Azure Minerals Limited

ABN 46 106 346 918

Annual Report and Financial Statements

for the year ended 30 June 2008

Corporate Information

ABN 46 106 346 918

Directors
Anthony Paul Rovira (Executive Chairman)
Dr Wolf Martinick (Non-Executive Director)
John Walter Saleeba (Non-Executive Director)

Company Secretary
Brett Dickson

Registered Office
Level 1, 30 Richardson Street
WEST PERTH WA 6005
(08) 9481 2555

Solicitors
Salter Power Pty Ltd
Level 2, 6 Kings Park Road
WEST PERTH WA 6005

Bankers
Commonwealth Bank of Australia Limited

Share Register
Computershare
Level 2, 45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9445 7000
Facsimile: (08) 9445 7677

Auditors
BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

Internet Address
www.azureminerals.com.au

ASX Code
Shares AZS

Contents

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Azure Minerals Limited ("Azure"), it is my pleasure to present to you the Annual Report for 2008.

Our decision to focus on developing precious and base metal projects in the richly mineralised Sierra Madre Occidental mining province in northern Mexico has been amply rewarded during the year with positive progress being achieved on several fronts.

The strategy to identify and acquire high quality projects, and progress them through intensive exploration has been successful. Azure gained its initial presence in Mexico in 2005 by entering into the joint venture with TSX-V listed Geoinformatics Exploration Inc. We have continued to grow since then by identifying and staking a number of highly prospective exploration properties which are 100% owned by Azure. In addition, the Company conducts an ongoing surveillance program to identify and acquire advanced stage projects with near term cash flow potential, and this lead to the successful acquisition of the Promontorio Project. Our project portfolio now covers an impressive 1,864 km^2.

In May Azure achieved an important milestone in Mexico, with the signing of an agreement to acquire 100% of the high grade Promontorio copper-gold-silver project. Promontorio has an impressive existing historical resource, known mineralisation at several prospects, as well as exceptional mineral prospectivity across the property.

We moved quickly to capitalise on the opportunity at Promontorio by immediately commencing a scoping study. This will include a substantial diamond drilling campaign produce a JORC compliant resource estimate by the end of the calendar year and an initial metallurgical testwork program.

Initial drilling results have been excellent, easily exceeding our early expectations. Copper, gold and silver assays are coming in significantly higher than historical results, indicating considerable upside potential for the deposit. We also see potential for an expansion of the identified mineralised system both at depth and along strike to the north and south.

The acquisition of Promontorio realised a major corporate objective for Azure by adding to our portfolio an advanced stage project with near term cash flow potential. Our focus is now on the rapid development of the project. We expect Promontorio to contribute heavily towards our vision of becoming an independent minerals producer in Mexico.

In addition to Promontorio, Azure holds eight 100%-owned projects together with 13 projects in joint venture with Geoinformatics. During 2008 Azure met its joint venture earn-in obligations and the Company now holds a 51% interest in all 13 properties. Drilling has intersected promising mineralisation in molybdenum at Pozo de Nacho and silver, lead and zinc at Los Chinos and further exploration on these projects is warranted.

Over the year, external market events have led to a difficult investment climate in North America. As a result, in consultation with our Canadian corporate advisors, we postponed our TSX-V listing until market conditions improve. However the North American markets remain a focus of our growth strategy as we develop our Mexican projects, and substantial financial support was received from North American institutional investors during the year.

We welcomed Dr Wolf Martinick to the board in the first part of the year. Dr Martinick is an environmental scientist with more than 35 years in the resources industry. His extensive project development experience will be particularly valuable in working towards development of the Promontorio Project.

Our success in Mexico could not have been achieved without the significant contribution of our staff, and I thank them all for their efforts. Mr Mark Styles' two year tenure as Exploration Manager in Mexico finished on June 30 and I especially thank him for successfully establishing and operating our Mexican office during that period. In June this year I was pleased to announce the appointment of Mr Luis Chavez to the position of General Manager for Mexico. Mr Chavez is a Mexican national and brings to our Company a wealth of operating experience in Mexico and North America.

Azure has placed itself in a strong position in Mexico, with an outstanding and extensive portfolio of projects and opportunities ranging from first pass exploration to resource definition at Promontorio. The program of regional exploration, target identification and tenement staking to acquire 100%-owned projects throughout Mexico is continuing, and our ongoing drilling at Promontorio will lead to the announcement of further results, which I encourage you to follow at our website – www.azureminerals.com.au.

The acquisition of Promontorio is an important next stage in the growth of Azure in Mexico and I invite you to continue to participate in our future success over the coming years as we develop our vision of becoming an independent minerals producer.

Tony Rovira
Executive Chairman

REVIEW OF OPERATIONS

100% AZURE PROJECTS

Azure, through its wholly-owned Mexican subsidiary Minera Piedra Azul SA de CV, continues to conduct its extensive program of regional exploration, target identification and project acquisition in northern Mexico to acquire 100%-owned properties prospective for economic precious and base metal deposits. The program's effectiveness is enhanced by Azure's permanent presence in Hermosillo, the capital of Sonora, where the Company has based its exploration team and administration centre.

The Company recently achieved a major milestone by reaching agreement to acquire 100% of the high grade copper-gold-silver Promontorio Project in Chihuahua, Mexico. Promontorio has the potential to be successfully developed into a producing mine in the short to medium term. To expedite Promontorio into the feasibility study stage, Azure immediately commenced a scoping study comprising an 8,000 metre diamond drilling program to produce an initial JORC (Joint Ore Reserve Committee) compliant mineral resource and a metallurgical testwork program.

Promontorio is located in a highly mineralised district with nearby mining operations including the Ocampo Mine (reserves of 2.5Moz gold and 113Moz silver), the Pinos Altos Mine (reserves of 2.5Moz gold and 73Moz silver), the Dolores Mine (reserves of 2.4Moz gold and 127Moz silver), and the Palmarejo Project (resources of 1.7Moz gold and 150Moz silver).
During the year, Azure also staked three new 100% owned properties in areas which contain strong evidence of mineralisation including historical mine workings, anomalous surface geochemistry, and mineralised drill intercepts. In particular, staking of the El Carnero property is considered a significant success for Azure.

Based upon considerable historical and current mining and exploration activity in the local district, Azure identified the El Carnero property as highly prospective with potential to host economic zinc, copper, lead and silver mineralisation. However no modern exploration has occurred on the property, as the local landowners have denied access to El Carnero for over 80 years. Azure's on-ground exploration team in Mexico was able to successfully negotiate exploration access to the property and work was commenced.

Azure is continuing its program of project acquisition, while also reviewing opportunities to farm-out or joint venture some of its other properties in order to focus expenditures on its higher priority projects.

PROMONTORIO *(Copper-Gold-Silver)*

Azure entered into agreement for an option to purchase the Promontorio Project in May 2008. The property covers 187 hectares and is located about 400 kilometres east of Hermosillo. This is an advanced stage project, containing the high grade Promontorio copper-gold-silver deposit, the Cascada gold prospect, and other metal occurrences indicative of an extensive mineralisation system. The acquisition fulfils Azure's strategic objective to secure a high quality, advanced stage asset with early cash flow potential.

A substantial historical database (including 118 drillholes for 15,267m of drilling) has highlighted the exceptional mineral prospectivity of the property, including an historical resource estimate which was announced by Azure to the ASX on 6 May 2008.

Promontorio comprises three granted mining leases – Hidalgo, Promontorio & Magistral. To acquire the Hidalgo and Promontorio concessions, Azure has agreed to pay US$2.5 million staged over four years with the choice to advance full payment at any time within that period for full ownership. The surrounding Magistral concession may be acquired on similar terms, with payments totaling $US1.5 million over four years. Azure is able to withdraw from the agreements at any time. No royalties are payable to either the vendors or the government for either acquisition.

Promontorio is a high sulphidation epithermal deposit consisting of multiple massive and semi-massive sulphide veins containing very high grades of copper, gold and silver. From west to east there are three main veins – Santiago, Mina Vieja and Veta Grande – interspersed with several other, un-named, mineralised veins. All veins strike approximately north-south, dip steeply to the west, and demonstrate good geological continuity. Surrounding the sulphide veins is a siliceous alteration halo containing lower grade gold and silver mineralisation.

Azure commenced a 50 hole / 8,000 metre diamond drilling program in May 2008 to enable the completion of a JORC (Joint Ore Reserve Committee) compliant mineral resource, expand the resource along strike and at depth, and test for other mineralisation within the project area. Design of the resource delineation drill program and calculation of the mineral resources are under the guidance of the respected international mining consultancy, Coffey Mining Pty Ltd.
Initial results from the drilling program have been excellent, with massive, semi-massive or disseminated sulphide mineralisation intersected in all holes drilled to date, confirming excellent internal continuity within the mineralised system. Azure's drilling has demonstrated that the mineralised veins are continuous over a strike length of at least 200 metres, with potential for the mineralised system to extend for more than 850 metres.

Significant drilling results received to date include:

DRILL HOLE	FROM (m)	TO (m)	INTERVAL (m)	COPPER (%)	GOLD (g/t)	SILVER (g/t)
APR-DD-001	**52.00**	**58.00**	**6.00**	**7.5**	**5.0**	**113**
APR-DD-001	**94.65**	**108.00**	**13.35**	**5.7**	**2.2**	**108**
including	**103.40**	**105.75**	**2.35**	**20.5**	**5.4**	**303**
APR-DD-002	**18.00**	**18.70**	**0.70**	**8.1**	**2.8**	**203**
	42.00	**62.00**	**20.00**	**2.3**	**0.7**	**45**
APR-DD-003	**72.00**	**72.80**	**0.80**	**1.2**	**5.3**	**44**
APR-DD-005	**51.85**	**58.70**	**6.85**	**8.1**	**2.7**	**98**
including	**57.65**	**58.20**	**0.55**	**25.3**	**3.1**	**223**
	70.75	**72.40**	**1.65**	**11.8**	**5.8**	**216**
APR-DD-008	**85.20**	**88.00**	**2.80**	**10.2**	**1.8**	**120**
including	**85.20**	**86.40**	**1.20**	**23.2**	**3.9**	**268**
APR-DD-009	**82.00**	**91.40**	**9.40**	**12.5**	**3.9**	**266**
including	**86.00**	**86.50**	**0.50**	**43.9**	**5.1**	**686**
and	**90.25**	**90.75**	**0.50**	**46.6**	**7.2**	**873**
	130.60	**132.40**	**1.40**	**20.7**	**1.2**	**270**
including	**130.60**	**131.00**	**0.40**	**44.2**	**1.4**	**508**
APR-DD-010	**104.95**	**115.00**	**10.05**	**5.3**	**1.2**	**45**

Intersections selected are based on sulphide intercepts using a 0.5% copper lower cut-off, no upper cut, with maximum 4m internal dilution. Samples are all HQ quarter core.
Sample preparation was undertaken by ALS-Chemex (Hermosillo) and analysed by ALS-Chemex (Vancouver) using 4 acid digest / ICP-AES (for silver and base metals) and Fire Assay / AAS (for gold) methods.
Certified Reference Standards and blank check samples are inserted at regular intervals to provide assay quality checks. Review of the standard and blank samples are within acceptable limits.
All mineralised intervals are length-weighted and are reported as downhole lengths – true widths are not known.

Potential for depth extensions to the Promontorio deposit (past the depth limit of the historical resource estimate of 150 metres) exists, as highlighted by several deep drill intercepts, including **3.5m @ 12.6% copper**, **4.1g/t gold & 357g/t silver** from 252.5m and **3m @ 7.5% copper, 6.82g/t gold & 88g/t silver** from 247.0m. These intercepts are more than 200 metres below surface, demonstrating the potential for deep mineralised extensions to the deposit.

Interestingly, gold and silver assays from Azure's drilling program are much higher than historical results, indicating a general underestimation of precious metal grades by previous explorers. Azure now believes there is clear potential for Promontorio to develop into a significant copper deposit with substantial precious metals credits, rather than the more conventional copper-only deposit targeted by prior explorers.

Copper mineralisation within the Promontorio deposit mostly comprises enargite and chalcopyrite, with lesser amounts of bornite, covellite, and chalcocite. Enargite is a copper-arsenic sulphide mineral while the others are copper (+/- iron) sulphides. The elevated levels of arsenic associated with the mineralisation will require investigation, as arsenic can be a deleterious element when treating copper-rich concentrates. Other mines which produce a similar product include the Chelopech Mine in Bulgaria (Dundee Precious Metals Inc) and the Furtei Mine in Sardinia (Buffalo Gold Ltd). Both of these mines have long term off-take agreements, selling their copper-arsenic concentrate to specialist smelter operations.

Also present within the project area is the Cascada prospect which hosts a near-surface zone of gold and silver mineralisation, with historical drilling intersecting wide zones (>10m) of moderate grade gold (1-2g/t) indicating the potential for a bulk tonnage gold deposit. A best intercept of **7.6m @ 19.8g/t gold** highlights the prospect for bonanza-grade gold mineralisation. Cascada hosts mostly gold and silver mineralisation, with little or no copper and arsenic. This is a high priority exploration target which Azure will drill test during 2009.

By acquiring the Magistral concession, which surrounds the main leases, Azure has ensured that the project area completely covers the mineralised alteration zone. Azure's geological mapping has revealed that the mineralised structures which host the massive sulphides at Promontorio extend into the Magistral lease. The potential for significant mineralisation is high with the property also containing old mine workings, outcropping oxide and sulphide mineralisation, and gold, silver and copper anomalies from surface sampling. Regional exploration to develop drill targets will be carried out during the forthcoming year.

With high grades, multiple ore zones and excellent potential to expand the existing resources, Azure believes that Promontorio has all the characteristics of a deposit ready to be developed into a successful mining operation. The Company has commenced a formal program of metallurgical testwork and other requirements necessary to implement a feasibility study.

EL CARNERO *(Polymetallic: silver-zinc-lead-copper)*

El Carnero was staked by Azure in November 2007, with the lease granted in February 2008. The property covers approximately 90km^2 and is located only 60 kilometres northwest of Hermosillo.

Lying in the heart of Sonora's prolific skarn mineralisation belt, and containing extensive surface mineralisation and historical mine workings, El Carnero is highly prospective for economic zinc, copper, lead and silver mineralisation. Importantly, access to this area has been denied to the exploration and mining industry for more than eight decades, as the family which owns the cattle ranch and associated surface rights has previously refused all access to mineral explorers and Government geologists.

Azure's Mexican personnel successfully negotiated with the landowner to allow full access to this highly prospective district, confirming the benefit of having an exploration team based in Mexico full time, engaging with the local community.

With no exploration undertaken in the area for at least 80 years, modern exploration techniques have not been applied to the area. However Azure's initial exploration program identified historical mine workings dating back more than two centuries which exploited numerous strongly mineralised structures, confirming the excellent prospectivity of the property.

The historical mining activity was developed on replacement-style mineralisation at the contacts between limestone and intrusive felsic dykes. Individual mine workings selectively mined high grade zones, some with widths in excess of three metres. Workings extend for over 200 metres along strike and continue to depths of at least 30 metres below surface. Surrounding these old workings are wide zones of strong alteration, indicating potential for substantial mineralisation.

To date, Azure has completed an exploration program comprising reconnaissance geological mapping, mine dump and rock chip sampling, and a geophysical survey. Samples collected from around the old mine workings returned high grade results, with 15 out of the 18 samples assaying greater than 1% lead and 1% zinc, and seven samples assaying greater than 1% copper and 30g/t silver. Best grades included **17.55% zinc, 11.45% lead, 419g/t silver, 4.29% copper, 0.28% molybdenum** and **0.39g/t gold**.

The geophysical survey utilised the NSAMT technique. NSAMT (Natural Source Audio-Frequency Magneto-Telluric) is a resistivity technique which can detect even relatively weak conductors, in particular zones of sphalerite-rich (zinc) sulphide mineralisation, to depths of up to 700 metres below surface. Data interpretation revealed several significant conductor bodies, possibly representing sizeable zones of sulphide mineralisation, beneath the old mine workings.

El Carnero is considered to be an excellent acquisition in a strongly mineralised district. With initial exploration returning very positive results, Azure will undertake the first ever drilling program on this property during the coming year.

LA TORTUGA & LOS NIDOS *(Copper-Zinc-Gold)*

La Tortuga and the adjoining Los Nidos properties are located about 90 kilometres northwest of Hermosillo and together cover 100km^2. They are situated within Sonora's skarn mineralisation district, adjacent to the previously mined, high grade Tecolote deposit (**1.6Mt @ 1.8% copper, 6.9% zinc & 50g/t silver**). There is abundant evidence of mineralisation within both projects, with potential for porphyry copper, skarn copper-zinc, and gold-silver veins.

La Tortuga was previously held by Teck Cominco, who drilled at least seven Reverse Circulation (RC) holes into the mineralised system. Significant drill intercepts include:

- **Porphyry hosted mineralisation: 110 metres @ 0.2% copper from surface;**
- **Porphyry hosted mineralisation: 20 metres @ 0.06% molybdenum from 20 metres;**
- **Porphyry hosted mineralisation: 3 metres @ 1.65% copper from 30 metres; and**
- **Skarn mineralisation: 30 metres @ 0.5% copper & 0.5% zinc from 80 metres.**

Azure initiated exploration at La Tortuga with a program of surface sampling and geological mapping. Soil sampling returned highly anomalous results, including an impressive copper-zinc anomaly identified over an area of 1,000m x 200m covering the contact between a limestone unit and a porphyry intrusion (typical skarn environment).

Soil samples returned assays up to **3,970ppm copper and 3,100ppm zinc**, and rock chip sampling returned strongly anomalous grades up to **8.5% copper, 12.8% zinc, 3.4% lead, 106g/t silver, 0.94% molybdenum, and 0.17% tungsten**. The geology and anomalous geochemistry in this area are characteristic of a mineralised skarn environment, and Azure will be continuing exploration on this property through geophysical surveys and drilling.

Los Nidos adjoins the southern boundary of La Tortuga and contains numerous historical mine workings which exploited northwest trending gold-silver veins hosted in a hydrothermally altered porphyry. Initial surface sampling 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 will be carried out in conjunction with programs on La Tortuga.

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 and Naica silver-lead-zinc mines.

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. 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 surrounds the Peña Blanca mineral field which is held by the Mexican Government. Peña Blanca hosts several shallow, high grade molybdenum deposits, which are reported to contain a total of 9.3Mt @ 0.13% molybdenum 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, and Azure considers El Cuervo to have potential for hosting molybdenum deposits of the Peña Blanca style.

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 Terrazas. Azure intends to carry out surface exploration and drilling during 2009.

OTHER PROJECTS
Azure also holds four other 100%-owned projects which are located in the states of Sonora (La Providencia and San Eduardo), Chihuahua (Coronado) and Coahuila (Las Viboras). These early stage properties host numerous occurrences of old mine workings and surface evidence of base metal mineralisation. They are prospective for replacement and porphyry style mineralisation hosting copper, gold, silver, zinc and lead. Azure will be looking to add value to these properties by initiating first pass exploration during the forthcoming year.

JOINT VENTURE PROJECTS

Azure holds a 51% interest in 13 properties in Sonora in joint venture with Canadian-listed Geoinformatics Exploration Inc (TSX-V: GXL). During the year Azure completed its earn-in expenditure obligations of US$4 million thereby earning its interest and the joint venture was formally established. The joint venture work program and budget for the remainder of 2008 has been finalised and approved. Geoinformatics has elected not to contribute to the 2008 exploration budget and consequently Azure's interest in the joint venture will increase in accordance with standard industry formulae. The joint venture's project portfolio is now well developed, with an appropriate mix of early to advanced stage exploration properties.

POZO DE NACHO *(Molybdenum)*

Pozo de Nacho is located 95 kilometres southeast of Hermosillo in the richly mineralised Sierra Madre Occidental region, which contains several large molybdenum deposits including the Cumobabi mine (46.5Mt @ 0.12% Mo) and the El Creston deposit (177Mt @ 0.08% Mo).

Previous exploration drilling by Azure identified a substantial body of molybdenum-rich mineralisation within an intrusive porphyry system and the surrounding sediments. Mineralisation was identified over an area of 800 by 250 metres, and from surface to depths in excess of 300 metres, and it remains open-ended 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). Copper and silver mineralisation is also present in moderate amounts throughout the system.

During the year Azure carried out a program of ore grade analyses on sample pulps from the 2007 drilling programs using the X-Ray Fluorescence (XRF) analytical technique. This technique provides a more accurate reading of total molybdenum content within the sulphide mineralisation than conventional exploration analytical techniques. This work resulted in a 29% increase to the average molybdenum grades, with grades of individual drill intercepts increasing by up to 51%.

Significant drill intercepts utilising the XRF technique are presented below.

Drill Hole	Mineralised Intercept	Molybdenum Grade Increase
PDN-DD-01# ***including***	102.8m @ 294ppm Mo **5.0m @ 1,382ppm Mo**	**17%** **11%**
PDN-DD-03 ***including***	124.2m @ 304ppm Mo **14.0m @ 859ppm Mo**	**38%** **51%**
PDN-DD-04#	183.7m @ 303ppm Mo	**20%**
PDN-DD-06#	138.9m @ 439ppm Mo	**29%**
PDN-RC-02A# ***including***	198.1m @ 438ppm Mo **19.9m @ 736ppm Mo**	**30%** **23%**

 # denotes drill hole ended while still within mineralisation

These latest assay results confirm the potential of Pozo de Nacho to host a large body of economic molybdenum mineralisation. Many of the drill holes ended while still within the mineralised zone, providing an indication of the significant depth extent and overall size potential of the mineralised system.

Azure has planned follow-up diamond drilling at Pozo de Nacho to define the extent of this potentially economic molybdenum mineralisation. Molybdenum-rich porphyry deposits often have a high grade core surrounded by a large halo of lower grade mineralisation. The planned drilling will test for these higher grade zones at depths while also defining the overall extent of the mineralised system. In addition, drilling will investigate the porphyry copper potential at depth beneath the molybdenum-rich zone.

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 2008.

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

LOS CHINOS *(Polymetallic: silver-zinc-lead-copper)*

Los Chinos, located 80 kilometres north of Hermosillo, is prospective for replacement style mineralisation associated with mineralised porphyry intrusions. Azure's first pass exploration this year comprised extensive geological mapping, soil, mine dump and rock chip sampling. This work identified numerous historical mine workings throughout the property, demonstrating widespread base metal mineralisation within zones of strong hydrothermal alteration. Assay results outlined three very strong multi-element (zinc, lead, silver, copper, gold and molybdenum anomalies, confirming the prospective character of the property.

Following this initial encouragement, Azure undertook a very successful diamond drilling program of 12 holes for 1,561 metres, identifying extensive zinc-rich polymetallic mineralisation. Silver, lead, gold and copper credits are present throughout the area, occasionally in very high grades.

Ten of the holes were drilled into the 550 x 200m eastern anomaly with two holes drilled into the 400 x 200m northern anomaly. Every drillhole intersected significant base metal and silver mineralisation. Highlights from the drilling include:

DRILL HOLE	FROM (m)	TO (m)	INTERVAL (m)	SILVER (g/t Ag)	ZINC (%)	LEAD (%)	COMMENTS
LCH-DD-001	2.0	5.0	3.0	355	0.38	1.54	Incl: 3m @ 2.39g/t Au
LCH-DD-003	26.0	31.0	5.0	55	1.54	0.66	
	70.0	73.0	3.0	14	4.23	0.38	
LCH-DD-005	4.0	8.0	4.0	236	2.17	0.77	Incl: 4m @ 1.00% Cu & 4m @ 0.69g/t Au
LCH-DD-007	47.0	67.0	20.0	37	1.94	0.61	
including	51.0	56.0	5.0	18	5.61	0.99	Incl: 1m @ 11.20% Zn
"	61.0	66.0	5.0	78	1.28	0.35	
LCH-DD-008	16.0	29.0	13.0	17	2.69	0.51	
including	18.0	22.0	4.0	17	7.13	0.66	Incl: 1m @ 14.15% Zn
LCH-DD-009	8.0	22.0	14.0	23	1.53	1.16	Incl: 1m @ 5.80% Zn & 1m @ 7.92% Pb
LCH-DD-010	3.0	25.0	22.0	20	1.40	0.96	
	55.0	59.0	4.0	52	0.26	1.52	

Samples were all sawn half HQ core. Sample preparation was undertaken by ALS-Chemex (Hermosillo) and analysed by ALS-Chemex (Vancouver) using 4 acid digest / ICP-AES (for silver and base metals) and fire assay / AAS (for gold) methods. All mineralised intervals are length-weighted and are reported as downhole lengths – true widths are not known.

This first ever drilling program at Los Chinos has delivered excellent results, giving Azure great confidence in the potential of the polymetallic system discovered. The multiple mineralised horizons are all replacement-style mineralisation indicating a large system with potential to host significant polymetallic sulphide deposits. It is considered likely that this mineralisation is peripheral to a copper-molybdenum mineralised porphyry intrusion.

To follow-up this excellent drilling result and to help identify the next generation of drill targets, Azure carried out a geophysical survey utilising the NSAMT technique. NSAMT (Natural Source Audio-Frequency Magneto-Telluric) is a resistivity technique which can detect relatively weak conductors, in particular zones of sphalerite-rich sulphide mineralisation, to depths of up to 700 metres below surface. Geophysical modeling identified several significant conductor bodies, possibly representing sizeable zones of sulphide mineralisation, beneath the main area of interest. Further diamond drilling to test these targets is planned.

JAGÜEY *(Silver-Lead-Zinc)*

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

Drilling by Azure in 2006 and 2007 intersected high grade silver-lead-zinc mineralisation hosted in massive sulphide veins, including:

- **0.7 metres @ 3,180g/t silver, 12.8% lead & 6.2% zinc;**
- **0.5 metres @ 400g/t silver, 4.8% lead & 3.1% zinc; and**
- **2.5 metres @ 322g/t silver, 2.7% lead & 2.1% zinc.**

Mineralisation is hosted in a sheeted vein system comprising numerous massive sulphide veins of sphalerite and galena containing high grades of silver, lead and zinc. The vein system has an open-ended north-south strike length of at least 150 metres and an overall width of about 50 metres.

Jagüey has potential to host a substantial quantity of this style of mineralisation. It is also likely that a copper-molybdenum mineralised porphyry system, from which the sulphide mineralisation was sourced, is located nearby.

BATACOSA *(Copper-Molybdenum)*

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

Previous exploration on the property by several major 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.

OTHER PROJECTS

The Joint Venture also has nine other, mostly early stage, projects prospective for copper, gold, silver, zinc and lead. During the next year Azure will investigate ways in which value may be realised for these projects.

Directors' Report

DIRECTORS

The following persons were directors of Azure Minerals Limited during the whole of the financial year and up to the date of this report.

Anthony Rovira

John Saleeba

Wolf Martinick was appointed as a director on 1 September 2007 and continues in office at the date of this report.

Michael Fowler was a director from the beginning of the financial year until his resignation on 1 September 2007.

PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the Group was exploration for precious and base minerals in Mexico. Following the decision in the 2006/07 financial year to concentrate the Groups activity in Mexico all Australian projects were relinquished or sold during the year.

DIVIDENDS

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

REVIEW OF OPERATIONS

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 based in Mexico; as a result a decision was made by the directors to sell or joint venture all Australian exploration projects.

Operating Results for the Year

The operating loss after income tax of the company for the year ended 30 June 2008 was $4,481,150 (2007: $4,879,213). Included in this loss figure is $2,305,586 (2007: $3,512,273) of exploration expenditure written off. Refer notes to the financial statements note 1(d).

Summarised operating results are as follows:

	2008	
	Revenues $	Results $
Geographic segment		
Australia	146,089	(2,190,768)
Mexico	644	(2,290,382)
Revenues and loss from ordinary activities before income tax expense	146,733	(4,481,150)

Shareholder Returns

	2008	2007
Basic loss per share (cents)	**(3.3)**	(4.8)
Diluted loss per share (cents)	**(3.3)**	(4.8)

Directors' Report

Investments for Future Performance

The future performance of the group is dependant upon exploration success and the continued progress of development of those projects where precious and base metals are already present. 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, $4,800,000 was raised through the issue of 36,666,668 shares via private placements.

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 adopted a Risk Management Policy.

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 as required with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

SIGNIFICANT CHANGES IN 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 $4,800,000 (from $20,329,782 to $25,129,782) as a result of:

	2008 **$**
Issue of 20,000,000 fully paid ordinary shares at $0.15 each	3,000,000
Issue of 16,666,668 fully paid ordinary shares at $0.12 each	2,000,000
	5,000,000
Less expenses associated with the above issue of shares	(200,000)
Total	**4,800,000**

(b) Net cash received from the increase is contributed equity amounting to $4,800,000 was used principally to continue the company's exploration programme in Mexico.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since the end of the financial year Azure Minerals Limited completed a share purchase plan whereby it offered shareholders registered at the close of business on 4 August 2008 the opportunity to subscribe for up to $5,000 worth of Azure Minerals Limited share at $0.125 per share. 10,765,600 shares were issued under the plan raising $1,345,700. In addition a further 9,600,000 shares were issued by way of a private placement at $0.125 each to raise a further $1,200,000.

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.

Directors' Report

INFORMATION ON DIRECTORS

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 2008.

Names, qualifications, experience and special responsibilities

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

Experience and Expertise

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

From 1997-2003 Tony was the General Manager of Exploration with Jubilee Mines, during which time he led the team that discovered and developed the world class Cosmos and Cosmos Deeps nickel sulphide deposits in Western Australia. In the year 2000, the Association of Mining and Exploration Companies awarded Tony the “Prospector of the Year Award” for these discoveries.

Tony joined Azure Minerals as the inaugural CEO in December 2003 and was appointed Executive Chairman in June 2007. He is responsible for the decision to focus Azure Minerals' activities on the world class mineral provinces in Mexico, where the company has been operating since 2005.

Other Current Directorships

None.

Former Directorships in the last 3 years

None.

Special Responsibilities

Chairman of the Board and Managing Director

Interests in Shares and Options

2,000,000 ordinary shares in Azure Minerals Limited

6,500,000 options over ordinary shares in Azure Minerals Limited

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

Experience and Expertise

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.

Other Current Directorships

Sun Resources NL – Non-Executive Director since February 1996

Ezenet Limited – Chairman since January 2003

Weatherly International Plc – Chairman since July 2005

Uran Limited – Non-Executive Director since November 2006

Windimurra Vanadium Limited – Chairman since December 2006

Carbine Resources Limited – Non-Executive Director since December 2006

Former Directorships in the last 3 years

Nil

Special Responsibilities

Chairman Remuneration Committee

Member of Audit Committee

Directors' Report continued

Interests in Shares and Options

500,000 ordinary shares in Azure Minerals Limited

1,000,000 options over ordinary shares in Azure Minerals Limited

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

Experience and Expertise

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 Repcol Limited and VDM Group Limited. Mr Saleeba has held directorships with a number of other public companies, covering a wide range of business activities.

Other Current Directorships

Repcol Limited – Non-Executive Director and Chairman since February 2002.

VDM Group Limited – Non-Executive Director and Chairman since October 2005.

Former Directorships in the last 3 years

Centrepoint Alliance Limited from May 2002 – November 2007

Special Responsibilities

Chairman of Audit Committee

Member of Remuneration Committee

Interests in Shares and Options

770,000 ordinary shares in Azure Minerals Limited

1,000,000 options over ordinary shares in Azure Minerals Limited

Company Secretary

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

Mr Dickson is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University and 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. In addition he has had close involvement with the financing and development of a number of greenfield resources projects.

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		Meetings of Committees: Audit		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Anthony Paul Rovira	8	8	*	*	*	*
John Walter Saleeba	8	8	2	2	-	-
Wolf Gerhard Martinick	6	6	2	2	-	-
Michael John Fowler	2	2	-	-	-	-

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office or was a member of the committee during the year.

* - Not a member of the relevant committee.

Retirement, Election And Continuation In The Office Of Directors

Michael Fowler resigned as a director on 1 September 2007.

Wolf Martinick was appointed a director on 1 September 2007 to fill the vacancy caused by the resignation of Michael Fowler. Wolf Martinick was elected as a director at the 2007 Annual General meeting.

John Saleeba is the director retiring by rotation who, being eligible offers himself for re-election.

Directors' Report continued

REMUNERATION REPORT (AUDITED)

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 in this remuneration report has been audited as required by section 308 (3C) of the Corporation Act 2001.

A Principles used to determine the nature and amount of remuneration

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 where appropriate offering specific long-term incentives based on key performance areas affecting the Groups results. At present the Company's has not implemented any specific long-term incentives and as such the remuneration policy is not impacted by the Groups performance, including earnings in shareholder wealth (dividends, changes in share price or return on capital to shareholders). 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 Group.

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 Groups 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% of cash salary, 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; to date no shares have been awarded to directors of executives. 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.

In the 2005/2006 financial year Azure Minerals Limited established a Directors Retirement Benefit Policy whereby 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. In the 2006/2007 financial year the Directors Retirement Benefit Policy was terminated and the retirement benefit entitlement has been frozen as of 30 June 2006.

B Details of remuneration

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 (until 30 June 2008)

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

Directors' Report continued

Key management personnel of the Group

	Short-Term			Post Employment		Share-based Payments	Total
Name	Cash, salary & fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Options	
Directors							
Anthony Paul Rovira – *Executive Chairman*							
2008	**244,792**	**-**	**-**	**22,031**	**-**	**-**	**266,823**
2007	235,000	-	-	21,150	-	54,150	310,300
John Walter Saleeba – *Non executive*							
2008	**32,500**	**-**	**-**	**2,925**	**-**	**-**	**35,425**
2007	32,500	-	-	2,925	-	-	35,425
Wolf Gerhard Martinick –*Non Executive (Appointed 1 September 2007)*							
2008	**27,083**	**-**	**-**	**2,437**	**-**	**103,830**	**133,350**
2007	-	-	-	-	-	-	-
Michael John Fowler – *Non Executive (Resigned 1Sepember 2007)*							
2008	**5,416**	**-**	**-**	**487**	**-**	**-**	**5,903**
2007	32,500	-	-	2,925	-	-	35,425
Campbell Theodore Ansell – *Non Executive* (*Resigned 6 June 2007)*							
2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2007	80,000	-	-	3,375	60,000	-	143,375
Executives							
Brett Dickson – *Company Secretary*							
2008	**125,000**	**-**	**-**	**-**	**-**	**172,212**	**297,212**
2007	90,000	-	-	-	-	11,160	101,160
Dennis Wilkins – *Company Secretary* (*Resigned 21 November 2006)*							
2008	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2007	23,913	-	-	-	-	-	23,913
Patrick Manouge – *Exploration Manager*							
2008	**162,500**	**-**	**-**	**14,625**	**-**	**43,053**	**220,178**
2007	156,000	-	-	14,040	-	23,901	193,941
Mark Styles – *Exploration Manager Mexico (Resigned 30 June 2008)*							
2008	**155,015**	**-**	**-**	**-**	**-**	**28,702**	**183,717**
2007	143,084	-	-	-	-	29,250	172,334
Total							
2008	**752,306**	**-**	**-**	**42,505**	**-**	**347,797**	**1,142,608**
2007	792,997	-	-	44,415	60,000	118,461	1,015,873

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.

Apart from the issue of options The company currently has no performance based remuneration component built into director and executive remuneration (2007: Nil)

C Service Agreements

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 $258,500 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, $11,000 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.

Directors' Report continued

Patrick Manouge, Exploration Manager :
- Term of agreement – no fixed term.
- Base salary, exclusive of superannuation, of $171,600 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Mark Styles, Exploration Manager - Mexico:
- Term of agreement – 2 years commencing 1 July 2006.
- 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.

Retirement Benefits

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

D Share based compensation

Options over shares in Azure Minerals Limited may be issued to directors and executives under the Employee Option Plan. The options are not issued based on performance criteria, but are issued to directors and executives of Azure Minerals Limited; where appropriate, to increase goal congruence between executives, directors and shareholders. There are no standard vesting conditions to options awarded with vesting conditions, if any, at the discretion of Directors at the time of grant. Options are granted for nil consideration. Options granted in the year ended 30 June 2008 vested immediately at time of grant. The following options were issued or vested during the year to key management personnel:

	Granted Number	Vested Number	Grant Date	Value per option at grant date (cents)	Exercise Price per share (cents)	First Exercise Date	Last Exercise Date	% of Remun-eration
Year ended 30 June 2008								
Directors								
Wolf Gerhard Martinick	200,000	200,000	24 Dec 2007	8.2	25.0	24 Dec 2007	31 Jan 2010	12.3%
Wolf Gerhard Martinick	400,000	400,000	24 Dec 2007	10.2	25.0	24 Dec 2007	31 Jan 2011	30.5%
Wolf Gerhard Martinick	400,000	400,000	24 Dec 2007	11.7	25.0	24 Dec 2007	31 Jan 2012	35.0%
Executives								
Mark Styles	200,000	200,000	3 Aug 2007	14.3	15.0	3 Aug 2007	30 Nov 2009	15.6%
Patrick Manouge	300,000	300,000	3 Aug 2007	14.3	15.0	3 Aug 2007	30 Nov 2009	19.6%
Brett Dickson	1,200,000	1,200,000	3 Aug 2007	14.3	15.0	3 Aug 2007	30 Nov 2009	57.9%
Total	**2,700,000**	**2,700,000**						
Year Ended 30 June 2007								
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 Nov2012	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**						

* During the year 300,000 options granted in 2006 exercisable at $0.25 and which expire on 31 January 2012 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. During the year 1,250,000 options exercisable at $0.25 with various expiry dates lapsed. The value of the options at lapse date was nil as the exercise price of the option was significantly in excess of the market price of the underlying share. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The Company's remuneration policy prohibits executives from entering into transactions or arrangements which limit the "at risk" aspect of participating in unvested entitlements.

Directors' Report continued

Fair value of options granted

The weighted average fair value of the options granted during the year was 12.9 cents (2007: 2.6cents). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	18.7	23.4
Weighted average life of the option (years)	2.74	4.02
Weighted average underlying share price (cents)	21.0	10.7
Expected share price volatility	90%	70%
Risk free interest rate	6.1%	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		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to directors and employees	**365,127**	134,395	**365,127**	134,395

E Additional Information

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 nil for the reasons described below.

All options granted this financial period vested immediately therefore there is no portion that may be forfeited due to not meeting service and performance criteria. All service and performance criteria for options granted in prior periods have been met therefore there is no portion of those options that may be forfeited due to not meeting those 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 review the inclusion of performance bonuses as part of remuneration packages during the 2008/09 financial year.

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been provided to directors or executives.

Directors' Report continued

SHARES UNDER OPTION

At the date of this report there are 14,850,000 unissued ordinary shares in respect of which options are outstanding.

			Total Number of options
Balance at the beginning of the year			13,350,000
Share option movements during the year	*Issued*	*Lapsed*[1]	
Exercisable at 25 cents, on or before 30 November 2008		(250,000)	(250,000)
Exercisable at 25 cents, on or before 30 November 2009		(500,000)	(500,000)
Exercisable at 25 cents, on or before 1 January 2010		(500,000)	(500,000)
Exercisable at 25 cents, on or before 30 January 2010	200,000		200,000
Exercisable at 25 cents, on or before 30 January 2011	400,000		400,000
Exercisable at 25 cents, on or before 30 January 2012	400,000		400,000
Exercisable at 15 cents, on or before 30 November 2009	1,750,000		1,750,000
Total options issued and lapsed in the year to 30 June 2008			1,500,000
Total number of options outstanding as at 30 June 2008 and at the date of this report			14,850,000

1. Pursuant to the terms and conditions of issued options, options will lapse if not exercised within 90 days of the holder of the options ceasing to be an employee, officer or contractor of the Company. Those options listed as lapsing above lapsed for this reason.

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 Nov 2008	25.0	1,500,000
30 Nov 2009	25.0	3,000,000
1 Jan 2010	25.0	3,000,000
30 Jan 2010	25.0	200,000
30 Jan 2011	25.0	400,000
30 Jan 2012	25.0	400,000
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	2,950,000
Total number of options outstanding at the date of this report		**14,850,000**

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Azure Minerals Limited paid a premium of $21,000 to ensure the directors and secretary of the company and its Australian based controlled entities.

The liabilities insured and legal costs that may be incurred in defending civil or criminal proceedings that mat be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Directors' Report continued

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No Proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provisions of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services underline the general principals relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:

	Consolidated	
	2008	2007
1. Audit Services	$	$
BDO Kendalls		
Audit and review of financial reports	25,527	10,992
2. Non audit Services		
Audit-related services		
BDO Kendalls		
Report for inclusion in a prospectus for a capital raising in Canada	31,412	-
Taxation Services		
BDO Kendalls		
Tax compliance services	10,699	9,830
Total remuneration for non-audit services	42,111	9,830

AUDITOR INDEPENDENCE

A copy of the auditors independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 56.

AUDITOR

BDO Kendalls continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Anthony Paul Rovira
Executive Chairman
Perth, 26 September 2008

Corporate Governance Statement

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 Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.azureminerals.com.au.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

During the Company's 2007 / 2008 financial year ("**Reporting Period**") the Company has followed each of the Principles & Recommendations other than in relation to the matters specified below.

Principle 2

Recommendation 2.2: The chairperson should be an independent director.

Notification of Departure: The chair is not an independent director.

Explanation for Departure: Mr Rovira is not independent by virtue of his executive role. The Board considers that Mr Rovira is the most appropriate person for the position of Chair given his industry experience, the size and current activities of the Company. The Board also believes that Mr Rovira's appointment as Chair is in line with shareholder expectations.

Recommendation 2.3: The roles of the chair and managing director should not be exercised by the same individual

Notification of Departure: The roles of chair and managing director are exercised by Mr Rovira.

Explanation for Departure: While the Board recognises the importance of the need for the division of responsibilities between the chair and the managing director, the existing structure is considered appropriate to the Company's present circumstances. It provides a unified leadership structure which the Board believes is important given the Company's early stage of exploration. Further, the Board believes this structure is in line with shareholder expectation.

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. Given that the Board comprises only 3 directors, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Nomination Committee Charter which it applies, as relevant.

Principle 4

Recommendation: 4.2: Structure the Audit Committee so that it consists of only non-executive directors, a majority of independent directors, an independent chairperson, who is not chairperson to the Board and at least 3 members.

Notification of Departure: The Audit Committee comprises 2 members.

Explanation for Departure: Given the size and structure of the Board, the Company is unable to meet the composition requirements under the recommendation. The Audit Committee is comprised of the two independent, non executive directors. The Board has adopted, and the Audit Committee applies, an Audit Committee Charter.

NOMINATION COMMITTEE

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (available on the Company's website).

Corporate Governance Statement

AUDIT COMMITTEE

The Audit Committee held two meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Wolf Martinick	2
John Saleeba (Chair)	2

Details of each of the Audit Committee member's qualifications are set out in the Director's Report. Both members of the Audit Committee consider themselves to be financially literate and have industry knowledge. Further, Mr John Saleeba has a Bachelor of Commerce and is a Certified Practicing Accountant. Mr Saleeba's qualifications bring financial expertise to the Audit Committee.

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 did not convene during the year however remuneration related discussions occurred from time to time during the year as required.

OTHER

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

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

Assurances to the Board

The Board has received assurance from management that the Company's management of its material business risks are effective. Further, the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Identification of Independent Directors and the Company's Materiality Thresholds

In considering the independence of directors, the Board refers to its *Policy on Assessing the Independence of Directors* (available on the Company's website).

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's *Board Charter* (available on the Company's website):

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are Dr Wolf Martinick and Mr John Saleeba.

Corporate Governance Statement

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, 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

During the reporting period an evaluation of the performance of the Board, its committees and individual directors was carried out. Board members are required to complete a questionnaire regarding individual knowledge, satisfaction, reporting and performance on a range of topics that are responsibilities of the Board and Committees. Each director was required to rank performance according to a defined scale for each activity or area. Results of the questionnaires were collated and statistically analysed to rank collective board performance against each topic. Comparative analysis between individual director response and the overall board response was completed. Once the analysis was completed the Chairman reviewed the results with each director. In addition, the Board reviewed and discussed the outcomes of the performance review and implemented a range of initiatives to address significant issues where improvement could be monitored. In addition to the collective review, directors also discussed specific issues where the assessment by directors had been significantly different to the collective mean assessment. These strategies allow the Board's performance to be measured against both measurable and qualitative indicators.

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

In the 2005/2006 financial year Azure Minerals Limited established a Directors Retirement Benefit Policy whereby 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. In the 2006/2007 financial year the Directors Retirement Benefit Policy was terminated and the retirement benefit entitlement has been frozen as of 30 June 2006.

Income Statements

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	5	**146,733**	146,785	**146,089**	135,914
EXPENDITURE					
Depreciation expenses	6	**(49,057)**	(59,552)	**(27,873)**	(44,893)
Salaries and employee benefits expense		**(606,923)**	(489,239)	**(606,923)**	(489,239)
Directors fees		**(64,999)**	(145,000)	**(64,999)**	(145,000)
Exploration expenses	6	**(2,305,586)**	(3,512,273)	**(35,738)**	(1,445,177)
Travel and promotion expenses		**(301,448)**	(223,071)	**(301,448)**	(223,071)
Office expenses		**(94,275)**	(73,187)	**(94,275)**	(73,187)
Consulting expenses		**(59,950)**	(70,926)	**(59,950)**	(70,926)
Insurance expenses		**(31,419)**	(41,482)	**(31,419)**	(41,482)
Funds misappropriated	6	**-**	(110,396)	**-**	-
Share based payment expense	27	**(365,127)**	(134,395)	**(365,127)**	(134,395)
Preparation for TSX Listing		**(602,804)**	-	**(602,804)**	-
Other expenses from ordinary activities		**(146,295)**	(166,478)	**(146,301)**	(158,135)
LOSS BEFORE INCOME TAX EXPENSE		**(4,481,150)**	(4,879,213)	**(2,190,768)**	(2,689,590)
INCOME TAX BENEFIT / (EXPENSE)	7	**-**	-	**-**	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF AZURE MINERALS LIMITED		**(4,481,150)**	(4,879,213)	**(2,190,768)**	(2,689,590)
Basic loss per share (cents per share)	22	**(3.3)**	(4.8)		
Diluted loss per share (cents per share)		**(3.3)**	(4.8)		

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

Balance Sheets

AT 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	18	**1,420,067**	737,646	**1,371,278**	686,889
Trade and other receivables	8	**154,067**	236,276	**4,692,599**	2,384,605
TOTAL CURRENT ASSETS		**1,574,134**	973,922	**6,063,877**	3,071,494
NON-CURRENT ASSETS					
Plant and equipment	9	**196,892**	190,095	**76,291**	110,692
Capitalised exploration expenditure	10	**193,270**	-	**-**	-
Other financial assets	11	**22,308**	22,308	**22,535**	22,535
TOTAL NON-CURRENT ASSETS		**412,470**	212,403	**98,826**	133,227
TOTAL ASSETS		**1,986,604**	1,186,325	**6,162,703**	3,204,721
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	13	**513,124**	315,260	**182,434**	137,857
Provisions	14	**174,123**	235,077	**174,123**	235,077
TOTAL CURRENT LIABILITIES		**687,247**	550,337	**356,557**	372,934
TOTAL LIABILITIES		**687,247**	550,337	**356,557**	372,934
NET ASSETS		**1,299,357**	635,988	**5,806,146**	2,831,787
EQUITY					
Contributed equity	15	**25,129,782**	20,329,782	**25,129,782**	20,329,782
Reserves	16(a)	**876,908**	532,389	**903,692**	538,565
Accumulated losses	16(b)	**(24,707,333)**	(20,226,183)	**(20,227,328)**	(18,036,560)
TOTAL EQUITY		**1,299,357**	635,988	**5,806,146**	2,831,787

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

Statements of Changes in Equity

CONSOLIDATED

30 JUNE 2008

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated (Losses)	Total
	$	$	$	$	$
Balance at 1 July 2007	**20,329,782**	**538,565**	**(6,176)**	**(20,226,183)**	**635,988**
Changes					
Foreign Currency	-	-	(20,608)	-	(20,608)
Net income recognised directly in equity	-	-	(20,608)	-	(20,608)
Loss for the period	-	-	-	(4,481,150)	(4,481,150)
Total income and expense recognised for the year	-	-	(20,608)	(4,481,150)	(4,501,758)
Shares issued during the period	5,000,000	-	-	-	5,000,000
Transaction costs	(200,000)	-	-	-	(200,000)
Employee options	-	365,127	-	-	365,127
Sub-total	4,800,000	365,127	(20,608)	(4,481,150)	663,369
Balance at 30 June 2008	**25,129,782**	**903,692**	**(26,784)**	**(24,707,333)**	**1,299,357**

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					
Foreign currency	-	-	(6,176)	-	(6,176)
Net income recognised directly in equity	-	-	(6,176)	-	(6,176)
Loss for the period	-	-	-	(4,879,213)	(4,879,213)
Total income and expense recognised for the year	-	-	(61,76)	(4,879,213)	(4,885,389)
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	134,565	(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**

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

Statements of Changes in Equity

PARENT ENTITY

30 JUNE 2008

	Issued Share Capital $	Share Option Reserve $	Accumulated (Losses) $	Total $
Balance at 1 July 2007	**20,329,782**	**538,565**	**(18,036,560)**	**2,831,787**
Changes				
Loss for the period	-	-	(2,190,768)	(2,190,768)
Total income and expense recognised for the year	-	-	(2,190,768)	(2,190,768)
Shares issued during the period	5,000,000	-	-	5,000,000
Transaction costs	(200,000)	-	-	(200,000)
Employee options	-	365,127	-	365,127
Sub-total	4,800,000	365,127	(2,190,768)	2,974,359
Balance at 30 June 2008	**25,129,782**	**903,692**	**(20,227,328)**	**5,806,146**

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)
Total income and expense recognised for the year	-		(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**

The above company Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(1,394,028)**	(1,264,567)	**(1,394,028)**	(1,256,225)
Interest received		**122,658**	137,905	**122,014**	127,034
Expenditure on mining interests		**(2,070,682)**	(3,967,354)	**(33,706)**	(1,846,966)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	18(b)	**(3,342,052)**	(5,094,016)	**(1,305,720)**	(2,976,157)
CASH FLOWS FROM INVESTING ACTIVITIES					
Funds misappropriated		**-**	(110,396)	**-**	-
Payments for plant and equipment		**(85,927)**	(95,608)	**(18,390)**	(2,485)
Payments for security deposits		**-**	(108)	**-**	(108)
Proceeds from sale of equipment		**25,000**	7,955	**25,000**	7,955
Option payments for projects		**(193,270)**	-	**-**	-
Loans to controlled entities		**-**	-	**(2,313,697)**	(2,362,592)
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		**(254,197)**	(198,157)	**(2,307,087)**	(2,357,230)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		**5,000,000**	2,516,000	**5,000,000**	2,516,000
Share issue costs		**(200,000)**	(138,550)	**(200,000)**	(138,550)
Preparation for TSX listing		**(502,804)**	-	**(502,804)**	-
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES		**4,297,196**	2,377,450	**4,297,196**	2,377,450
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**700,947**	(2,914,723)	**684,389**	(2,955,937)
Cash and cash equivalents at the beginning of the financial year		**737,646**	3,642,826	**686,889**	3,642,826
Effect of exchange rate changes on cash and cash equivalents		**(18,526)**	9,543	**-**	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(a)	**1,420,067**	737,646	**1,371,278**	686,889

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the 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.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards, other authoritive pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with AIFRSs

Australian Accounting Standards include Australian equivalents to International Financial reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial report, of Azure Minerals Limited complies with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(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.

(b) 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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Income tax (Cont'd)

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.

(g) 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.

(h) 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 Azure Minerals Limited'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.

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.

(i) 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.

(j) 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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(k) Revenue recognition

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

(l) 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.

(m) 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.

(n) 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.

(o) Comparative figures

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

(p) 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.

(q) 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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) 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 8).

(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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

(s) 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.

(t) 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.

(u) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Groups and parent entity's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment:	Affected Standard(s):	Applies to:	Application date of amendment:	Impact on Initial Application
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.

Notes continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

AASB Amendment:	**Affected Standard(s):**	**Applies to:**	**Application date of amendment:**	**Impact on Initial Application**
AASB 127 (reissued March 2008)	Consolidated and Separate Financial Statements	The revised standard clarifies that changes in ownership interest which result in a change of control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debt balance for the non-controlling interest. Investments retained where there has been a loss of control will be recognised at fair value at date of sale.	Periods commencing on or after 1 January 2009	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is adopted. However Minera Piedra Azul , SA de CV is incurring losses. To the extent that Minera Piedra Azul, SA de CV incurs losses for the financial years ending 30 June 2010/31 December 2010, such losses will be attributed to the non-controlling interest (if any). No adjustment will be made to comparatives for losses not previously attributed to the non-controlling interest.
AASB 2008-1 (issued February 2008)	Amendments to AASB2 – Share Based Payments – Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a "true up" of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 January 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time
AASB 8 (issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: *Segment Reporting.*	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
ASSB 101 (revised Oct 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements	Annual reporting periods commencing on or after 1 January 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

2 . FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

The Group manages its credit risk on financial instruments, including cash, by only dealing with banks licensed to operate in Australia.

Trade and other receivables

As the Group operates in the mining exploration sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Presently, the Group undertakes exploration and evaluation activities exclusively in Mexico. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2008**	**2007**
Trade and other receivables	8	154,067	236,276
Cash and cash equivalents	18	1,420,067	737,646

Impairment losses

None of the Company's other receivables are past due (2007: nil).

The allowance accounts in respect of other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2008 the Group does not have any collective impairments on its other receivables (2007: nil).

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. There are no guarantees outstanding (2007: Nil)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

	Carrying amount	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
30 June 2008							
Trade and other payables	513,124	-	513,124	-	-	-	-
30 June 2007							
Trade and other payables	315,260	-	315,260	-	-	-	-

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

Company

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2008							
Trade and other payables	182,434	-	182,434	-	-	-	-
30 June 2007							
Trade and other payables	137,857	-	137,857	-	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United Sates Dollar (USD) and Mexican Peso (MxP). The currencies in which these transactions primarily are denominated are USD and MxP.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2008			30 June 2007		
	USD	**MxP**	**Total**	**USD**	**MxP**	**Total**
Trade receivables	68,765	68,765	137,530	107,018	107,018	214,036
Trade payables	165,345	165,345	330,690	88,702	88,701	177,403
Gross balance sheet exposure	234,110	234,110	468,220	195,720	195,719	391,439
Forward exchange contracts	-	-	-	-	-	-
Net exposure	2,234,110	2,234,110	4,468,220	1,231,061	1,231,060	2,462,121

The Company's exposure to foreign currency risk at 30 June 2008 was nil (2007:Nil), based on notional amounts.

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2008**	**2007**	**2008**	**2007**
USD	0.89646	0.78592	0.96150	0.84880
MxP	9.65031	8.60294	9.91400	9.16950

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
30 June 2008				
USD	103,534	103,534	-	-
MxP	103,534	103,534	-	-
30 June 2007				
USD	198,368	198,638	-	-
MxP	198,368	198,368	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the Groups financial position will be adversely affected by movements in interest rates that will increase the costs of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. The Group does not have any borrowings therefore is not exposed to interest rate risk in this area. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		Company Carrying amount	
	2008	**2007**	**2008**	**2007**
Variable rate instruments				
Short term cash deposits	1,442,375	759,955	1,393,586	709,197

Cash flow sensitivity analysis for variable rate instruments

Group Sensitivity

At 30 June 2008 if interest rates had changes +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been $14,424 higher /lower (2007 – change of 100 basis points: $7,700 higher/lower).

Parent Sensitivity

At 30 June 2008 if interest rates had changes +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been $13,936 higher /lower (2007 – change of 100 basis points: $7,092 higher/lower).

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	154,067	154,067	236,276	236,276
Cash and cash equivalents	1,420,067	1,420,067	737,646	737,646
Other financial assets	22,308	22,308	22,308	22,308
Trade and other payables	(513,124)	(513,124)	(315,260)	(315,260)

Company	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	4,692,599	4,692,599	2,384,605	2,384,605
Cash and cash equivalents	1,371,278	1,371,278	686,889	686,889
Other Financial assets	22,535	22,535	22,535	22,535
Trade and other payables	(182,434)	(182,434)	(137,857)	(137,857)

The methods and assumptions used to estimate the fair value of instruments are:

Cash

The carrying amount is fair value due to the liquid nature of these assets

Trade receivables/payables

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

For financial assets and liabilities traded in active markets fair value is based on quoted market prices at the balance sheet date. For financial assets and liabilities that are not traded in an active market fair value is determined using market accepted valuation techniques. Estimated discounted cash flows are used to determined fair value for the remaining financial instruments such as interest rate swaps.

Capital Management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits of other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Notes continued

4. 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	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Segment Revenue								
Sales to external customers		-		-	-	-	-	-
Other revenues from external customers	**146,089**	135,914	**644**	10,871	-	-	**146,733**	146,785
Intersegment revenues	-	-	-	-	-	-		
Share of net profit of equity accounted investments	-	-	-	-	-	-		
Total segment revenue	**146,089**	135,914	**644**	10,871	-	-	**146,733**	146,785
Non-segment revenues								
Unallocated revenue								
Total consolidated revenue							**146,733**	146,785
Segment Results								
Segment result	**(2,190,768)**	(2,689,590)	**(2,290,382)**	(2,189,623)	-	-	**(4,481,150)**	(4,879,213)
Non-segment expenses								
Unallocated expenses							-	-
Consolidated entity loss before income tax expense							**(4,481,150)**	(4,879,213)
Income tax expense							-	-
Consolidated entity loss after income tax expense							**(4,481,150)**	(4,879,213)
Segment Assets and Liabilities								
Segment assets	**6,168,906**	3,204,721	500,190	343,969	(4,682,492)	(2,362,365)	1,986,604	1,186,325
Unallocated assets							-	-
Total assets							**1,986,604**	1,186,325
Segment liabilities	**(356,557)**	(372,934)	(5,000,648)	(2,539,768)	4,669,958	2,362,365	(687,247)	(550,337)
Non-allocated liabilities							-	-
Total liabilities							**(687,247)**	(550,337)
Other segment information:								
Equity accounted investments included in segment assets	-	-	-	-	-	-	-	-
Acquisition of property, plant and equipment, intangible assets and other non-current assets	**18,390**	110,692	254,154	79,403	-	-	272,544	190,095
Depreciation	**27,873**	44,893	21,184	14,659	-	-	49,057	59,552
Non-cash expenses other than depreciation and amortisation	**365,127**	134,395	-	-	-	-	365,127	134,395

Notes continued

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
5. REVENUE FROM CONTINUING OPERATIONS					
Other revenues					
Interest					
Bank interest		**121,733**	138,830	**121,089**	127,959
Proceeds from equipment sales		**25,000**	7,955	**25,000**	7,955
Total revenues from continuing operations		**146,733**	146,785	**146,089**	135,914
6. EXPENSES					
Profit before income tax includes the following specific expenses					
Depreciation of plant and equipment		**49,057**	59,552	**27,873**	44,893
Exploration expenditure		**2,305,586**	3,512,273	**35,738**	1,445,177
Operating lease expenses		**93,537**	73,722	**93,537**	73,722

Misappropriated Funds

During the 2007 year $220,792 was fraudulently misappropriated from the bank account of Minera Piedra Azul Sa De CV, a 100% subsidiary of the company, held in Hermosillo, the capital of the state of Sonara 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 was been provided for in the accounts in 2007.

7. INCOME TAX

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Adjustment for current tax of prior periods	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(4,481,150)**	(4,879,213)	**(2,190,768)**	(2,689,590)
Tax at the Australian tax rate of 30% (2007: 30%)	**(1,344,345)**	(1,463,764)	**(657,231)**	(806,878)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**109,538**	40,319	**109,538**	40,319
Preparation for TSX listing	**180,841**	-	**180,841**	-
Tenement acquisition costs	-	20,456	-	20,456
Sundry items	**74,788**	6,027	**74,788**	6,027
	(979,178)	(1,396,962)	**(292,064)**	(740,076)
Movement in unrecognised temporary differences	**1,635,088**	110,537	**1,051,442**	(679,953)
Adjustment for prior periods	**(1,841,104)**	(133,604)	**(1,206,994)**	-
Tax effect of current year foreign tax losses for which no deferred tax asset has been recognised	**737,579**	-	-	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**447,615**	1,420,029	**447,616**	1,420,029
Income tax expense	-	-	-	-

Notes continued

30 JUNE 2008

		Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$

7. INCOME TAX (Cont'd)

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Capital raising costs	**78,935**	-	**78,935**	-
Prepayments	**(4,684)**	6,269	**(4,684)**	6,269
Depreciation of plant and equipment	**18,900**	17,866	**18,900**	17,866
Provisions	**52,237**	70,523	**52,237**	70,523
Carry forward tax losses	**2,285,830**	2,266,384	**2,285,830**	2,266,384
Carry forward tax losses – foreign	**583,646**	-	**-**	-
Other – tenement	**981,266**	-	**981,266**	-
	3,996,130	2,361,042	**3,412,484**	2,361,042
Deferred Tax Liabilities (at 30%)	**-**	-	**-**	-

Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which deductible temporary differences can be utilised.

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 2008.

8. TRADE AND OTHER RECEIVABLES

CURRENT

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Prepayments	**16,594**	20,986	**15,612**	20,986
Sundry receivables (a)	**137,473**	215,290	**925**	1,254
Receivable from controlled entity (b)	**-**	-	**4,676,062**	2,362,365
	154,067	236,276	**4,692,599**	2,384,605

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

(b) The fair value of receivable from the controlled entity is the same as the carrying value. The loan is non-interest bearing with no other terns agreed.

(c) Refer to note 2 for information on the risk management policy of the Group and the credit quality of the Groups receivables.

9. PLANT AND EQUIPMENT

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Plant and equipment					
Cost or fair value		**466,927**	442,575	**312,919**	349,452
Accumulated depreciation		**(270,035)**	(252,480)	**(236,628)**	(238,758)
Net book amount	9(a)	**196,892**	190,095	**76,291**	110,692

Notes continued

30 JUNE 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

9. PLANT AND EQUIPMENT (Cont'd)

(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

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Plant and equipment				
Opening net book amount	**190,095**	157,991	**110,692**	157,991
Additions	**79,276**	95,608	**18,390**	2,485
Disposals	**(54,923)**	(24,920)	**(54,923)**	(24,920)
Depreciation on disposals	**31,501**	20,968	**30,005**	20,029
Depreciation charge	**(49,057)**	(59,552)	**(27,873)**	(44,893)
Closing net book amount	**196,892**	190,095	**76,291**	110,692

10. CAPITALISED EXPLORATION EXPENDITURE (NON-CURRENT)

At Cost	**193,270**	-	-	-

Reconciliations

Movement in the carrying amounts of capitalised exploration expenditure between the beginning and end of the current financial year

Opening net book amount	**-**	-	-	-
Additions	**193,270**	-	-	-
Disposals	**-**	-	-	-
Closing net book amount	**193,270**	-	-	-

Recovery of the capitalised amount is dependent upon successful development and commercial exploitation, or alternatively, sale.

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Notes				
Security Deposit		**22,308**	22,308	**22,308**	22,308
Shares in subsidiaries – at cost	12	**-**	-	**227**	227
		22,308	22,308	**22,535**	22,535

These financial assets are carried at cost. The fair value unlisted financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant.

12. 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(a):

Name	Country of incorporation	Class of shares	Equity Holding* 2008 %	Equity Holding* 2007 %
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

13. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables	**513,124**	315,260	**182,434**	137,857

Information about the Groups financial risk management policies is disclosed in note 2.

Notes continued

30 JUNE 2008

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
14. PROVISIONS (CURRENT)				
Employee benefits	**97,112**	81,055	**97,112**	81,055
Non-executive directors retirement benefits	**77,011**	154,022	**77,011**	154,022
	174,123	235,077	**174,123**	235,077

15. CONTRIBUTED EQUITY

(a) Share capital

	Consolidated and Parent Entity 2008 Number of shares	2008 $	2007 Number of shares	2007 $
Ordinary shares fully paid	**149,016,672**	**25,129,782**	112,350,004	20,239,782
Total consolidated contributed equity	**149,016,672**	**25,129,782**	112,350,004	20,239,782

(b) Movements in ordinary share capital

	2008 Number of shares	2008 $	2007 Number of shares	2007 $
1 July opening balance	**112,350,004**	**20,329,782**	85,000,004	17,952,332
Issue at $0.15 per share	**20,000,000**	**3,000,000**	-	-
Issue at $0.12 per share	**16,666,668**	**2,000,000**	-	-
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	-	**(200,000)**	-	(138,550)
30 June closing balance	**149,016,672**	**25,129,782**	112,350,004	20,329,782

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 unlisted options on issue

	Number of options 2008	Number of options 2007
1 July Opening Balance	**13,350,000**	10,400,000
Issued during the year		
- Exercisable at 17.5 cents, on or before 31 Jan 2011	-	500,000
- Exercisable at 25 cents, on or before 31 Jan 2012	-	1,000,000
- Exercisable at 35 cents, on or before 31 Jan 2013	-	1,000,000
- Exercisable at 15 cents, on or before 30 Nov 2009	**1,750,000**	1,200,000
Forfeited during the year		
- Exercisable at 25 cents, on or before 30 Nov 2008	**(250,000)**	(30,000)
- Exercisable at 25 cents, on or before 30 Nov 2009	**(500,000)**	(60,000)
- Exercisable at 25 cents, on or before 30 Nov 2010	**(500,000)**	(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 25 cents, on or before 30 Jan 2010	**200,000**	-
- Exercisable at 25 cents, on or before 30 Jan 2011	**400,000**	-
- Exercisable at 25 cents, on or before 30 Jan 2012	**400,000**	-
- Exercisable at 35 cents, on or before 31 Jan 2013	-	(200,000)
30 June closing balance	**14,850,000**	13,350,000

Further information on options issued is set out in note 27.

Notes continued

30 JUNE 2008

15. CONTRIBUTED EQUITY (cont'd)

(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.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
16. RESERVES AND RETAINED PROFITS				
(a) Reserves				
Share-based payments reserve	**903,692**	538,565	**903,692**	538,565
Foreign currency translation reserve	**(26,784)**	(6,176)	**-**	-
	876,908	532,389	**903,692**	538,565
Movements:				
Share-based payments reserve				
Balance at 1 July	**538,565**	404,170	**538,565**	404,170
Option expense	**365,127**	134,395	**365,127**	134,395
Balance at 30 June	**903,692**	538,565	**903,692**	538,565
Foreign currency translation reserve				
Balance at 1 July	**(6,176)**	-	**-**	-
Currency translation differences	**(20,608)**	(6,176)	**-**	-
Balance at 30 June	**(26,784)**	(6,176)	**-**	-
(b) Accumulated losses				
Balance at 1 July	**(20,226,183)**	(15,346,970)	**(18,036,560)**	(15,346,970)
Net loss attributable to members of Azure Minerals Limited	**(4,481,150)**	(4,879,213)	**(2,190,768)**	(2,689,590)
Balance at 30 June	**(24,707,333)**	(20,226,183)	**20,227,328**	(18,036,560)

(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.

17. 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 continued

30 JUNE 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $

18. STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash and cash equivalents comprises:				
– cash at bank and in hand	**63,502**	77,713	**14,713**	28,956
– short-term deposits	**1,356,565**	659,933	**1,356,565**	657,933
Closing cash and cash equivalents balance	**1,420,067**	737,646	**1,371,278**	686,889

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

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Net loss	**(4,481,150)**	(4,879,213)	**(2,190,768)**	(2,689,590)
Depreciation of non-current assets	**49,057**	59,552	**27,873**	44,893
Share based payment expense	**365,127**	134,395	**365,127**	134,395
Profit on equipment sales	**(82)**	(3,064)	**(82)**	(3,064)
Foreign currency translation	**5,691**	96,246	**-**	-
Preparation for TSX listing	**502,804**	-	**502,804**	-
Changes in operating assets and liabilities				
(Increase)/decrease in trade and other receivables	**62,529**	(197,017)	**330**	31,681
(Increase)/decrease in prepayments	**(4,393)**	1,489	**(5,374)**	1,489
Increase/(decrease) in trade and other payables	**158,365**	(181,829)	**(5,630)**	(371,385)
Increase/(decrease) in provisions	**-**	(124,577)	**-**	(124,576)
Net cash outflow from operating activities	**(3,342,052)**	(5,094,016)	**(1,305,720)**	(2,976,157)

(c) Non-cash financing and investing activities

There have been no non-cash financing and investing activities during the 2008 year (2007:Nil).

19. 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:

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Not later than one year	78,800	744,796	78,800	744,796

(b) Lease expenditure commitments

Operating leases (non-cancellable):

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Minimum lease payments				
– not later than one year	**89,018**	69,389	**89,018**	69,389
– later than one year and not later than five years	**44,509**	75,801	**44,509**	75,801
Aggregate lease expenditure contracted for at reporting date	**133,527**	145,190	**133,527**	145,190

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 24 that are not recognised as liabilities and are not included in the key management personnel compensation.

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Not later than one year	**163,461**	376,150	**163,461**	376,150
later than one year and not later than five years	**-**	148,601	**-**	148,601
	163,461	524,751	**163,461**	524,751

Notes continued

20. CONTINGENCIES

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

21. EVENTS OCCURING AFTER BALANCE SHEET DATE

Since the end of the financial year Azure Minerals Limited completed a share purchase plan whereby it offered shareholders registered at the close of business on 4 August 2008 the opportunity to subscribe for up to $5,000 worth of Azure Minerals Limited share at $0.125 per share. 10,765,600 shares were issued under the plan raising $1,345,700. In addition a further 9,600,000 shares were issued by way of a private placement at $0.125 each to raise a further $1,200,000.

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.

22. LOSS PER SHARE

	2008 $	2007 $
(a) Reconciliation of earnings to profit or loss		
Net loss	**(4,481,150)**	(4,879,213)
Loss used in calculating basic loss per share	**(4,481,150)**	(4,879,213)

	CONSOLIDATED	
	Number of shares 2008	Number of shares 2007
(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	**134,977,509**	100,899,182

(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.

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
23. AUDITORS' REMUNERATION				
Amounts received or due and receivable by BDO Kendalls or associated entities for:				
Tax Services	**10,699**	9,830	10,699	9,830
Independent Financial Reports	**31,412**	-	31,412	-
An audit or review of the financial report of the entity	**28,527**	10,992	28,527	10,992
	70,638	20,822	70,638	20,822

Notes continued

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of key management personnel by compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Short-term	**752,306**	792,997	**752,306**	792,997
Post employment	**42,505**	44,415	**42,505**	44,415
Retirement benefits	**-**	60,000	**-**	60,000
Share-based payment	**347,797**	118,461	**347,797**	118,461
	1,142,608	1,015,873	**1,142,608**	1,015,873

(b) Shares issued on exercise of compensation options

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

(c) Option holdings of key management personnel

2008

	Balance at beginning of year 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30 June 2008	Vested at 30 June 2008 Vested & Exercisable	Vested at 30 June 2008 Unvested
Directors							
Wolf Gerhard Martinick	-	1,000,000	-	-	1,000,000	1,000,000	-
Campbell Theodore Ansell	1,250,000	-	-	(1,250,000)	-	-	-
Anthony Paul Rovira	6,500,000	-	-	-	6,500,000	6,500,000	-
Michael John Fowler							
- *Resigned 1 Sep 2007*	1,000,000	-	-	-	1,000,000	1,000,000	-
John Walter Saleeba	1,000,000	-	-	-	1,000,000	1,000,000	-
Executives							
Brett Dickson	1,200,000	1,200,000	-	-	2,400,000	2,400,000	-
Patrick Manouge	1,400,000	300,000	-	-	1,700,000	1,700,000	-
Mark Styles	1,000,000	200,000	-	-	1,200,000	1,200,000	-
Total	**13,350,000**	**2,700,000**	**-**	**(1,250,000)**	**14,800,000**	**14,800,000**	**-**

2007

	Balance at beginning of year 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30 June 2007	Vested at 30 June 2007 Vested & Exercisable	Vested at 30 June 2007 Unvested
Directors							
Campbell Theodore Ansell							
- *Resigned 6 June 2007*	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							
- *Resigned 21 Nov 2006*	-	-	-	-	-	-	-
Patrick Manouge	1,400,000	-	-	-	1,400,000	1,100,000	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**

Notes continued

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(d) Shareholdings of key management personnel

2008

	Balance 1 July Ord	Granted Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30 June Ord	Balance Indirectly Held Ord
2008						
Directors						
Wolf G Martinick	-	-	-	500,000	500,000	-
Anthony Paul Rovira	2,000,000	-	-	-	2,000,000	200,000
Michael John Fowler	1,008,000	-	-	-	1,008,000	-
John Walter Saleeba	770,000	-	-	-	770,000	770,000
Executives						
Brett Dickson	200,000	-	-	-	200,000	100,000
Patrick Manouge	10,000	-	-	-	10,000	-
Mark Styles	-	-	-	-	-	-
Total	**3,988,000**	**-**	**-**	**500,000**	**4,488,000**	**1,070,000**
2007						
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	200,000
John Walter Saleeba	770,000	-	-	-	770,000	770,000
Executives						
Brett Dickson	-	-	-	200,000	200,000	100,000
Mark Styles	-	-	-	-	-	-
Dennis Wilkins	500,000	-	-	-	500,000	-
Patrick Manouge	10,000	-	-	-	10,000	-
Total	**4,496,000**	**-**	**-**	**400,000**	**4,896,000**	**1,070,000**

25. RELATED PARTY DISCLOSURES

(a) Parent entity

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

(b) Subsidiaries

Loans to subsidiaries

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Beginning of the year	-	-	**2,362,235**	-
Loans advanced	-	-	**2,313,827**	2,362,365
Loans Repaid	-	-	-	-
End of year	-	-	**4,676,062**	2,362,235

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

Notes continued

26. 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	51% and increasing	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 2008 settlement on the sale had not occurred.

(b) Azure Minerals is exploring a portfolio of 13 projects in the Mexican state of Sonora in joint venture with Geoinformatics Exploration Inc (TSX-V: GXL). Under the terms of the agreement, during the year Azure Minerals earned a 51% interest in all 13 projects. In the current joint venture year, ending 31 December 2008, GXL elected not to contribute to joint venture expenditure, accordingly Azure Minerals interest will increase and GFX's interest will decrease according to standard industry dilution formula.

27. 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 (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2008									
30 Nov '03	30 Nov '08	25.0	-	100,000	-	-	-	100,000	100,000
30 Nov '03	30 Nov '09	25.0	-	200,000	-	-	-	200,000	200,000
30 Nov '03	30 Nov '10	25.0	-	200,000	-	-	-	200,000	200,000
22 Mar '06	31 Jan '11	17.5	6.81	300,000	-	-	-	300,000	300,000
22 Mar '06	31 Jan '12	25.0	6.60	300,000	-	-	-	300,000	300,000
22 Mar '06	31 Jan '13	35.0	6.47	300,000	-	-	-	300,000	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
3 Aug '07	30 Nov '09	15.0	14.3	-	1,750,000	-	-	1,750,000	1,750,000
				5,100,000	**1,750,000**	**-**	**-**	**6,850,000**	**6,850,000**
Weighted average exercise price				$0.24	$0.15	-	-	$0.217	$0.217

Notes continued

27. SHARE-BASED PAYMENTS (cont'd)

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

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 2.58 years (2007: 3.98 years).

Fair value of options granted.

Options are granted for no consideration. The weighted average fair value of the options granted during the year was 14.3 cents (2007:2.6 cents). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	**15.0**	23.4
Weighted average life of the option (years)	**2.3**	4.02
Weighted average underlying share price (cents)	**22.5**	10.7
Expected share price volatility	**90%**	70%
Risk free interest rate	**6.05%**	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		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to employees	**365,127**	134,395	**365,127**	134,395

Notes continued

27. SHARE-BASED PAYMENTS (cont'd)

(b) Directors options

Set out below are summaries of Directors options granted.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2008									
30 Nov '03	30 Nov '08	25.0	-	1,650,000	-	-	(250,000)	1,400,000	1,400,000
30 Nov '03	30 Nov '09	25.0	-	3,300,000	-	-	(500,000)	2,800,000	2,800,000
30 Nov '03	30 Nov '10	25.0	-	3,300,000	-	-	(500,000)	2,800,000	2,800,000
24 Dec '07	31 Jan '10	25.0	8.2	-	200,000	-	-	200,000	200,000
24 Dec '07	31 Jan '11	25.0	10.2	-	400,000	-	-	400,000	400,000
24 Dec '07	31 Jan '12	25.0	11.7	-	400,000	-	-	400,000	400,000
				8,250,000	**1,000,000**	**-**	**(1,250,000)**	**8,000,000**	**8,000,000**
Weighted average exercise price				$0.25	$0.25	-	$0.25	$0.25	$0.25
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

Fair value of director options granted.

Options are granted for no consideration. The weighted average fair value of the options granted during the year was 10.4 cents (2007: none issued). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	**25.0**	-
Weighted average life of the option (years)	**3.3**	-
Weighted average underlying share price (cents)	**18.5**	-
Expected share price volatility	**90%**	-
Risk free interest rate	**6.25%**	-

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		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to directors	**103,049**	-	**103,049**	-

Directors' Declaration

The directors of the company declare that:

(1) The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and the consolidated entity.

(2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(3) The remuneration disclosures included in pages 15 to 18 of the director's report (as part of the audited Remuneration Report) for the year ending 30 June 2008, comply with section 300A of the *Corporations Act 2001*.

(4) The directors have been given the declaration by the chief executive officer and chief financial officer as required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Anthony Paul Rovira
Executive Chairman

Perth, 26 September 2008

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AZURE MINERALS LTD

We have audited the accompanying financial report of Azure Minerals Limited, which comprises the balance sheet as at 30 June 2008, 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.

Directors' Responsibility for the Financial 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 controls 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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*.

BDO Kendalls

Auditor's Opinion

In our opinion:

(a) the financial report of Azure Minerals Limited is 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 2008 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Azure Minerals Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001.*

Yours faithfully,
BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 26th day of September 2008

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

26 September 2008

The Directors
Azure Minerals Limited
Level 1, 30 Richardson Street
West Perth WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor of Azure Minerals Limited for the year ended 30 June 2008, 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 year.

Glyn O'Brien

Glyn O'Brien
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

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 23 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	28	6,268
1,001	-	5,000	298	1,112,479
5,001	-	10,000	947	8,477,756
10,001	-	100,000	1,432	57,455,525
100,001		and over	261	92,730,244
			2966	159,782,272
The number of shareholders holding less than a marketable parcel of shares are:			174	405,409

(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	6.79
2	HSBC Custody Nominees	8,364,484	5.23
3	ANZ Nominees Limited	2,942,844	1.84
4	Mr Robert Hastings Smythe	2,000,000	1.25
5	S & M French Investments Pty Ltd	1,750,000	1.10
6	Mr Peter Murray Nicholas	1,140,000	0.71
7	Mrs Joan Hall	1,060,000	0.66
8	Rovira Geoservices Pty Ltd	1,040,000	0.65
9	Stadjoy Pty Ltd	1,040,000	0.65
10	Mr Richard Eric James + Mrs Margaret Anne James	1,030,000	0.64
11	Total Corporate Solutions Pty Ltd	1,010,000	0.63
12	Mr Mark Edwin Lee	1,005,700	0.63
13	Dr Lyndsay George McDonald Gordon	1,002,023	0.63
14	Mr Sean Delaney	1,000,000	0.63
15	Mr Michael Holmes	1,000,000	0.63
16	Dr Norman William Coles	900,000	0.56
17	Mr Ronald John Gilchrist	900,000	0.56
18	Forty Traders Limited	841,468	0.53
19	Seydor Limited	833,333	0.52
20	Vanwhile Pty Ltd	800,000	0.50
		40,504,852	**25.34**

(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
Dundee Corporation and each of its associates	8,333,334

(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
El Llano del Nogal	Llano del Nogal - Fraccion 1	All Minerals	224717	51%
	Llano del Nogal - Fraccion 2	All Minerals	224718	51%
	Llano del Nogal - Fraccion 3	All Minerals	224719	51%
	Llano del Nogal 2	All Minerals	230186	51%
	Llano del Nogal 3	All Minerals	232390	51%
Cumobabi	El Apuro (Reduction)	All Minerals	228838	51%
	La Calma	All Minerals	221119	51%
	Potrerito	All Minerals	229051	51%
	El Ermitaño 1	All Minerals	230421	51%
	El Ermitaño 2	All Minerals	Pending	51%
	Mark 1	All Minerals	Pending	51%
	Mark 2	All Minerals	Pending	51%
	Mark 3	All Minerals	Pending	51%
Tabisco	Tabisco - Fraccion 2	All Minerals	220663	51%
	Tabisco 2 - Fraccion 1	All Minerals	229008	51%
	Tabisco 2 - Fraccion 2	All Minerals	229009	51%
Jagüey	Beatriz - Fraccion 2	All Minerals	218062	51%
	Beatriz - Fraccion 3	All Minerals	218063	51%
	Beatriz - Fraccion 4	All Minerals	218064	51%
	Jagüey	All Minerals	225314	51%
Pozo de Nacho	Pozo de Nacho	All Minerals	222873	51%
	Pozo de Nacho 2 - Fracc. 1	All Minerals	225057	51%
	Pozo de Nacho 2 - Fracc. 2	All Minerals	225058	51%
	Pozo de Nacho 3	All Minerals	228563	51%
Cardeleña	Cardeleña	All Minerals	220716	51%
	Cardeleña 2	All Minerals	228176	51%
San Nicolas	San Nicolas	All Minerals	225315	51%
Batacosa	Batacosa	All Minerals	225402	51%
Arroyo Amarillo	Arroyo Amarillo	All Minerals	223191	51%
Estacion Llano	Estacion Llano	All Minerals	227017	51%
Los Chinos	Los Chinos	All Minerals	229035	51%
La Ramada	La Ramada	All Minerals	229820	51%
La Tortuga	La Tortuga	All Minerals	230422	100%
La Providencia	La Providencia	All Minerals	230462	100%
El Cuervo	El Cuervo	All Minerals	231704	100%
Coronado	Coronado	All Minerals	231432	100%
Los Nidos	Los Nidos	All Minerals	231051	100%
El Carnero	Carnero	All Minerals	231326	100%
Las Viboras	Viboras	All Minerals	232429	100%
San Eduardo	San Eduardo	All Minerals	232387	100%
Promontorio	Hidalgo	All Minerals	14966	100%*
	Promontorio	All Minerals	28521	100%*
	El Magistral	All Minerals	218881	100%*