using ICP-AES method

TABLE 2: SIGNIFICANT DRILL INTERCEPTS – POTRERITOS PROJECT

HOLE No	FROM (m)	TO (m)	INTERVAL (m)	COPPER (%)	SILVER (g/t)
POT-RC-01	7.6	32.0	24.4	1.21	11.3
including	19.8	29.0	9.2	2.65	21.4
including	21.3	25.9	4.6	4.92	38.2
	99.0	121.9	22.9	0.24	5.4
POT-RC-02	73.1	126.5	53.4	0.15	1.9
POT-DD-001	130.0	132.0	2.0	1.21	16.3
	147.0	173.0	26.0	0.55	4.4
including	158.0	173.0	15.0	0.74	5.4
POT-DD-002	13.0	41.5	28.5	0.45	6.3
including	13.0	15.0	2.0	1.08	10.5
	38.5	41.5	3.0	1.15	14.5

RC Samples collected in 5 foot (1.52 metre) intervals
DD samples were all half core
All samples were assayed by ALS-Chemex (Vancouver) using ICP-AES and fire assay (for gold) methods

TABLE 3: SIGNIFICANT DRILL INTERCEPTS – POZO DE NACHO PROJECT

HOLE No	FROM (m)	TO (m)	INTERVAL (m)	MoS_2 (%)	COPPER (%)	SILVER (g/t)	COMMENT
PHASE 1							
PDN-DD-01	169.5	175.0	5.5	0.11	0.03	1.9	
	254.0	356.8	102.8	0.04	0.03	0.9	*Hole ended in mineralisation*
including	280.0	285.0	5.0	0.21			
and	351.0	356.8	5.8	0.06	0.03	0.8	
PDN-DD-02	174.0	194.0	20.0	0.04	0.03	1.6	
PDN-RC-02	7.6	41.1	33.5	0.05	0.08	2.4	*Hole ended in mineralisation*
PDN-RC-02A	1.5	199.6	198.1	0.06	0.04	1.5	*Hole ended in mineralisation*
including	41.1	61.0	19.9	0.10			
PDN-RC-03	42.7	79.3	36.6	0.04	0.07	0.6	
PHASE 2							
PDN-DD-003	8.8	133.0	124.2	0.04	0.08	3.8	
including	119.0	133.0	14.0	0.09	0.11	7.3	
PDN-DD-004	68.0	251.7	183.7	0.04	0.06	1.6	*Hole ended in mineralisation*
PDN-DD-005	43.0	63.0	20.0	0.04	0.05	0.6	
PDN-DD-006	12.0	150.9	138.9	0.06	0.06	2.2	*Hole ended in mineralisation*

RC Samples collected in 5 foot (1.52 metre) intervals
DD samples were all half core
All samples were assayed by ALS-Chemex (Vancouver) using ICP-AES method
MoS_2 % = Mo% x 1.6681

TABLE 4: SIGNIFICANT DRILL INTERCEPTS – CARDELEÑA PROJECT

HOLE No	FROM (m)	TO (m)	INTERVAL (m)	GOLD (g/t)	SILVER (g/t)
CAR-DD-01	21.5	43.3	21.8	0.82	6.98
including	22.7	27.7	5.0	1.02	4.88
	36.0	41.1	5.1	1.73	14.5
CAR-DD-03	28.0	59.1	31.1	0.32	10.9
including	31.8	37.5	5.7	0.75	28.8
and	65.1	98.1	33.0	0.29	6.86
including	84.6	89.1	4.5	1.01	8.6

Core samples assayed at ALS Chemex (Vancouver & Reno) using method AA23 (gold) & ME-ICP41 (silver)

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Azure Minerals Limited and the entities it controlled at the end of or during the year ended 30 June 2007.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows; where applicable, all directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr. Anthony Paul Rovira, BSc Flinders University, BSc (Hons) Flinders University, MAusIMM (Appointed Executive Chairman 6 June 2007)

Mr Rovira has 25 years technical and management experience in the mining industry as an exploration and mining geologist, and as a company administrator at Board level. Since graduating from Flinders University in South Australia in 1983, Mr Rovira has worked for companies both large and small, including BHP, Sons of Gwalia, Barrack Mines, Zapopan, Pegasus Gold and Jubilee Mines.

From 1997-2003 Mr Rovira was the General Manager Exploration with Jubilee Mines, during which time he led the team that discovered and developed the world class Cosmos and Cosmos Deeps massive nickel sulphide deposits. In the year 2000, the Association of Mining and Exploration Companies awarded Mr Rovira the Prospector of the Year Award for the discovery of the Cosmos deposit. Mr Rovira is responsible for the management of all of the company's activities, including exploration, project generation and acquisition, and implementation of strategies set by the board.

Dr Wolf Martinick, PhD, BSc (agric) (Appointed 1 September 2007)

Dr Martinick is a Fellow of the AusIMM and founding director of the Perth-based consultancy, MBS Environmental Pty Ltd, to the mineral resource industry, especially in Australasia.

Dr Martinick has been involved with mineral exploration and mining projects around the world, especially Australasia, Africa, China, India, Eastern Europe and parts of the former Soviet Union. He has participated in numerous due diligence studies on mining projects around the world on behalf of international financial institutions and mineral resource companies for a variety of transactions, including listings on international stock exchanges, mergers and debt financing.

He is Chairman of Weatherly International Limited, a company listed on the London AIM stock exchange, and was a central figure in the acquisition of Weatherly's extensive copper mining and smelting interests in Namibia. He was a founding Director of Basin Minerals Limited, as ASX listed mineral exploration company which discovered a world-class mineral sands project in Victoria, Australia. He is Chairman of the ASX listed company Ezenet Limited. He is also Non-Executive Director of the ASX listed companies Sun Resources NL, Precious Metals Australia Limited, Carbine Resources Limited and Uran Limited.

Mr. Michael John Fowler, BAppSc (Geol) Curtin University, MSc (Ore Deposit Geology) UWA, MAusIMM (Non-Executive Director, audit committee member, chairman remuneration committee)
(Resigned 1 September 2007)

Mr Fowler is a geologist with 18 years industry experience. He graduated from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology and in 1999 received a Master of Science majoring in Ore Deposit Geology from the University of Western Australia. On graduating he worked as an Exploration Geologist exploring for gold and base metals for Dominion Mining in the Murchison, Gascoyne and Eastern Goldfields Regions of Western Australia. In 1996 he joined Croesus Mining NL and was made Exploration Manager in 1997. Mr Fowler oversaw all exploration for Croesus until June 2004 and was then appointed Business Development Manager and then Managing Director in November 2005. Mr Fowler has been responsible for the discovery and development of several significant gold deposits and has discovered over one million reserve ounces of gold during his career. He is currently working as Exploration Manager for Castle Minerals, a Ghanaian focused gold company.

Mr. John Walter Saleeba, BCom, LLB, CPA, FAICD (Non-Executive Director, chairman audit committee, remuneration committee member)

Mr Saleeba was formerly a partner in the law firm Clayton Utz. He is a Fellow of the Australian Institute of Company Directors and is currently Chairman of Centrepoint Alliance Limited, Repcol Limited and VDM Group Limited. Mr Saleeba has held directorships with Skywest Limited, Burtway Limited, Floreat Close Limited and a number of other companies, covering a wide range of business activities.

Mr. Campbell Theodore Ansell, FCA, MAICD (Resigned 6 June 2007)

Mr Ansell is a Chartered Accountant who is also a director of Universal Resources Limited and Castle Minerals Limited, as well as Chairman of De Grey Mining Limited. He is also a non-executive director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards. Mr Ansell has held the following former directorships in the last 3 years: Croesus Mining NL and Dragon Mining NL.

COMPANY SECRETARY

Brett Dickson, BBus, CPA (Appointed 21 November 2006)

Mr Dickson has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or product, and offers broad financial management skills. He has been Chief Financial Officer for a number of successful resource companies listed on the ASX.

He has had close involvement with the financing and development of a number of greenfield resources projects, including the Mt Horner and Blina oilfields, the Beharra Gas field, the Nimbus silver-zinc deposit, and the Dongara Mineral Sands deposit.

Mr Dickson is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Azure Minerals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Anthony Paul Rovira	2,000,000	6,500,000
Michael John Fowler	1,008,000	1,000,000
John Walter Saleeba	770,000	1,000,000
Wolf Martinick	-	-

DIRECTORS' MEETINGS

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

	Directors'		Meetings of Committees			
	Meetings		Audit		Remuneration	
	A	B	A	B	A	B
Number of meetings attended:						
Campbell Theodore Ansell	10	10	1	1	1	1
Anthony Paul Rovira	10	10	*	*	*	*
Michael John Fowler	8	10	-	1	1	1
John Walter Saleeba	10	10	1	1	-	1

Notes

A - Number of meetings attended.
B - Number of meetings held during the time the director held office during the year.
* - Not a member of the relevant committee.

The audit committee comprises M.J. Fowler, J.W. Saleeba and until his resignation on 6 June 2007 C.T. Ansell.

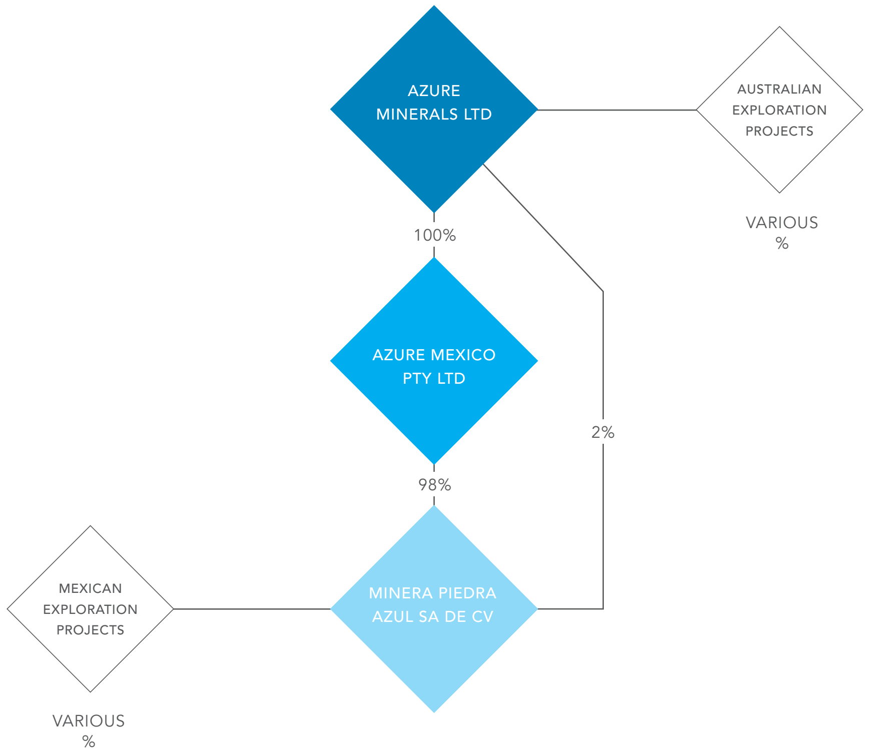
DIRECTOR'S REPORT

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

CORPORATE INFORMATION

Azure Minerals Limited is a company limited by shares which is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Nature of operations and principal activities

During the year the company carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying precious and base metals.

Employees

The company employed 3 employees as at 30 June 2007 (2006: 7 employees).

OPERATING AND FINANCIAL REVIEW

Group Overview

Azure Minerals Limited was incorporated on 19 September 2003 and listed on the ASX in December 2003. At the time of incorporation the company was called Nickel Australia Limited and was actively exploring for nickel sulphide deposits in Western Australia. In early 2006 the company broadened its focus and entered into a joint venture to explore for gold, copper, silver and zinc in Mexico. As a result of this change in focus the company received shareholders approval at the 2006 AGM to change its name to Azure Minerals Limited and on 20 December 2006 this name change became effective.

In early 2007, the company's focus shifted to the point where its principal activities were focused in Mexico, as a result a decision has been made by the directors to sell or joint venture it's Australian exploration projects.

Operating Results for the Year

The operating loss after income tax of the company for the year ended 30 June 2007 was $4,879,213 (2006: $9,464,884). Included in this loss figure is $3,512,273 (2006: $7,386,760) of exploration expenditure written off. Refer notes to the financial statements note 1(e).

Summarised operating results are as follows:

	2007	
	Revenues $	Results $
Geographic segment		
Australia	135,914	(2,689,590)
Mexico	10,871	(2,189,623)
Revenues and loss from ordinary activities before income tax expense	146,785	(4,879,213)

Shareholder Returns

	2007	2006
Basic loss per share (cents)	(4.8)	(11.1)
Diluted loss per share (cents)	(4.8)	(11.1)

Investments for Future Performance

The future performance of the group is dependant upon exploration success or, to a lesser degree, the acquisition of an advance mining project. To this end the group has budgeted to continue exploration at its Mexico projects.

Review of Financial Condition

The consolidated entity has a sound capital structure and is in an excellent position to progress its mineral properties. During the year, $2,516,000 was raised through the issue of 27,350,000 shares via a private placement.

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.
- The company undertakes risk review meetings annually with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

(a) An increase in contributed equity of $2,377,450 (from $17,952,332 to $20,329,782) as a result of:

	2007 $
Issue of 12,750,000 fully paid ordinary shares at $0.10 each	1,275,000
Issue of 14,600,000 fully paid ordinary shares at $0.085 each	1,241,000
	2,516,000
Less expenses associated with the above issue of shares	(138,550)
Total	**2,377,450**

(b) Net cash received from the increase is contributed equity amounting to $2,377,450 was used principally to continue the company's exploration programme in Mexico.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9th August 2007 the Company completed a placement of 20,000,000 ordinary shares at an issue price of 15 cents per share to raise $3,000,000 (before expense of the issue) to professional and sophisticated investors. These additional funds will be used to continue the groups intensive exploration program in Mexico.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The group expects to maintain the present status and level of operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review.

Unissued shares

At the date of this report there are 14,100,000 unissued ordinary shares in respect of which options are outstanding.

			Total Number of options
Balance at the beginning of the year			10,400,000
Share option movements during the year	*Issued*	*Lapsed*	
Exercisable at 25 cents, on or before 30 November 2008		(30,000)	(30,000)
Exercisable at 25 cents, on or before 30 November 2009		(60,000)	(60,000)
Exercisable at 25 cents, on or before 30 November 2010		(60,000)	(60,000)
Exercisable at 17.5 cents, on or before 31 January 2011	500,000	(200,000)	300,000
Exercisable at 25 cents, on or before 31 January 2012	1,000,000	(200,000)	800,000
Exercisable at 35 cents, on or before 31 January 2013	1,000,000	(200,000)	800,000
Exercisable at 15 cents, on or before 30 November 2009	1,200,000		1,200,000
Total options issued in the year to 30 June 2007			2,950,000
Total number of options outstanding as at 30 June 2007 and at the date of this report			13,350,000

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 Nov 2008	25.0	1,750,000
30 Nov 2009	25.0	3,500,000
30 Nov 2010	25.0	3,500,000
31 Jan 2011	17.5	800,000
31 Jan 2012	25.0	1,300,000
31 Jan 2013	35.0	1,300,000
30 Nov 2009	15.0	1,200,000
Total number of options outstanding at the date of this report		13,350,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

No options were exercised during the financial year. Since the end of the financial year no options have been exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Azure Minerals Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,
as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

DIRECTOR'S REPORT

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional Information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporation Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The remuneration policy of Azure Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Azure Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using either the Black-Scholes or Binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Each non-executive director is entitled to a retirement benefit in accordance with the maximum amount ascertained pursuant to section 200G(2)(b) of the Corporations Act 2001. The retirement benefit entitlement has been frozen as of 30 June 2006.

Amount of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB124 Related Party Disclosures) of Azure Minerals Limited are set out below in the following tables.

The key management personnel of Azure Minerals Limited includes the directors as disclosed earlier in this report and the following who have authority and responsibility for planning, directing and controlling the exploration activities of the entity.

Mr P Manouge *Exploration Manager – Australia*

Mr M Styles *Exploration Manager – Mexico*

In addition the Company Secretary, Mr B Dickson is an executive whose remuneration must be disclosed under the Corporations Act 2001.

B. Details of remuneration (audited)

	Short-Term			Post Employment		Share-based Payments	Total
	Cash, salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation	Retirement benefits	Options	
Directors							
Campbell Theodore Ansell *– Resigned 6 June 2007*							
2007	**80,000**	**-**	**-**	**3,375**	**60,000**	**-**	**143,375**
2006	60,000	-	2,894	5,400	-	9,412	77,706
Anthony Paul Rovira							
2007	**235,000**	**-**	**-**	**21,150**	**-**	**54,150**	**310,300**
2006	222,500	-	2,894	20,025	-	37,647	283,066
Michael John Fowler							
2007	**32,500**	**-**	**-**	**2,925**	**-**	**-**	**35,425**
2006	32,500	-	2,894	2,925	-	7,529	45,848
John Walter Saleeba							
2007	**32,500**	**-**	**-**	**2,925**	**-**	**-**	**35,425**
2006	32,500	-	2,894	2,925	-	7,529	45,848
Executives							
Brett Dickson *– Appointed 21 November 2006*							
2007	**90,000**	**-**	**-**	**-**	**-**	**11,160**	**101,160**
2006	-	-	-	-	-	-	-
Dennis Wilkins *- Resigned 21 November 2006*							
2007	**23,913**	**-**	**-**	**-**	**-**	**-**	**23,913**
2006	72,000	-	-	-	-	-	72,000
Patrick Manouge							
2007	**156,000**	**-**	**-**	**14,040**	**-**	**23,901**	**193,941**
2006	143,000	-	-	12,870	-	36,135	192,005
Mark Styles (appointed 1 July 2006)							
2007	**143,084**	**-**	**-**	**-**	**-**	**29,250**	**172,334**
2006	-	-	-	-	-	-	-
Total							
2007	**792,997**	**-**	**-**	**44,415**	**60,000**	**118,461**	**1,015,873**
2006	562,500	-	11,576	44,145	-	98,252	716,473

DIRECTOR'S REPORT

Retirement benefits provided for the non-executive directors in the financial statements do not form part of the above remuneration until such time as the amount is paid to the retiring director.

The company currently has no performance based remuneration component built into director and executive remuneration (2006: Nil)

C. Service Agreements (audited)

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Anthony Rovira, Managing Director:
- Term of agreement - 5 years commencing 16 December 2003.
- Base salary, exclusive of superannuation, of $235,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Brett Dickson, Company Secretary/Chief Financial Officer:
- Term of agreement – 2 years commencing 1 October 2006
- Fixed fee, $10,000 per month.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Patrick Manouge, Exploration Manager – Australia:
- Term of agreement – no fixed term.
- Base salary, exclusive of superannuation, of $156,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Mark Styles, Manager - Mexico:
- Term of agreement – 2 years commencing 1 July 2006.
- Base salary, exclusive of superannuation, of USD$125,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Retirement Benefits

Other retirement benefits may be provided directly by the company if approved by shareholders.

D. Share based payments (audited)

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Azure Minerals Limited to increase goal congruence between executives, directors and shareholders. There are no standard vesting conditions to options awarded. Vesting conditions, if any, are at the discretion of Directors at the time of grant. Options granted in the year ended 30 June 2007 vested immediately at time of grant. The following options were issued or vested during the year to key management personnel:

	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise Price per share	First Exercise Date	Last Exercise Date	% of Remun-eration
Year Ended 30 June 2007				(cents)	(cents)			
Directors								
Anthony Paul Rovira	500,000	500,000	6 Dec 2006	3.7	17.5	6 Dec 2006	30 Nov 2011	6.0%
Anthony Paul Rovira	500,000	500,000	6 Dec 2006	3.6	25.0	6 Dec 2006	30 Nov 2012	5.9%
Anthony Paul Rovira	500,000	500,000	6 Dec 2006	3.5	35.0	6 Dec 2006	30 Nov 2013	5.6%
Executives								
Mark Styles	500,000	500,000	10 Jan 2007	3.0	25.0	10 Jan 2007	30 Nov 2012	8.8%
Mark Styles	500,000	500,000	10 Jan 2007	2.8	35.0	10 Jan 2007	31 Jan 2013	8.2%
Brett Dickson	1,200,000	1,200,000	6 Dec 2006	0.9	15.0	6 Dec 2006	30 Nov 2009	11.0%
Total	3,700,000	3,700,000						
Year ended 30 June 2006								
Patrick Manouge	300,000	300,000	24 Mar 2006	6.8	17.5	24 Mar 2006	31 Jan 2011	10.6%
Patrick Manouge*	-	300,000	24 Mar 2006	6.6	25.0	1 Feb 2007	31 Jan 2012	3.3%
Patrick Manouge	-	300,000	24 Mar 2006	6.5	35.0	1 Feb 2008	31 Jan 2013	1.5%

* During the 2007 year 300,000 options were granted in 2006 to Patrick Manouge vested.

No options were exercised during the financial year and no options have been exercised since the end of the financial year.

Fair value of options granted

The weighted average fair value of the options granted during the year was 2.6 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

Weighted average exercise price (cents)	23.4
Weighted average life of the option (years)	4.02
Weighted average underlying share price (cents)	10.7
Expected share price volatility	70%
Risk free interest rate	6.0%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

DIRECTOR'S REPORT

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $
Options issued to employees	134,395	119,964	134,395	119,964

E. Additional Information (unaudited)

Performance based remuneration

Details of remuneration: options

For each grant of options included in the tables in Sections B & D above the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

All options granted this financial vested immediately therefore there is no portion that may be forfeited due to not meeting service and performance criteria.

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Performance Income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been provided to directors or executives.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 70.

NON-AUDIT SERVICES

During the year income tax advice provided by the entity's auditor, BDO Kendalls or associated entities and fees of $9,830 were paid for these services for the year ended 30 June 2007.

Signed in accordance with a resolution of the directors.

Anthony Paul Rovira
Executive Chairman

Perth, 20 September 2007

CORPORATE GOVERNANCE STATEMENT

In accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* **("ASX Principles and Recommendations"),** Azure Minerals Limited **("Company")** has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.azureminerals.com.au. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2006/2007 financial year ("Reporting Period") the Company has complied with each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle 2

Recommendations 2.2: The chairperson should be an independent director.
Recommendations 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual

Notification of Departure: From 6 July 2007 the Chairman was an executive of the Company and carried out the role of Chairman and Managing Director.

Explanation for Departure: On 6 July 2007 the incumbent Chairman (Mr C Ansell) resigned and Mr Rovira was appointed Chairman together with his role as Managing Director. The Board considers it appropriate for Mr Rovira to lead the Company in both a strategic and day to day capacity and is of the view that the integral leadership role of Mr Rovira as key executive and Chairman is aligned with shareholder expectations.

Recommendations 2.4: The Board should establish a Nomination Committee.

Notification of Departure: There is no separate nomination committee.

Explanation for Departure: The full Board considers those matters that would usually be the responsibility of a nomination committee. The composition of the Board does not make the establishment of a separate committee practicable and the Board considers that no efficiencies or other benefits would be gained by doing so.

NOMINATION COMMITTEE

The full Board, in its capacity as the Nomination Committee, did not meet during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee, held one meeting during the Reporting Period. The following table shows the attendance of each of the directors at those meetings:

Name	No. of meetings attended
Campbell Theodore Ansell	1
Michael John Fowler	0
John Walter Saleeba	1

Mr Fowler was overseas at the time of the audit meeting.

Details of each of the director's qualifications are set out in the Director's Report. Both Mr Ansell and Mr Saleeba have formal financial qualifications and have substantial industry knowledge and experience and consider themselves to be financially literate.

CORPORATE GOVERNANCE STATEMENT

Further, it is usual practice that Mr Brett Dickson, the Company Secretary, attends meetings which involve audit related discussions. Mr Dickson is a Certified Practising Accountant with a Bachelors Degree in Economics and Finance.

REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee, held one meeting during the Reporting Period which was attended by all committee members other than Mr Saleeba who was overseas at the time.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations **("Independence Criteria")**. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria all board members are independent directors of the Company other than Mr Rovira.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted

No formal evaluation was undertaken during the year. On an informal basis the Chairman reviews the performance of individual board members and the board as a whole and poor performing areas are addressed. Since the end of the reporting period the Company has established a review process where board members will be required to complete a questionnaire regarding individual knowledge, satisfaction, reporting and performance on a range of topics that are responsibilities of the board. Each director will be required to rank performance according to a defined scale for each activity or area. Results of the questionnaires will be collated and statistically analysed to rank collective board performance against each topic. Comparative analysis between individual director response and the overall board response will also be completed. Once the analysis is complete the Chairman will review the results with each director.

The Board reviews the Managing Director and key executive performances annually against the Company's performance objectives.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

Retirement and termination benefits of directors are set out in the Directors' Report.

INCOME STATEMENTS

Year ended 30 June 2007

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
REVENUE FROM CONTINUING OPERATIONS	2	**146,785**	339,978	**135,914**	339,978
EXPENDITURE					
Depreciation expenses	3	**(59,552)**	(58,834)	**(44,893)**	(58,834)
Salaries and employee benefits expense		**(489,239)**	(1,193,166)	**(489,239)**	(1,193,166)
Directors fees		**(145,000)**	(125,000)	**(145,000)**	(125,000)
Exploration expenses	3	**(3,512,273)**	(7,386,760)	**(1,445,177)**	(7,386,760)
Travel and promotion expenses		**(223,071)**	(142,088)	**(223,071)**	(142,088)
Office expenses		**(73,187)**	(76,263)	**(73,187)**	(76,263)
Consulting expenses		**(70,926)**	(511,919)	**(70,926)**	(511,919)
Insurance expenses		**(41,482)**	(31,660)	**(41,482)**	(31,660)
Funds misappropriated	3	**(110,396)**	-	**-**	-
Share based payment expense	26	**(134,395)**	(119,964)	**(134,395)**	(119,964)
Other expenses from ordinary activities		**(166,478)**	(159,204))	**(158,135)**	(159,204)
LOSS BEFORE INCOME TAX EXPENSE		**(4,879,213)**	(9,464,884)	**(2,689,590))**	(9,464,884)
INCOME TAX BENEFIT / (EXPENSE)	4	**-**	-	**-**	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF AZURE MINERALS LIMITED		**(4,879,213)**	(9,464,884)	**(2,689,590)**	(9,464,884)
Basic loss per share (cents per share)	18	**(4.8)**	(11.1)		
Diluted loss per share (cents per share)		**(4.8)**	(11.1)		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements.

BALANCE SHEETS

At 30 June 2007

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	14	737,646	3,642,826	686,889	3,642,826
Trade and other receivables	6	236,276	75,411	22,240	75,411
TOTAL CURRENT ASSETS		973,922	3,718,237	709,129	3,718,237
NON-CURRENT ASSETS					
Receivables		-	-	2,362,365	-
Plant and equipment	7	190,095	157,991	110,692	157,991
Other financial assets	8	22,308	-	22,535	227
TOTAL NON-CURRENT ASSETS		212,403	157,991	2,495,592	158,218
TOTAL ASSETS		1,186,325	3,876,228	3,204,721	3,876,455
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	10	315,260	507,042	137,857	507,269
Provisions	11	235,077	359,654	235,077	359,654
TOTAL CURRENT LIABILITIES		550,337	866,696	372,934	866,923
TOTAL LIABILITIES		550,337	866,696	372,934	866,923
NET ASSETS		635,988	3,009,532	2,831,787	3,009,532
EQUITY					
Contributed equity	12	20,329,782	17,952,332	20,329,782	17,952,332
Reserves	13(a)	532,389	404,170	538,565	404,170
Accumulated losses	13(b)	(20,226,183)	(15,346,970)	(18,036,560)	(15,346,970)
TOTAL EQUITY		635,988	3,009,532	2,831,787	3,009,532

The above Balance Sheets are to be read in conjunction with the Notes to the Financial Statements

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2007

CONSOLIDATED

30 JUNE 2007	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated (Losses)	Total
	$	$	$	$	$
Balance at 1 July 2006	17,952,332	404,170	-	(15,346,970)	3,009,532
Changes					
Loss for the period	-	-	-	(4,879,213)	(4,879,213)
Shares issued during the period	2,516,000	-	-	-	2,516,000
Transaction costs	(138,550)	-	-	-	(138,550)
Employee options	-	134,395	-	-	134,395
Foreign currency	-	-	(6,176)	-	(6,176)
Sub-total		134,565	(6,176)	(4,879,213)	(2,373,544)
Balance at 30 June 2007	20,329,782	538,565	(6,176)	(20,226,183)	635,988

30 JUNE 2006	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated (Losses)	Total
	$	$	$	$	$
Balance at 1 July 2005	17,952,332	284,206	-	(5,882,086)	12,354,452
Changes					
Loss for the period	-	-	-	(9,464,884)	(9,464,884)
Shares issued during the period	-	-	-	-	-
Transaction costs	-	-	-	-	-
Employee options	-	119,964	-	-	119,964
Sub-total	-	119,964	-	(9,464,884)	(9,344,920)
Balance at 30 June 2006	17,952,332	404,170	-	(15,346,970)	3,009,532

The above consolidated statement in of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2007

COMPANY

30 JUNE 2007	Issued Share Capital	Share Option Reserve	Accumulated (Losses)	Total
	$	$	$	$
Balance at 1 July 2006	17,952,332	404,170	(15,346,970)	3,009,532
Changes				
Loss for the period	-		(2,689,590)	(2,689,590)
Shares issued during the period	2,516,000	-	-	2,516,000
Transaction costs	(138,550)	-	-	(138,550)
Employee options	-	134,395		134,395
Sub-total	2,377,450	134,395	(2,689,590)	(177,745)
Balance at 30 June 2007	20,329,782	538,565	(18,036,560)	2,831,787

30 JUNE 2006	Issued Share Capital	Share Option Reserve	Accumulated (Losses)	Total
	$	$	$	$
Balance at 1 July 2005	17,952,332	284,206	(5,882,086)	12,354,452
Changes				
Loss for the period	-		(9,464,884)	(9,464,884)
Shares issued during the period	-	-	-	-
Transaction costs	-	-	-	-
Employee options	-	119,964	-	119,964
Sub-total	-	119,964	(9,464,884)	(9,344,920)
Balance at 30 June 2006	17,952,332	404,170	(15,346,970)	3,009,532

The above consolidated statement in of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

Year Ended 30 June 2007

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,264,567)	(1,061,833)	(1,256,225)	(1,061,833)
Interest received		137,905	329,921	127,034	329,921
Expenditure on mining interests		(3,967,354)	(3,572,046)	(1,846,966)	(3,572,046)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	14(b)	(5,094,016)	(4,303,958)	(2,976,157)	(4,303,958)
CASH FLOWS FROM INVESTING ACTIVITIES					
Funds misappropriated		(110,396)	-	-	-
Payments for plant and equipment		(95,608)	(7,383)	(2,485)	(7,383)
Payments for deposits		(108)	(20,000)	(108)	(20,000)
Proceeds from sale of equipment		7,955		7,955	-
Loans to controlled entities		-	-	(2,362,592)	-
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		(198,157)	(27,383)	(2,357,230)	(27,383)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		2,516,000	-	2,516,000	-
Share issue costs		(138,550)	-	(138,550)	-
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES		2,377,450	-	2,377,450	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,914,723)	(4,331,341)	(2,955,937)	(4,331,341)
Cash and cash equivalents at the beginning of the financial year		3,642,826	7,974,167	3,642,826	7,974,167
Effect of exchange rate changes on cash and cash equivalents		9,543	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	14(a)	737,646	3,642,826	686,889	3,642,826

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Azure Minerals Limited (the "Company") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors in September 2007.

Basis of Preparation

The principal accounting policies adopted in the preparation of this general purpose financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Azure Minerals Limited as an individual entity and the consolidated entity consisting of Azure Minerals Limited and its subsidiaries. Azure Minerals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on Australian Stock Exchange Limited.

Compliance with AIFRSs

Australian Accounting Standards include Australian equivalents to International Financial reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial report, comprising the groups financial statements and notes of Azure Minerals Limited, comply with IFRSs.

Australian Accounting Standards that have been recently issued or amended but are not yet effective have not been adopted for the year reporting period ending 30 June 2007:

AASB Amendment:	Affected Standard(s):	Applies to:	Application date of amendment:	Impact on Initial Application
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting,* AASB 117 *Leases,* AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First time Adoption of AIFRS*, AASB 4 *Insurance Contracts*, AASB 1023 *General I nsurance Contracts,* AASB 1028 *Life Insurance Contracts*	Changes to these standards arising from the AASB 7 (see below)	Periods commencing 1 January 2007	This new standard affects disclosure only and will have no impact on accounting policies.
AASB Standard:	**Affected Standard(s):**	**Applies to:**	**Application date of amendment:**	**Impact on Initial Application**
AASB 7	AASB 132 *Financial Instruments: Disclosures*	Disclosures of financial instruments – replaces and expands parts of AASB 132. This new standard affects disclosure only and will have no impact on accounting policies.	Periods commencing 1 January 2007	This new standard affects disclosure only and will have no impact on accounting policies.
UIG Interpretation	**Affected Standard(s):**	**Applies to:**	**Application date of UIG Interpretation:**	**Impact on Initial Application**
UIG Interpretation 10	AASB 134 *Interim Financial Reporting and* AASB 136 *Impairment of Assets*	The amendment restricts the reversal of impairments between interim and final reporting periods	Periods commencing on or after 1 November 2006	No Impact.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB Interpretation 11 (issued Feb 2007)	AASB 2 – *Group and Treasury Share Transactions*	Clarifies the accounting treatment under AASB 2: *Share-Based Payments* where the parent entity grants rights to its equity instruments to employees of its subsidiaries, or where a subsidiary grants to its employees rights to equity instruments of its parent.	Periods commencing on or after 1 March 2007	There will be no impact because at the reporting date the entity has not issued any equity instruments to employees of subsidiaries.
AASB 2007 – 4 (issued Apr 2007)	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Inserts accounting treatment options that currently exist under IFRSs back into AIFRSs and removed Australian-specific disclosures that were originally added into AIFRSs on first-time adoption from 1 January 2005.	Periods commencing on or after 1 July 2007	Most changes relate to certain Australian-specific disclosures not being required. The entity does not intend to adopt any reinstated options for accounting treatment when the standard is adopted. As such. There will be no future financial impacts on the financial statements.
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009.	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date of capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statement when this standard is adopted.
ASSB 101 (revised Oct 2006)	Presentation of Financial Statements	Removes Australian specific disclosure requirements.	Annual reporting periods commencing on or after 1 January 2007.	As these changes result in a reduction of Australia-specific disclosures, there will be no impact on amounts recognised in the financial statements.
AASB 8 (issued Feb 2007)	Operating Segments	Disclosure of operating segments – replaces AASB 114: Segment Reporting. Applies to listed entities and similar only. Early adoption is permitted and likely to occur for many unlisted reporting entities to avoid segment reporting disclosures. Significantly changes the way segment information is given.	Periods commencing on or after 1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting.*

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Azure Minerals Limited (the parent entity) and all entities which Azure Minerals Limited controlled from time to time during the year and at balance date ("the Group"). A controlled entity is any entity Azure Minerals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Azure Minerals Limited.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(d) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of Australian subsidiary (Azure Mexico Pty Ltd) is the Australian dollar. The functional currency of the Mexican overseas subsidiary (Minera Piedra Azul CV de SA) is the Mexican Peso.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(l) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) Contributed Equity

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Interests in joint ventures

The Groups share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and balance sheet.

The Groups interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(r) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or Binomial option pricing model.

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current.

These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risk and returns that are different from those of segments operating in other economic environments.

(t) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 6).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair Value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(u) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivative, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flow, are used to determined fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(v) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
2. REVENUE FROM CONTINUING OPERATIONS					
Other revenues					
Interest					
Bank interest		138,830	339,978	127,959	339,978
Proceeds from equipment sales		7,955	-	7,955	-
Total revenues from continuing operations		146,785	339,978	135,914	339,978
3. EXPENSES					
Profit before income tax includes the following specific expenses					
Depreciation of plant and equipment		59,552	58,834	44,893	58,834
Exploration expenditure		3,512,273	7,386,760	1,445,177	7,386,760

Misappropriated Funds

During the year $220,792 was fraudulently misappropriated from the bank account of Minera Piedra Azul S.A. De C.V., a 100% subsidiary of the company, held in Hermosillo, the capital of the state of Sonora in Mexico. Investigations by both the bank and local police failed to identify those responsible. While the bank claimed no responsibility a settlement was reached with the bank whereby in an act of good faith it refunded half of the amount misappropriated. As a result of this, a loss of $110,396 has been provided for in the accounts.

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
4. INCOME TAX					
(a) Income tax expense					
Current tax		-	-	-	-
Deferred tax		-	-	-	-
Adjustment for current tax of prior periods		-	-	-	-
		-	-	-	-

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Loss from continuing operations before income taxexpense		4,879,213	(9,464,884)	(2,689,590)	(9,464,884)
Tax at the Australian tax rate of 30% (2006: 30%)		(1,463,764)	(2,839,465)	(806,877)	(2,839,465)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Share-based payments		40,319	35,989	40,319	35,989
Tenement acquisition costs		20,456	123,997	20,456	123,997
Sundry items		6,027	3,159	6,027	3,159
		(1,530,566)	(2,676,320)	(740,076)	(2,676,320)
Movement in unrecognised temporary differences		110,537	1,324,866	(679,593)	1,324,866
Tax effect of current year tax losses for which no deferred tax asset has been recognised		1,420,029	1,351,454	1,420,029	1,351,454
Income tax expense		-	-	-	-
(c) Unrecognised temporary differences					
Deferred Tax Assets (at 30%)					
On Income Tax Account					
Capital raising costs		-	101,719	-	101,719
Prepayments		6,269	6,743	6,269	6,743
Depreciation of plant and equipment		17,866	16,501	13,468	16,501
Provisions		70,523	107,896	70,523	107,896
Other		-	5,947	-	5,947
Carry forward tax losses		2,266,384	1,803,658	2,266,384	1,803,658
		2,361,042	2,042,464	2,361,042	2,042,464
Deferred Tax Liabilities (at 30%)		-	-	-	-

In addition to the above Australian estimated future income tax benefits the consolidated entity has incurred significant expenditure in Mexico, some of which should give rise to taxable deductions. At this stage the company is unable to reliably estimate the quantity of such future tax benefits.

There are no franking credits available.

The company and its controlled entities have not formed a tax consolidation group as at 30 June 2007.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

	Notes	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
6. TRADE AND OTHER RECEIVABLES					
CURRENT					
Prepayments		20,986	22,476	20,986	22,476
Sundry receivables		215,290	32,259	1,254	32,259
Goods and Services Tax receivable		-	20,676	-	20,676
		236,276	75,411	22,240	75,411

(a) Sundry receivables

These amounts generally arise from activities outside the usual operating activities. Interest is not usually charged and collateral is not obtained. For the Consolidated Entity the receivable principally arises from consumption taxes paid to third party suppliers for which a refund from tax authorities is expected.

	Notes	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
NON-CURRENT					
Receivable from controlled entity		-	-	2,362,365	-

The fair value of non-current receivables is the same as the carrying value. The loan is non-interest bearing.

	Notes	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
7. PLANT AND EQUIPMENT					
Plant and equipment					
Cost or fair value		442,595	371,887	349,452	371,887
Accumulated depreciation		(252,480)	(213,896)	(238,758)	(213,896)
Net book amount	8(a)	190,095	157,991	110,692	157,991
(a) Reconciliations Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.					
Plant and equipment					
Opening net book amount		157,991	209,442	157,991	209,442
Additions		95,608	7,383	2,485	7,383
Disposals		(24,920)	-	(24,920)	-
Depreciation on disposals		20,028	-	20,028	-
Depreciation charge		(58,612)	(58,834)	(44,892)	(58,834)
Closing net book amount		190,095	157,991	110,692	157,991

	Notes	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
8.OTHER FINANCIAL ASSETS (NON-CURRENT)					
Security Deposit		22,308	-	22,308	-
Shares in subsidiaries – at cost	9	-	-	227	227
		22,308	-	22,535	227

These financial assets are carried at cost.

9. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of incorporation	Class of shares	Equity Holding* 2007 %	Equity Holding* 2006 %
Azure Mexico Pty Ltd	Australia	Ordinary	100	100
Minera Piedra Azul, S.A. de C.V	Mexico	Ordinary	100	100

*Percentage of voting power is in proportion to ownership

	Notes	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
10. TRADE AND OTHER PAYABLES (CURRENT)					
Trade payables		315,260	340,933	137,857	340,933
Other payables		-	166,109	-	166,336
		315,260	507,042	137,857	507,269
11. PROVISIONS (CURRENT)					
Employee benefits		81,055	87,154	81,055	87,154
Non-executive directors retirement benefits		154,022	272,500	154,022	272,500
		235,077	359,654	235,077	359,654

		Consolidated and Parent Entity			
		2007 Number of shares	$	2006 Number of shares	$
12. CONTRIBUTED EQUITY					
(a) Share capital					
Ordinary shares fully paid		112,350,004	20,239,782	85,000,004	17,952,332
Total consolidated contributed equity		112,350,004	20,239,782	85,000,004	17,952,332
(b) Movements in ordinary share capital					
1 July opening balance		85,000,004	17,952,332	85,000,004	17,952,332
Issue at $0.10 per share		12,750,000	1,275,000	-	-
Issue at $0.085 per share		14,600,000	1,241,000	-	-
Share issue expenses		-	(138,550)	-	-
30 June closing balance		112,350,004	20,329,782	85,000,004	17,952,332
Funds raised from the two share issues during the year were used to progress the company's exploration in activities and for general working capital.					

(c) Movements in options on issue

	Number of options	
	2007	2006
1 July Opening Balance	10,400,000	8,900,000
Issued during the year		
- Exercisable at 17.5 cents, on or before 31 Jan 2011	500,000	500,000
- Exercisable at 25 cents, on or before 31 Jan 2012	1,000,000	500,000
- Exercisable at 35 cents, on or before 31 Jan 2013	1,000,000	500,000
- Exercisable at 15 cents, on or before 30 Nov 2009	1,200,000	-
Forfeited during the year		
- Exercisable at 25 cents, on or before 30 Nov 2008	(30,000)	-
- Exercisable at 25 cents, on or before 30 Nov 2009	(60,000)	-
- Exercisable at 25 cents, on or before 30 Nov 2010	(60,000)	-
- Exercisable at 17.5 cents, on or before 31 Jan 2011	(200,000)	-
- Exercisable at 25 cents, on or before 31 Jan 2012	(200,000)	-
- Exercisable at 35 cents, on or before 31 Jan 2013	(200,000)	-
30 June closing balance	13,350,000	10,400,000

Further information on options issued is set out in note 25.

d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
13. RESERVES AND RETAINED PROFITS					
(a) Reserves					
Share-based payments reserve		538,565	404,170	538,565	404,170
Foreign currency translation reserve		(6,176)	-	-	-
		532,389	404,170	538,565	404,170
Movements:					
Share-based payments reserve					
Balance at 1 July		404,170	284,206	404,170	284,206
Option expense		134,395	119,964	134,395	119,964
Balance at 30 June		538,565	404,170	538,565	404,170
Foreign currency translation reserve					
Balance at 1 July		-	-	-	-
Currency translation differences		(6,176)	-	-	-
Balance at 30 June		(6,176)	-	-	-
(b) Retained profits					
Balance at 1 July		(15,346,970)	(5,882,086)	(15,346,970)	(5,882,086)
Net loss attributable to members of Azure Minerals Limited		(4,879,213)	(9,464,884)	(2,689,590)	(9,464,884)
Balance at 30 June		(20,226,183)	(15,346,970)	(18,036,560)	(15,346,970)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the statements of foreign subsidiaries.

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
14. STATEMENT OF CASH FLOWS					
(a) Cash and cash equivalents					
Cash and cash equivalents comprises:					
– cash at bank and in hand		**77,713**	(60,812)	**28,956**	(60,812)
– short-term deposits		**659,933**	3,703,638	**657,933**	3,703,638
Closing cash and cash equivalents balance		**737,646**	3,642,826	**686,889**	3,642,826
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.					
Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.					
(b) Reconciliation of the net loss after income tax to the net cash flows from operating activities					
Net loss		**(4,879,213)**	(9,464,884)	**(2,689,590)**	(9,464,884)
Non-Cash Items					
Depreciation of non-current assets		**59,552**	58,834	**44,893**	58,834
Share based payment expense		**134,395**	119,964	**134,395**	119,964
Profit on equipment sales		**(3,064)**	-	**(3,064)**	-
Foreign currency translation		**96,246**	-	**-**	-
Changes in operating assets and liabilities					
(Increase)/decrease in trade and other receivables		**(197,017)**	10,167	**31,681**	10,167
(Increase)/decrease in mining tenements capitalised		**-**	4,355,542	**-**	4,355,542
(Increase)/decrease in prepayments		**1,489**	-	**1,489**	-
Increase/(decrease) in trade and other payables		**(181,829)**	311,050	**(371,385)**	311,050
Increase/(decrease) in provisions		**(124,577)**	305,369	**(124,576)**	305,369
Net cash outflow from operating activities		**(5,094,016)**	(4,303,958)	**(2,976,157)**	(4,303,958)
(c) Non-cash financing and investing activities					
Options issued to employees and consultants for no consideration or as settlement for expenses are shown in note 25.					

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
15. COMMITMENTS					
(a) Exploration commitments					
The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in outstanding exploration commitments are as follows:					
Not later than one year		**744,796**	914,790	**744,796**	914,790
later than one year and not later than five years		**-**	-	**-**	-
		744,790	914,790	**744,796**	914,790
(b) Lease expenditure commitments					
Operating leases (non-cancellable):					
Minimum lease payments					
– not later than one year		**69,389**	31,343	**69,389**	31,343
– later than one year and not later than five years		**75,801**	-	**75,801**	-
Aggregate lease expenditure contracted for at reporting date		**145,190**	31,343	**145,190**	31,343
The property lease is a non-cancellable lease with a three-year term ending 31 December 2009, with rent payable monthly in advance. The lease allows for subletting of all leased areas.					
(c) Remuneration commitments					
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in note 22(b) that are not recognised as liabilities and are not included in the key management personnel compensation.					
– not later than one year		**376,150**	385,711	**376,150**	385,711
– later than one year and not later than five years		**148,601**	493,419	**148,601**	493,419
		524,751	879,130	**524,751**	879,130

16. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the company at balance date.

17. EVENTS OCCURING AFTER BALANCE SHEET DATE

On 9th August 2007 the company completed a placement of 20,000,000 ordinary shares at an issue price of 15 cents per share to raise $3,000,000 (before expenses of the issue) to professional and sophisticated investors. These additional funds will be used to continue the group's intensive exploration program in Mexico.

The financial effects of the above transaction have not been brought to account at 30 June 2007.

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
18. LOSS PER SHARE					
(a) Reconciliation of earnings to profit or loss					
Net loss		**(4,879,213)**	(9,464,884)		
Loss used in calculating basic loss per share		**(4,879,213)**	(9,464,884)		

	Consolidated	
	Number of shares 2007	Number of shares 2006
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
Weighted average number of ordinary shares used in calculating basic loss per share	**100,899,182**	85,000,004

(c) Effect of dilutive securities

Options on issue at balance date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered antidilutive. Accordingly diluted loss per share has not been disclosed.

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
19. AUDITOR'S REMUNERATION					
Amounts received or due and receivable by BDO Kendalls (2006: Stantons International) or associated entities for:					
Tax Services		**9,830**	-	**9,830**	-
an audit or review of the financial report of the entity		**10,992**	13,336	**10,992**	13,336
		20,822	13,336	**20,822**	13,336

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were directors of Azure Minerals Limited during the financial year:

Anthony Paul Rovira	Managing Director - *Appointed Executive Chairman 6 June 2007*
Campbell Theodore Ansell	Chairman – *Resigned 6 June 2007*
Michael John Fowler	Non-Executive Director
John Walter Saleeba	Non-Executive Director

(ii) Other key management personnel		*Employer*
Brett Dickson	Company Secretary – *Appointed 21 November 2006*	Azure Minerals Limited
Dennis Wilkins	Company Secretary – *Resigned 21 November 2006*	Azure Minerals Limited
Patrick Manouge	Exploration Manager – Australia	Azure Minerals Limited
Mark Styles	Exploration Manager – Mexico - *Appointed 1 July 2006*	Azure Minerals Limited

	Notes	Consolidated		The Company	
		2007 $	2006 $	2007 $	2006 $
(b) Compensation of key management personnel by compensation					
Short-term		**792,997**	574,076	**792,997**	574,076
Post employment		**44,415**	44,145	**44,415**	44,145
Retirement benefits		**60,000**	-	**60,000**	-
Share-based payment		**118,461**	98,252	**118,461**	98,252
		1,015,873	716,473	**1,015,873**	716,473

The company has taken advantage of the relief provided by Corporations Regulations 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors Report. The relevant information can be found in sections A-D of the remuneration report on pages 28 to 32.

(c) Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

20. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Option holdings of key management personnel

2007

	Balance at beginning of year 1 July 2006	Granted	Options Exercised	Net Change Other	Balance at end of year 30 June 2007	Vested at 30 June 2007	
						Vested & Exercisable	Unvested
Directors							
Campbell Theodore Ansell	1,250,000	-	-	-	1,250,000	1,250,000	-
Anthony Paul Rovira	5,000,000	1,500,000	-	-	6,500,000	6,500,000	-
Michael John Fowler	1,000,000	-	-	-	1,000,000	1,000,000	-
John Walter Saleeba	1,000,000	-	-	-	1,000,000	1,000,000	-
Executives							
Dennis Wilkins	-	-	-	-	-	-	-
Patrick Manouge	1,400,000	-	-	-	1,100,000	1,400,000	300,000
Brett Dickson	-	1,200,000	-	-	1,200,000	1,200,000	-
Mark Styles	-	1,000,000	-	-	1,000,000	1,000,000	-
Total	9,650,000	3,700,000	-	-	13,350,000	13,050,000	300,000

2006

	Balance at beginning of year 1 July 2005	Granted	Options Exercised	Net Change Other	Balance at end of year 30 June 2007	Vested at 30 June 2006	
						Vested & Exercisable	Unvested
Directors							
Campbell Theodore Ansell	1,250,000	-	-	-	1,250,000	1,250,000	-
Anthony Paul Rovira	5,000,000	-	-	-	5,000,000	5,000,000	-
Michael John Fowler	1,000,000	-	-	-	1,000,000	1,000,000	-
John Walter Saleeba	1,000,000	-	-	-	1,000,000	1,000,000	-
Executives							
Dennis Wilkins	-	-	-	-	-	-	-
Patrick Manouge	500,000	900,000	-	-	1,400,000	800,000	600,000
Total	8,750,000	900,000	-	-	9,650,000	9,050,000	600,000

(e) Shareholdings of key management personnel

2007

	Balance 1 July 2006		Granted		On Exercise of Options		Net Change Other		Balance 30 June 2007	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Campbell T Ansell	408,000	-	-	-	-	-	-	-	408,000	-
Anthony Paul Rovira	1,800,000	-	-	-	-	-	200,000	-	2,000,000	-
Michael John Fowler	1,008,000	-	-	-	-	-	-	-	1,008,000	-
John Walter Saleeba	770,000	-	-	-	-	-	-	-	770,000	-
Executives										
Brett Dickson	-	-	-	-	-	-	200,000-	-	200,000	-
Mark Styles	-	-	-	-	-	-	-	-	-	-
Dennis Wilkins	500,000	-	-	-	-	-	-	-	500,000	-
Patrick Manouge	10,000	-	-	-	-	-	-	-	10,000	-
Total	4,496,000	-	-	-	-	-	400,000	-	4,896,000	-

2006

	Balance 1 July 2005		Granted		On Exercise of Options		Net Change Other		Balance 30 June 2006	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Campbell T Ansell	408,000	-	-	-	-	-	-	-	408,000	-
Anthony Paul Rovira	1,200,000	-	-	-	-	-	600,000	-	1,800,000	-
Michael John Fowler	1,008,000	-	-	-	-	-	-	-	1,008,000	-
John Walter Saleeba	270,000	-	-	-	-	-	500,000	-	770,000	-
Executives										
Dennis Wilkins	500,000	-	-	-	-	-	-	-	500,000	-
Patrick Manouge	10,000	-	-	-	-	-	-	-	10,000	-
Total	3,396,000	-	-	-	-	-	1,100,000	-	4,496,000	-

20. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(f) Loans to key management personnel

There were no loans to key management personnel during the year.

(g) Other transactions and balances with key management personnel

Services

DWCorporate, a business of which Mr Wilkins is principal, provided secretarial and other corporate services to Azure Minerals Limited during the year. The amounts paid were at arms length and are disclosed at note 21(b), (c) and (d) above.

Coolform Investments Pty Ltd, a business of which Mr Dickson is principal, provided secretarial and other corporate services to Azure Minerals Limited during the year. The amounts paid were at arms length and are disclosed at note 21(b), (c) and (d) above.

21. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is Azure Minerals Limited.

(b) Subsidiaries

Loans

Azure Minerals Limited has provided unsecured, interest free loans to its wholly owned subsidiaries, Azure Mexico Pty Ltd totalling $6,103 and Minera Piedra Azul, S.A. de C.V. totalling $2,356,262, at balance date. There were no repayments made during the year.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

22. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operations are in the mining industry. Geographically, the group operates in two predominant segments, being Australia and Mexico. The head office and investment activities of the group take place in Australia.

Geographic segments	Australia		Mexico		Eliminations		Consolidated	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Segment Revenue								
Sales to external customers	-	-	-	-	-	-	-	-
Other revenues from external customers	135,914	339,978	10,871	-	-	-	146,785	339,978
Intersegment revenues	-	-	-	-	-	-		
Share of net profit of equity accounted investments	-	-	-	-	-	-		
Total segment revenue	135,914	339,978	10,871	-	-	-	146,785	339,978
Non-segment revenues								
Unallocated revenue								-
Total consolidated revenue							146,785	339,978
Segment Results								
Segment result	(2,689,590)	(8,169,395)	(2,189,623)	(1,295,489)	-	-	(4,879,213)	(9,464,884)
Non-segment expenses								
Unallocated expenses							-	-
Consolidated entity loss before income tax expense							(4,879,213)	(9,464,884)
Income tax expense							-	-
Consolidated entity loss after income tax expense							(4,879,213)	(9,464,884)

22. SEGMENT INFORMATION (CONTINUED)

Geographic segments	Australia		Mexico		Eliminations		Consolidated	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Segment Assets and Liabilities								
Segment assets	3,204,721	3,876,455	(344,594)	-	(2,362,594)	(227)	1,136,325	3,876,228
Unallocated assets							-	-
Total assets							1,186,325	3,876,228
Segment liabilities	372,934	866,923	2,533,666	-	(2,356,263)	(227)	555,337	866,696
Non-allocated liabilities								-
Total liabilities							550,337	866,696
Other segment information:								
Equity accounted investments included in segment assets	-	-	-	-	-	-	-	-
Acquisition of property, plant and equipment, intangible assets and other non-current assets	110,693	7,383	79,404	-	-	-	190,097	7,383
Depreciation	44,893	58,834	14,659	-	-	-	59,553	58,834
Non-cash expenses other than depreciation and amortisation	134,395	392,464	-	-	-	-	134,395	392,464

23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks (including currency risk and fair value interest rate risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the board. Specific financial risks that may affect the Group and Group policies are set out below.

23(a) Cash Flow and fair value interest rate risk

The Group is exposed to movements in market interest rates on short-term deposits. Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Groups exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 %	2006 %
(i) Financial assets														
Cash	136,158	(61,012)	601,188	3,703,638	-	-	-	-	300	200	737,646	3,642,826	6.3	6.0
Trade and other receivables	-	-	-	-	-	-	-	-	215,290	55,411	215,290	55,411	-	-
Total financial assets	136,158	(61,012)	601,188	3,703,638	-	-	-	-	215,590	55,611	952,936	3,698,237		
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	315,260	(340,933)	315,260	(340,933)	-	-
Other creditors and accruals	-	-	-	-	-	-	-	-	-	(166,109)	-	(166,109)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-	315,260	(507,042)	315,260	(507,042)		

23(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

23(c) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23(d) Market risk

Foreign exchange risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the group's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Mexican Peso and United States Dollar.

The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

24. INTERESTS IN JOINT VENTURES

The company has interests in the following joint ventures:

	Joint Venture	Activities	Interest	Carrying Value $
(a)	Bounty	Nickel/Base Metals	Earning up to 80%	NIL
(c)	Sonora, Mexico	Gold/Copper	Earning up to 75%	NIL

(a) The company has entered into a joint venture agreement with private company Montague Resources Pty Ltd on the Bounty Project in the Forrestania Greenstone Belt of Western Australia. Under the agreement signed in May 2004, Azure Minerals can earn a 70% interest in all metals (except gold and silver) by sole funding exploration through to completion of a Bankable Feasibility Study (BFS) by June 2014. Azure Minerals has a further option to increase its interest by 10%, to a total of 80%, by paying to Montague the sum of $4 million following the completion of the BFS. On 16 May 2007 the company announced it has reached agreement witrh Australian Mines Limited to sell its interests in the Bounty joint venture for a cash payment of $75,000. At 30 June 2007 settlement on the sale had not occurred.

(b) The company has entered into a joint venture agreement with Cullen Resources Limited to explore for and mine nickel and other metals on the Killaloe Project in the Lake Cowan region of Western Australia. Under the agreement signed in October 2004, Azure Minerals can earn a 70% interest in nickel minerals by expending $1.5 million within 4 years. During the year the Company withdrew from this joint venture.

(c) Azure Minerals is exploring a portfolio of 14 projects in the Mexican state of Sonora in joint venture with Geoinformatics Exploration Inc (TSX-V: GXL). Under the terms of the agreement, Azure Minerals can earn an initial 51% interest in all projects by expending US$4 million within four years and a further 24% (totalling a 75% interest) by carrying all further expenditure to the completion of a pre-feasibility study if GXL elects not to contribute.

25. SHARE-BASED PAYMENTS

The group has issued options pursuant to an Employee Share plan and also Director Options Issued pursuant to approval obtained by shareholders at a General Meeting. Details of each issue is set out below:

(a) Employee and consultants option plan

The establishment of the Azure Minerals Limited – Employees and Contractors Option Incentive Plan ("Plan") was approved by shareholders at the 2004 Annual General Meeting. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights.

Set out below are summaries of options granted under the plan.

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Balance of the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance atend of year	Vested and exercisable at end of the year
		(cents)	(cents)	Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2007									
30 Nov '03	30 Nov '08	25.0	-	130,000	-	-	30,000	100,000	100,000
30 Nov '03	30 Nov '09	25.0	-	260,000	-	-	60,000	200,000	200,000
30 Nov '03	30 Nov '10	25.0	-	260,000	-	-	60,000	200,000	200,000
22 Mar '06	31 Jan '11	17.5	6.81	500,000	-	-	200,000	300,000	300,000
22 Mar '06	31 Jan '12	25.0	6.60	500,000	-	-	200,000	300,000	300,000
22 Mar '06	31 Jan '13	35.0	6.47	500,000		-	200,000	300,000	-
6 Dec '06	31 Jan '11	17.5	3.74	-	500,000	-	-	500,000	500,000
6 Dec '06	31 Jan '12	25.0	3.64	-	500,000	-	-	500,000	500,000
6 Dec '06	31 Jan '13	35.0	3.45	-	500,000	-	-	500,000	500,000
10 Jan '07	31 Jan '12	25.0	3.03	-	500,000	-	-	500,000	500,000
10 Jan '07	31 Jan '13	35.0	2.82	-	500,000	-	-	500,000	500,000
6 Dec '06	30 Nov '09	15.0	0.93	-	1,200,000	-	-	1,200,000	1,200,000
				2,150,000	3,700,000	-	750,000	5,100,000	4,800,000
Weighted average exercise price				$0.256	$0.234	-	$0.257	$0.240	$0.233

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Balance of the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance atend of year	Vested and exercisable at end of the year
		(cents)	(cents)	Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2006									
30 Nov '03	30 Nov '08	25.0	-	130,000	-	-	-	130,000	130,000
30 Nov '03	30 Nov '09	25.0	-	260,000	-	-	-	260,000	260,000
30 Nov '03	30 Nov '10	25.0	-	260,000	-	-	-	260,000	260,000
22 Mar '06	31 Jan '11	17.5	6.81	-	500,000	-	-	500,000	500,000
22 Mar '06	31 Jan '12	25.0	6.60	-	500,000	-	-	500,000	-
22 Mar '06	31 Jan '13	35.0	6.47	-	500,000	-	-	500,000	-
				650,000	1,500,000	-	-	2,150,000	1,150,000
Weighted average exercise price				$0.250	$0.258	-	-	$0.256	$0.217

No options expired nor were any options exercised during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.98 years (2006: 3.99 years).

Fair value of options granted

The weighted average fair value of the options granted during the year was 2.6 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

Weighted average exercise price (cents)	23.4
Weighted average life of the option (years)	4.02
Weighted average underlying share price (cents)	10.7
Expected share price volatility	70%
Risk free interest rate	6.0%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $
Options issued to employees	134,395	119,964	134,395	119,964

(b) Directors options

On 17 October 2003 shareholders approved issue of 8,250,000 options to directors. Those options were issued on 30 November 2003. None of those options have expired or been exercised since the issue date. Set out below are summaries of Directors options granted.

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Balance of the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance atend of year	Vested and exercisable at end of the year
		(cents)	(cents)	Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2007									
30 Nov '03	30 Nov '08	25.0	-	1,650,000				1,650,000	1,650,000
30 Nov '03	30 Nov '09	25.0	-	3,300,000				3,300,000	3,300,000
30 Nov '03	30 Nov '10	25.0	-	3,300,000				3,300,000	3,300,000
				8,250,000	-	-	-	8,250,000	8.250,000
Weighted average exercise price				$0.25				$0.25	$0.25
Consolidated and parent entity – 2006									
30 Nov '03	30 Nov '08	25.0	-	1,650,000				1,650,000	1,650,000
30 Nov '03	30 Nov '09	25.0	-	3,300,000				3,300,000	3,300,000
30 Nov '03	30 Nov '10	25.0	-	3,300,000				3,300,000	3,300,000
				8,250,000	-	-	-	8,250,000	8,250,000
Weighted average exercise price				$0.25				$0.25	$0.25

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

26. BUSINESS COMBINATION

Azure Mexico Pty Ltd was incorporated in Western Australia on 8 August 2005 with Azure Minerals Limited being the sole shareholder.

Minera Piedra Azul S.A. de C.V was incorporated in Mexico on 12 January 2006 with Azure Mexico Pty Ltd (98%) and Azure Minerals Limited (2%) being the sole shareholders.

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Azure Minerals Limited, I state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in pages 8 to 11 of the director's report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2007.

This declaration is made in accordance with a resolution of the directors.

Anthony Paul Rovira
Executive Chairman

Perth, 20 September 2007

INDEPENDENT AUDITOR'S REPORT

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To the members of Azure Minerals Limited

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Azure Minerals Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration Report" in pages 8 to 11 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Azure Minerals Limited on 30 June 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In our opinion the financial report of Azure Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 8 to 11 of the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 20th day of September 2007

INDEPENDENT AUDIT LETTER

BDO Kendalls

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ABN 79 112 284 787

20 September 2007

The Directors
Azure Minerals Limited
PO Box 493
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor of Azure Minerals Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azure Minerals Limited and the entities it controlled during the period.

Yours faithfully

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2006.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	20	6,514
1,001 - 5,000	258	934,422
5,001 - 10,000	1005	9,102,960
10,001 - 100,000	1305	52,644,773
100,001 and over	181	69,661,335
	2769	132,350,004
The number of shareholders holding less than a marketable parcel of shares are:	75	119,311

ASX ADDITIONAL INFORMATION

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Yandal Investments Pty Ltd	10,845,000	8.19%
2	ANZ Nominees Limited	6,563,232	4.96%
3	Citicorp Nominees Limited	2,116,521	1.60%
4	Smythe Robert Hastings	2,000,000	1.51%
5	S & M French Inv Pty Ltd	1,750,000	1.32%
6	Rovira Geoservices Pty Ltd	1,600,000	1.21%
7	UBS Nom Pty Ltd	1,325,167	1.00%
8	Delaney Sean	1,000,000	.76%
9	Holmes Michael	1,000,000	.76%
10	Forty Traders Limited	841,468	.64%
11	Thompson David Ernest	800,000	.60%
12	Total Corp Solutions Pty Ltd	775,000	.59%
13	Fowler Michael John	750,000	.57%
14	Richards Nicholas C	701,322	.53%
15	Washington H Soul Pattins	700,000	.53%
16	Coles Norman William	700,000	.53%
17	James Richard Eric + M A	690,000	.52%
18	Future Super Pty Ltd	650,000	.49%
19	Lee Mark Edwin	625,700	.47%
20	Parsons Cove Pty Ltd	612,593	.46%
		36,046,003	27.24%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Yandal Investments Pty Ltd	10,845,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location		Tenement	Percentage held / earning
Davyhurst	Nickel Rights	E30/80	100
Davyhurst	Nickel Rights	E30/161	100
Davyhurst	Nickel Rights	P30/928	100
Davyhurst	Nickel Rights	E30/160 (P)	100
Davyhurst	Nickel Rights	M30/202 (P)	100
Davyhurst	Nickel Rights	M30/203 (P)	100
Davyhurst	Nickel Rights	E30/261	100
Davyhurst	Nickel Rights	M30/122	100
Davyhurst	Nickel Rights	M30/123	100
Davyhurst	Nickel Rights	M30/160 (P)	100
Davyhurst	Nickel Rights	M30/161 (P)	100
Davyhurst	Nickel Rights	M30/175 (P)	100
Splinter	All Minerals	E63/853	100
Splinter	All Minerals	E63/868	100
Splinter	All Minerals	E63/869	100
Splinter	All Minerals	E63/870	100
Mexico	All Minerals	218062	51
Mexico	All Minerals	218063	51
Mexico	All Minerals	218064	51
Mexico	All Minerals	220663	51
Mexico	All Minerals	220716	51
Mexico	All Minerals	221119	51
Mexico	All Minerals	222873	51
Mexico	All Minerals	223191	51
Mexico	All Minerals	224717	51
Mexico	All Minerals	224718	51
Mexico	All Minerals	224719	51
Mexico	All Minerals	225057	51
Mexico	All Minerals	225058	51
Mexico	All Minerals	225314	51
Mexico	All Minerals	225315	51
Mexico	All Minerals	225402	51
Mexico	All Minerals	228563	51
Mexico	All Minerals	228838	51

ASX ADDITIONAL INFORMATION

(e) Schedule of interests in mining tenements (continued)

Location		Tenement	Percentage held / earning
Mexico	All Minerals	229008	51
Mexico	All Minerals	229009	51
Mexico	All Minerals	229035	51
Mexico	All Minerals	229051	51
Mexico	All Minerals	229820	51
Mexico	All Minerals	230186	51
Mexico	All Minerals	230421	100
Mexico	All Minerals	230422	100
Mexico	All Minerals	230462	100