Azure Minerals Limited

ABN 46 106 346 918

Annual Report and Financial Statements

for the year ended 30 June 2013

Corporate Information

ABN 46 106 346 918

Directors
Mr. Peter Ingram (Chairman)
Mr. Anthony Rovira (Managing Director)
Dr Wolf Martinick (Non-Executive Director)

Company Secretary
Mr. Brett Dickson

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ASX Code
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Chairman's Letter

Dear Fellow Shareholder

I am pleased, on behalf of my fellow Directors, to present the Annual Report for Azure Minerals Limited ('Azure' or the 'Company') for the financial year 2012-13, a year in which the Company had considerable success at its Promontorio Project in Mexico.

During the year the Company raised an additional $5.6 million of equity capital to fund its exploration and project evaluations in Mexico. As at 30 June, Azure had cash of $2.4 million available for exploration and corporate administration, putting it in a sound position to continue its exploration efforts on your behalf.

Imporantly, the past year has seen Azure make significant progress towards a potential mining operation at its copper-gold-silver project at Promontorio in Chihuahua State and has identified and partially tested a major porphyry copper-gold target at la Tortuga in Sonora State. In addition, the Company has acquired two highly prospective prospects at Loreto (copper-gold) in the state of Baja California Sur and at Panchita (gold) in Sonora State.

A preliminary feasibility study (PFS) of the Promontorio high-grade copper-gold-silver vein system indicated the deposit to be highly profitable to mine and treat, with an estimated capital cost of only US$41.3 million and a C1 operating cash cost of a very low US$1.12/lb of payable copper. Based on this study, the Company undertook a new round of diamond drilling at both the Promontorio vein system and at the nearby Cascada and Risco Dorada prospects within the Promontorio tenement.

Drilling at the Promontorio deposit confirmed the resource and upgraded much of it to "Indicated" category under the Australian 2004 JORC code for reporting of Mineral Resources and Reserves. The resource now stands at ***840,000 tonnes grading 4.1% copper equivalent*** (classification details are provided in the Managing Director's Operations' Review).

Drilling at Cascada returned spectacular results: very thick zones of high-grade copper and gold together with a surrounding halo of lower-grade copper and/or gold. Best intersections from this programme included: Hole APR-DD-093, a high grade 'core' of ***40.9m grading 5.5% copper equivalent (CuEq)*** within a broader zone of both massive and disseminated mineralisation of **101.5m grading 3.0% CuEq.** Further drilling is required to fully test this deposit.

At the la Tortuga Project in Sonora, our joint venture partner, JOGMEC, funded a programme of geophysical exploration and deep diamond drilling in the search for a large porphyry copper deposit at depth, beneath around 300m to 600m of post mineralisation cover. Whilst this work has not yet located significant base and precious metal mineralisation, it has, encouragingly, demonstrated the deep-seated intrusion to be mineralised with sulphide minerals that are anomalous in base metals.

The Company's reconnaissance exploration program at Loreto identified three areas with potential to host significant copper mineralisation, with styles including porphyry-hosted, sediment-hosted and structurally-controlled.

Panchita contains numerous substantial historical mine workings, which were the focus of Azure's reconnaissance exploration programme. Strong results were returned with 50% of the samples assaying greater than 0.5g/t gold and numerous samples assaying more than 10g/t gold.

A diamond drilling programme at El Tecolote, also in Sonora State, tested several skarn copper-zinc and porphyry copper targets and intersected significant zinc and copper mineralisation hosted in skarn. Further drilling is warranted to try and increase the potential resources that may support a modest mining and processing operation.

I would like to take this opportunity to thank our management and staff, both in Perth and Hermosillo, Mexico, for their technical skill and hard work undertaken on your behalf. I would also like to thank my fellow Directors for their support during the year.

Finally, I thank you, our shareholders, for your continued support of the company. The last year has been a difficult one for junior resource companies and the hard work, excellent results and strong management of the company has not yet been reflected in the share price. We hope that market conditions may improve during the current year and that the price of the Company's shares reflects the underlying value of its assets.

Yours sincerely

P. Ingram

Peter Ingram

Chairman

Review of Operations

Azure Minerals Limited ("Azure" or "the Company") has had a very successful 12 months in Mexico, where it has been exploring for copper, gold and silver in the states of Sonora, Chihuahua and Baja California Sur.

The Company released an updated Mineral Resource for the Promontorio copper-gold-silver deposit and recently announced the discovery of the high grade Cascada copper-gold-silver deposit. Furthermore, Azure has continued to grow its portfolio of attractive base metal and precious metal projects with acquisition of the Loreto copper project and the Panchita gold project continuing its strategy of maximising value from its projects by selling two non-core projects in a cash sale.

PROMONTORIO PROJECT: COPPER-GOLD-SILVER

Throughout the course of the past 12 months, Azure continued to systematically advance its flagship Promontorio copper-gold-silver project, located in Chihuahua State, Mexico. This included completing and releasing the results of a Pre-Feasibility Study, a resource expansion drilling program, an updated Mineral Resource estimate, and the drilling of the newly discovered Cascada deposit.

Both Promontorio and Cascada are high-sulphidation, epithermal copper, gold and silver deposits. Exploration indicates that they are two geologically separate deposits which form part of a high sulphidation epithermal system associated with and sourced from a nearby porphyry copper body.

The copper, gold and silver is contained in massive, semi-massive and disseminated sulphide mineralisation surrounded by large envelopes of pyrite-rich vuggy silica and intensely silicified host rocks. Promontorio comprises narrow veins of massive to semi-massive enargite (a copper-arsenic sulphide), with minor chalcocite and chalcopyrite (copper sulphides). At Cascada, the mineralisation is widespread, with moderate to abundant, disseminated chalcocite and lesser amounts of enargite and chalcopyrite forming the mineralised zone.

The intensely silicified host rocks indicate that strong, high sulphidation, epithermal alteration occurred during the mineralising phase, which is typical of a porphyry copper mineralising event. High sulphidation epithermal deposits form above porphyry copper bodies with feeder zones connecting the porphyry and the overlying epithermal system. These types of deposits are common in northern Mexico and south-western US.

Azure believes that beneath Cascada and Promontorio is likely to be a porphyry copper body which was the source of the copper, gold and silver mineralisation. This makes the Promontorio Project an exciting porphyry copper exploration target in its own right and Azure will continue its exploration through geophysical surveys and further drilling.

Drilling Results – Phase 1

In January 2013, the Company completed a 33 hole diamond drilling program at Promontorio designed to test the mineralised system outside of the then-current mineral resource boundaries. Thirty one of the holes were drilled at Promontorio, with the final two holes drilled as part of a wider exploration program to test the nearby Cascada and Risco Dorado prospects.

Looking up the valley towards the Promontorio and Cascada deposits

Significant copper, gold and silver mineralisation was intersected in most holes at Promontorio, with several new veins and extensions to known veins identified. Based upon this additional data Azure completed a new geological model of the mineralised vein system and commissioned an updated Mineral Resource estimate for the Promontorio deposit. Details of the updated Mineral Resource are shown below.

The highlight of the drilling program was Azure's best mineralised intercept to date in Mexico - a 70 metre long intersection of strong copper, gold and silver mineralisation at Cascada, located only 200m northwest of the Promontorio deposit. Hole APR-DD-087 intersected disseminated, veined and massive copper sulphide returning:

70.0m @ 2.7% CuEq[1] (1.6% Cu, 0.9g/t Au & 35g/t Ag) from 41.9m.

In addition, another significant copper intersection was made at the Risco Dorado prospect, situated 600m northwest of Promontorio. The Company completed a single drill hole (APR-DD-086) on this prominent bluff, with the hole intersecting disseminated and semi-massive pyrite and copper sulphides, returning:

11.0m @ 2.1% CuEq (1.5% Cu, 0.4g/t Au & 29g/t Ag) from 146.7m

Drilling Results – Phase 2

The Company followed up the encouraging mineralised intercept at Cascada with an 18 hole drilling program. This program confirmed the discovery of the Cascada copper-gold-silver deposit and provided the highpoint of the year for Azure. Cascada has strong potential to significantly increase the overall resource base of the Promontorio Project. Significant copper and gold mineralised intercepts are contained Tables 1 & 2.

Diamond drilling at Cascada

This successful drilling program confirmed that Cascada hosts two overlapping copper and gold mineralised systems in which zones of high grade copper mineralisation are surrounded by an envelope of gold mineralisation. Both the copper and the gold zones remain open at depth and along strike with excellent potential for the definition of a large, high grade deposit.

The central high grade copper-gold-silver zone has true widths up to 30m with grades averaging +5% CuEq and peak grades of +40% Cu. The surrounding lower grade copper-mineralised envelope has significant bulk tonnage potential. Mineralisation is mostly chalcocite – a high tenor copper sulphide mineral.

Surrounding the copper deposit is an extensive gold-rich envelope that increases in grade and width towards the west, identifying potential for a bulk tonnage gold deposit.

[1] See Appendix for Copper Equivalency (CuEq) Statement

Azure will follow up this exciting discovery with an Induced Polarisation (IP) geophysical survey followed by further drilling. As the Cascada mineralised system is likely to have formed from a porphyry copper mineralising event, and such systems can be very large, the IP survey is designed to identify extensions of the high grade copper sulphide zone and zones of intense silica-rich alteration representing the gold-rich envelope; and to "look" deeper and under cover for the feeder zones and the porphyry source of mineralisation.

Azure Geologist inspecting drill core

SIGNIFICANT MINERALISED DRILL INTERCEPTS AT CASCADA

Table 1: COPPER ZONE

DRILL HOLE	HIGH GRADE COPPER ZONE	COPPER MINERALISED ENVELOPE
APR-DD-087	35.9m @ 4.5% CuEq	70.0m @ 2.6% CuEq
APR-DD-089	32.9m @ 6.3% CuEq	129.0m @ 2.9% CuEq
APR-DD-091	29.4m @ 7.4% CuEq	61.5m @ 4.1% CuEq
APR-DD-092	32.4m @ 3.7% CuEq	56.0m @ 2.9% CuEq
APR-DD-093	40.9m @ 5.5% CuEq	101.5m @ 3.0% CuEq
APR-DD-098	19.0m @ 6.0% CuEq	High grade zone only
APR-DD-104	6.8m @ 2.6% CuEq	49.6m @ 1.4% CuEq

Table 2: GOLD ZONE

DRILL HOLE	GOLD MINERALISED ENVELOPE
APR-DD-087	118.9m @ 0.7g/t Au
APR-DD-090	120.8m @ 1.0g/t Au
APR-DD-091	64.4m @ 1.9g/t Au
APR-DD-092	101.1m @ 1.0g/t Au
APR-DD-093	113.8m @ 2.4g/t Au
APR-DD-095	90.6m @ 0.9g/t Au
APR-DD-100	63.6m @ 1.3g/t Au
APR-DD-104	104.9m @ 0.9g/t Au

Mineral Resource

The updated JORC-compliant Mineral Resource estimate, reported in accordance with the guidelines of the 2004 JORC Code and released in May 2013, is:

840,000 tonnes @ 4.1% CuEq (at 0.5% CuEq[2] grade cut-off)

Full details of the updated Mineral Resource estimate demonstrating sensitivities to various Copper Equivalent cut-offs are shown in Table 3. The estimate was prepared by AGP Mining Consultants Inc, an independent mining consulting company headquartered in Ontario, Canada.

Table 3: Promontorio Mineral Resource - Sensitivity to various CuEq cut-offs

Classification	Tonnes	CuEq (%)	Cu (%)	Au (ppm)	Ag (ppm)	Contained Cu (Kt)	Contained Au (Koz)	Contained Ag (Koz)
Reported Above 0.5% CuEq (Base Case)								
Indicated	610,000	4.4	2.7	1.7	56	16,700	32,500	1,090,000
Inferred	230,000,	3.3	1.8	1.5	56	4,100	11,300	410,000
Total	**840,000**	**4.1**	**2.5**	**1.6**	**56**	**20,800**	**43,800**	**1,500,000**
Reported Above 1.0% CuEq								
Indicated	560,000	4.7	3.0	1.7	60	16,600	31,100	1,070,000
Inferred	200,000	3.7	2.0	1.7	61	4,000	10,900	400,000
Total	**760,000**	**4.4**	**2.7**	**1.7**	**60**	**20,600**	**42,000**	**1,470,000**
Reported Above 2.0% CuEq								
Indicated	420,000	5.7	3.7	2.0	73	15,700	26,800	990,000
Inferred	130,000	4.9	2.7	2.1	81	3,600	8,600	340,000
Total	**550,000**	**5.5**	**3.5**	**2.0**	**75**	**19,300**	**35,400**	**1,330,000**
* Note: Figures have been rounded								

The updated Mineral Resource utilised data from 149 drill holes (74 Azure and 75 historical), compared with the previously reported 2009 Resource which took into account data from only 50 holes (38 Azure and 12 historical). With an increased level of data available, the Company produced a new and more robust resource model based on a revised interpretation of the geology.

Importantly from a mining point of view, the entire Indicated Resource is contained within the two largest veins at Promontorio, the Veta Grande Vein and the Santiago Vein. This is likely to have a positive impact on Ore Reserve estimates, mine design, planning and scheduling.

Pre-Feasibility Study

In August 2012 Azure reported the results of a Pre-Feasibility Study ("PFS" or "the Study") on the Promontorio copper-gold-silver deposit undertaken by Australian engineering consultancy Como Engineers Pty Ltd. The Study highlighted the robust technical and economic viability of the project, with a mining inventory at the time of 656,000 tonnes supporting a 150,000tpa mining and processing operation over an initial mine life of 4½ years.

Inspecting Core

Importantly, the Study illustrated the significant positive impact that additional resources would have on the value of the project. To this end, Azure undertook additional drilling at Promontorio which resulted in publication of the updated Mineral Resource discussed above.

[2] See Appendix 1 for Copper Equivalency (CuEq) Statement

LORETO PROJECT: COPPER

The Loreto Copper Project was acquired by Azure in February 2013 and is located in the Mexican state of Baja California Sur – a highly prospective area in which Azure had been actively seeking opportunities.

The property covers an area of 9,571 hectares and is located on the east coast of the Baja California peninsula. It is situated six kilometres north of the town Loreto and has excellent access via the sealed Mexican National Highway #1 which passes through the middle of the project area. Loreto is well serviced by existing infrastructure, with direct flights from Los Angeles International Airport and by Mexican National Highway #1 from the state capital La Paz.

The Company's reconnaissance exploration program at Loreto identified three areas with potential to host significant copper mineralisation, with styles including porphyry-hosted, sediment-hosted and structurally-controlled. Surface sampling was very successful, with 24% of samples returning copper grades greater than 1% with some very high grade copper, gold and silver assays, as shown below in Table 4.

Table 4: High Grade Surface Samples from Loreto

Sample No.	Copper (%)	Silver (g/t)	Gold (g/t)	Sample Type
LOR-1002	13.65	36	21.6	Mine dump
LOR-1007	4.03	2.3	2.4	Mine dump
LOR-1011	3.90	1.6	1.52	Mine dump
LOR-1023	3.69	0.7	BLD	Mine dump
LOR-1024	3.56	0.7	BLD	Mine dump
LOR-1028	6.02	1,140	0.06	Mine dump
LOR-1030	27.90	1,390	0.32	Mine dump
LOR-1032	2.33	8.8	0.04	Channel sample (0.50m) across outcrop
LOR-1037	12.85	26	0.32	Channel sample (0.90m) across outcrop
LOR-1039	3.21	93.6	0.03	Channel sample (1.25m) across outcrop
LOR-1041	3.19	10.1	0.01	Mine dump
LOR-1042	2.07	14.7	0.56	Point sample from outcrop
LOR-1043	2.03	6.9	0.10	Point sample from outcrop

PANCHITA PROJECT: GOLD

The Panchita Gold Project was acquired in March 2013 and comprises two mineral concessions covering an area of 136 hectares, located approximately 350 kilometres northwest of Hermosillo in the state of Sonora. Sixty kilometres of sealed and unsealed roads from the coastal resort town of Puerto Peñasco provides simple access to the property.

The project is situated within the strongly gold-mineralised northwest region of Sonora and is prospective for shear-hosted bulk tonnage and vein hosted high-grade gold deposits. Gold mineralisation is widespread across the district with several major gold mines situated nearby.

Panchita contains numerous substantial historical mine workings, which were the focus of Azure's reconnaissance exploration program. Strong results were returned with 50% of the samples assaying greater than 0.5g/t gold and numerous samples assaying more than 10g/t gold, as shown in Table 5.

Table 5: High Grade Surface Sampling Results from Panchita

Sample No.	Gold (g/t)	Silver g/t)	Sample Type
PAN-1001	20.70	13	Channel sample (0.60m) across quartz vein in mine working
PAN-1002	5.57	8	Channel sample (1.30m) across shear
PAN-1004	37.80	71	Mine dump sample
PAN-1007	4.97	1	Channel sample (1.50m) across quartz vein in mine working
PAN-1011	1.00	6	Channel sample (1.30m) across shear zone
PAN-1012	1.69	37	Channel sample (1.70m) across shear zone
PAN-1014	28.70	124	Mine dump sample with visible gold
PAN-1018	2.93	5	Channel sample (0.70m) across shear zone
PAN-1020	1.69	10	Channel sample (1.90m) across shear zone
PAN-1021	6.02	7	Channel sample (0.70m) across quartz vein in mine working
PAN-1022	9.56	7	Channel sample (1.50m) across shear zone
PAN-1035	2.13	2	Channel sample (2.20m) across quartz vein in mine working
PAN-1037	1.19	8	Mine dump sample
PAN-1051	1.24	1	Channel sample (0.35m) across quartz vein in mine working
PAN-1055	3.93	6	Channel sample (0.20m) across quartz vein in mine working
PAN-1060	3.03	2	Channel sample (0.25m) across quartz vein in mine working
PAN-1061	10.90	5	Channel sample (0.30m) across quartz vein in mine working
PAN-1062	18.70	2	Channel sample (0.15m) across quartz vein in mine working
PAN-1063	44.90	33	Channel sample (0.15m) across quartz vein in mine working
PAN-1067	5.09	6	Channel sample (0.40m) across outcrop
PAN-1069	4.00	2	Channel sample (0.25m) across quartz vein in mine working
PAN-1070	23.80	3	Channel sample (0.25m) across quartz vein in mine working
PAN-1071	23.80	5	Channel sample (0.15m) across quartz vein in mine working

LA TORTUGA PROJECT: COPPER

Azure's 100%-owned La Tortuga project, located in the state of Sonora, is explored in joint venture ("JV") with Japanese government corporation JOGMEC (Japan Oil, Gas and Metals National Corporation), which has the right to earn a 51% interest in the project by spending US$3.0 million, with Azure operating and managing the JV.

The JV completed several geophysical programs, including aeromagnetic, Induced Polarisation (chargeability and resistivity), magneto-telluric (MT) and gravity surveys. Modelling of the combined results identified several overlapping anomalies interpreted to represent a large, deeply buried porphyry copper body. This target was modelled as hosted within basement rocks beginning at approximately 600m below surface and extending to depths in excess of 1,500m. Three diamond core holes were drilled to test this target.

Two holes drilled through approximately 600m of post-mineralisation sedimentary cover before entering the basement sequence comprising intrusive and brecciated rocks containing strong silicification, abundant quartz-sulphide veining, significant amounts of secondary magnetite and biotite, and moderate to strong propylitic and potassic alteration. Abundant (10% to 30%) sulphide mineralisation is present, mostly being disseminated to semi-massive pyrite with minor amounts of chalcopyrite (copper sulphide), sphalerite (zinc sulphide) and molybdenite (molybdenum sulphide). Anomalous base metal values are present, with maximum grades of 0.38% Copper, 2.54% Zinc and 0.28% Molybdenum. The geology and anomalous geochemistry of the basement rocks is considered very promising and supports the porphyry copper and IOCG (iron oxide copper-gold) deposit models.

The third deep diamond hole was collared approximately 1,600m to the south of the first two holes. It penetrated through 300m of post-mineralisation sedimentary cover before drilling 650m of strongly silicified quartzite containing calcite veins and hematite-filled fractures and staining. There is no evidence of sulphide mineralisation or intrusive rocks.

Both Azure and JOGMEC find the difference in geology and depth to basement between the relatively close holes intriguing and will review the geological and geophysical data to better understand the meaning of the results and determine future exploration activities.

EL TECOLOTE PROJECT: COPPER-ZINC

Azure's 100%-owned El Tecolote copper-zinc project adjoins the western boundary of the La Tortuga Project. During the past two years, the project has been explored in JV with JOGMEC. In April 2013, Azure reported that it had resumed ownership and control of the project following JOGMEC's decision to withdraw from the JV. Work undertaken by the JV resulted in the identification of several encouraging zones of skarn-hosted copper-zinc mineralisation.

During late 2012, a diamond drilling program tested several skarn copper-zinc and porphyry copper targets. A total of 11 holes were drilled, totalling approximately 4,000m. Several holes intersected significant zinc and copper mineralisation hosted in skarn (altered limestone) around the historical El Tecolote Mine.

This historical mine produced 1.4 million tonnes @ 1.9% copper, 7.0% zinc and 47g/t silver and closed in 1984 due to low commodity prices, with unmined copper and zinc mineralisation remaining around the old mine workings.

Azure will continue brownfields exploration drilling around the El Tecolote Mine with the objective of extending the known mineralised zone and testing other skarn units for similar mineralisation.

Competent Person Statement:

Information in this document that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee of Azure Minerals Limited. Mr Rovira has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rovira consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears.

APPENDIX

Copper Equivalency Statement:

- *Copper Equivalent (CuEq) was based on the following assumed metal prices that were guided by the three year averages at the data cut-off date: US$3.25/lb for Cu, US$1,450/oz for Au and US$27.50/oz for Ag.*
- *The CuEq grade accounts for the following metal recoveries, which were based on metallurgical testwork completed on the adjacent Promontorio deposit by independent metallurgical laboratories AMDEL and Ammtec, under the supervision of Coffey Mining Pty Ltd: 97.9% for Cu, 93.4% for Au, and 97% for Ag.*
- *It is Azure's belief that all elements included in the metal equivalent calculation have a reasonable potential to be recovered.*
- *The following formula was used to calculate the Copper Equivalent grade: CuEq (%) = (Cu% x 0.979) + (Au (g/t) x 0.6077) + (Ag (g/t) x 0.0120)*

Drilling and Sample Analysis Statement:

Detailed geological logging is undertaken with recording of lithology, alteration, veining, mineralisation and mineralogy.

Primary samples are all HQ-size half core. Secondary (duplicate) HQ-size quarter core samples are collected at nominal 20m intervals and submitted for comparison checks.

Geological controls and orientations of the mineralised zone are unknown at this time and therefore all mineralised intersections are reported as "intercept length" and may not reflect true width.

Sampling is based upon geological boundaries with minimum sample length of 0.2m and maximum sample length of 1.0m.

Reported copper mineralised intersections are based on intercepts using a nominal 0.2% copper grade cut-off and a 0.5% Copper Equivalent cut-off.

Reported gold mineralised intersections are based on intercepts using a nominal 0.2g/t gold cut-off.

All reported assays have been length-weighted. No top cuts have been applied. High grade intervals internal to broader mineralised zones are reported as included zones.

Sample preparation was undertaken by ALS-Chemex (Hermosillo) and analysed by ALS-Chemex (Vancouver) using methods ICP61 and OG62 (for silver and base metals) and Fire Assay methods AA-23 and GRA-21 for gold.

Certified Reference Standards and blank check samples are routinely inserted at 20m intervals and also immediately following visually identified mineralised intercepts to provide assay quality checks. Review of the standards and blanks are within acceptable limits.

Drill hole collar locations are initially surveyed by handheld GPS and definitively surveyed by differential GPS following completion of the drilling program. Downhole surveys are undertaken at 30m intervals by gyroscope.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Azure Minerals Limited and the entities it controlled at the end of or during the year ended 30 June 2013.

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.

Peter Ingram
Anthony Rovira
Wolf Martinick

PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the Group was exploration for precious and base minerals in Mexico.

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. Its principal focus is on exploration for gold, copper, silver and zinc in Mexico. The company has a number of 100% owned projects, one of which has been joint ventured. The Group's principal project is the Promontorio project where a modest size but high grade copper-gold-silver deposit has been identified. The Group will continue to seek opportunities in Mexico, either 100% owned or in joint venture.

Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2013 was $3,892,112 (2012: $3,712,330). Included in this loss figure is $3,798,902 (2012: $4,094,247) of exploration expenditure written off. Refer to notes 1(c) and 6 to the financial statements.

Shareholder Returns

	2013	2012
Basic loss per share (cents)	**(0.7)**	**(0.9)**
Diluted loss per share (cents)	**(0.7)**	**(0.9)**

Investments for Future Performance

The future performance of the group is dependent upon exploration success, the progress of development of those projects where precious and base metals are already present, and continued funding. To this end the group has budgeted to continue exploration at its Mexico projects.

Review of Financial Condition

At the date of this report the consolidated entity has a sound capital structure and is in a strong position to progress its mineral properties.

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 covers 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

During the year the company issued 236,476,486 ordinary fully paid shares raising $5,085,287 after all expenses of the issues.

There were no other significant changes in the state of affairs of the Group during the financial year.

Directors' Report

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No 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. The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.

INFORMATION ON DIRECTORS

Names, qualifications, experience and special responsibilities

Mr. Peter Anthony Ingram BSc, FAusIMM, MGSA, FAICD (appointed 12 October 2011 and on 1 December 2012 appointed Chairman)

Mr Ingram is a geologist with over forty years experience in the mining and mineral exploration industries within Australia, including over thirty years experience in public company management. He was the founding Chairman and Managing Director of Universal Resources Limited (now Altona Mining Limited).

Mr Ingram was a founding councilor and past President of the Association of Mining and Exploration Companies (AMEC) and has been made an Honorary Life Member in recognition of his services to AMEC. He was also a founding director of the Australian Gold Mining Industry Council. He has served on the board of management of the WA School of Mines at Curtin University and was instrumental in the establishment of the Chair of Mineral Economics and Mine Management within that institution.

Mr Ingram’s previous directorships include: Managing Director of Metana Minerals NL and Eastmet Limited; Executive Chairman of Australia Oriental Minerals NL and Glengarry Resources Limited; and Non-executive Director of Dragon Mining Limited, Metana Petroleum Limited and Carnarvon Petroleum Limited.

Other Current Directorships

Altona Mining Limited

Former Directorships in the last 3 years

None.

Special Responsibilities

Chairman of the Board and Chairman of the Remuneration & Nomination Committee and member of the Audit & Risk Management Committee

Interests in Shares and Options

1,000,000 ordinary shares in Azure Minerals Limited

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

Mr. Anthony Paul Rovira, BSc (Hons) Flinders University, MAusIMM (Managing Director)

Tony Rovira has over 30 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 Managing Director in December 2003 and held the position of Executive Chairman from June 2007 until December 2012. Tony 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.

Directors' Report

INFORMATION ON DIRECTORS (cont'd)

Names, qualifications, experience and special responsibilities (cont'd)

Former Directorships in the last 3 years

None.

Special Responsibilities

Managing Director

Interests in Shares and Options

5,133,333 ordinary shares in Azure Minerals Limited, of which 1,880,000 are held indirectly.
11,000,000 options over ordinary shares in Azure Minerals Limited

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

Dr Martinick is an environmental scientist with over 40 years experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

He is a founding director and chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia. He was also a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003.

Other Current Directorships

Sun Resources NL – Non-Executive Director since February 1996 and Chairman since 1 March 2011
Oro Verde Limited – Chairman since January 2003
Weatherly International Plc – Director since July 2005

Former Directorships in the last 3 years

Uran Limited – resigned 12 November 2010

Special Responsibilities

Chairman of the Audit and Risk Management Committee and member of the Remuneration & Nomination Committee

Interests in Shares and Options

2,373,333 ordinary shares in Azure Minerals Limited
3,500,000 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 25 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		Meetings of Committees: Remuneration	
	A	B	A	B	A	B
Peter Anthony John Ingram	8	8	2	2	2	2
Anthony Paul Rovira	8	8	-	-	-	-
Wolf Gerhard Martinick	8	8	2	2	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.

Directors' Report

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 short and long-term incentives based on key performance areas affecting the Groups results. Short-term incentives implemented by the Company are detailed later in the report in section E. At present the Company 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 or 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). In line with standard industry practice 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.

A Remuneration Committee has been established and is a committee of the board. It is primarily responsible for making recommendations to the board on:

- Non-executive directors fees
- Remuneration levels of executive directors and other key management personnel
- Key performance indicators and performance hurdles of the executive team

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration consultants were not engaged during the year.

There is no Retirement Benefit Policy for directors, other than the payment of statutory superannuation.

B Details of remuneration

Amount of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 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 and the Company Secretary, Mr B Dickson is an executive whose remuneration must be disclosed under the Corporations Act 2001.

Directors' Report

Key management personnel of the Group

	Short-Term			Post Employment		Share-based Payments	Total	Percentage Consisting of
Name	Cash, salary & fees	Cash Bonus	Non monetary benefits	Super-annuation	Retirement benefits	Options		Options %
Directors								
Peter Anthony Ingram – *Chairman*[1]								
2013	**50,000**	**-**	**-**	**4,500**	**-**	**32,247**	**86,747**	**37.2**
2012	46,997	-	-	4,230	-	48,480	99,707	48.6
Anthony Paul Rovira – *Managing Director*								
2013	**300,000**	**57,225**	**-**	**27,000**	**-**	**96,742**	**480,967**	**20.1**
2012	300,000	-	-	27,000	-	-	327,000	-
Wolf Gerhard Martinick –*Non Executive*								
2013	**45,000**	**-**	**-**	**4,050**	**-**	**32,247**	**81,297**	**39.7**
2012	45,000	-	-	4,050	-	-	49,050	-
John Walter Saleeba² – *Non executive*							-	-
2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2012	18,750	-	-	1,687	77,011	-	97,448	-
Executives								
Brett Dickson – *Company Secretary*								
2013	**153,120**	**26,796**	**-**	**-**	**-**	**64,495**	**244,411**	**26.4**
2012	153,120	-	-	-	-	-	153,120	-
Total								
2013	**548,120**	**84,021**	**-**	**35,550**	**-**	**225,731**	**893,422**	**25.3**
2012	563,867	-	-	36,967	77,011	48,480	726,325	6.7

1. Appointed 12 October 2011
2. Retired 30 November 2011

Compensation options

During the 2013 and 2012 the following options were issued.

2013/2012		Granted Number	Date	Fair Value Per option	Fair value $	Terms and conditions for each grant Exercise Price $	Expiry date	First exercise date	Last exercise date	Vested Number
Directors										
P A Ingram	**2013**	**3,000,000***	**25 Jun 13**	**0.031**	**94,440**	**0.058**	**30 Jun 17**	**26 Jun 13**	**30 June 17**	**1,000,000**
	2012	3,000,000	9 Dec 11	.016	48,480	0.049	30 Nov14	9 Dec 11	30 Nov 14	3,000,000
A P Rovira	**2013**	**9,000,000***	**25 Jun 13**	**0.031**	**283,320**	**0.058**	**30 Jun 17**	**26 Jun 13**	**30 Jun 17**	**3,000,000**
	2012	-	-	-	-	-	-	-	-	-
W Martinick	**2013**	**3,000,000***	**25 Jun 13**	**0.031**	**94,440**	**0.058**	**30 Jun 17**	**26 Jun 13**	**30 Jun 17**	**1,000,000**
	2012	-	-	-	-	-	-	-	-	-
J W Saleeba	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2012	-	-	-	-	-	-	-	-	-
Executives										
B Dickson	**2013**	**6,000,000***	**25 Jun 13**	**0.031**	**188,880**	**0.058**	**30 Jun 17**	**26 Jun 13**	**30 Jun 17**	**2,000,000**
	2012	-	-	-	-	-	-	-	-	-
Total	**2013**	**21,000,000**		**0.031**	**661,080**					**7,000,000**
	2012	3,000,000		.016	48,480					3,000,000

* One third of these options vested on grant, one third vest after 30 June 2014 and the final third vest after 30 June 2015.

Value of Options granted as part of remuneration was calculated in accordance with AASB 2: Share Based Payments.

Directors' Report

Compensation options (cont'd)

		Fair Value per options granted during the year	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year
		$	$	$	$
Directors					
P A Ingram	**2013**	**0.031**	**94,440**	**-**	**-**
	2012	0.016	48,480	-	-
A P Rovira	**2013**	**0.031**	**283,320**	**-**	**-**
	2012	-	-	-	-
J W Saleeba	**2013**	-	-	-	-
	2012	-	-	-	-
W G Martinick	**2013**	**0.031**	**94,440**	**-**	**-**
	2012	-	-	-	-
Executives					
B Dickson	**2013**	**0.031**	**188,880**	**-**	**-**
	2012	-	-	-	-

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were neither forfeitures nor shares issued on exercise of Compensation Options during 2013 or 2012.

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

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 non-executive director remuneration (2012: Nil). Performance based remuneration for executives is detailed later in section E of this report.

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 – to 1 January 2015.
- Base salary, exclusive of superannuation, of $300,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Brett Dickson, Company Secretary/Chief Financial Officer:

- Term of agreement – to 1 January 2015.
- Fixed fee, $12,760 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.

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. 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.

During the year 21,000,000 options exercisable at $0.058 on or before 30 June 2017 were issued to Directors and Executives. (2012: 3,000,000 exercisable at $0.049 on or before 30 November 2014).

No options were exercised during the financial year and no options have been exercised since the end of the financial year. During the year 11,000,000 (2012: 900,000) options exercisable at various prices 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

E Additional Information

Performance based remuneration

Variable Remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve those operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to executives depend on the extent to which specific targets set at the beginning of the review period, being a fiscal year, are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to exploration success, share price appreciation, risk management and cash flow sustainability. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Board has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, determines the amount, if any, of the STI to be paid to each executive. This process usually occurs in the last quarter of the fiscal year. Payments made are delivered as a cash bonus in the fourth quarter of the fiscal year.

STI bonus for 2012 and 2013 financial years

No STI bonus was paid for the 2012 fiscal year. For the fiscal year ended 30 June 2013 the following key performance indicators were agreed for senior management, with the relative weighting of each shown in brackets.

1. Continued satisfactory employment to the testing date. (0-15%)
2. Improved management/administration of budgets and personnel in Mexico and completion of agreed professional development courses. (0-15%)
3. Resources increase (using the same cut-off values used in any current Resource estimate) at Promontorio. (20-40%)
4. A significant increase in value at Tecolote, La Tortuga, Cascada and other projects and/or the securing of new projects of significance. (20-30%)

The minimum amount payable for 2013 assuming executives fail to meet their KPI's was nil and the maximum amount payable if all KPI's were met is $125,000. During 2013 senior management were awarded 70% of their possible bonus and 30% was forfeited; no component of the bonus was carried forward. There have been no alterations to the STI bonus plans since their grant date.

Variable Remuneration – Long Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of options.

The options, when issued to executives, will not be exercisable for a price less than the then current market price of the Company's shares. The grant of LTI's is reviewed annually, though LTI's may not be granted each year. Exercise price and performance hurdles, if any, are determined at the time of grant of the LTI.

To date no performance hurdles have been set on options issued to executives other than time based service conditions. The Company believes that as options are issued at not less than the current market price of the Company's shares there is an inherent performance hurdle on those options as the share price of the Company's shares must increase significantly before there is any reward to the executive.

Directors' Report

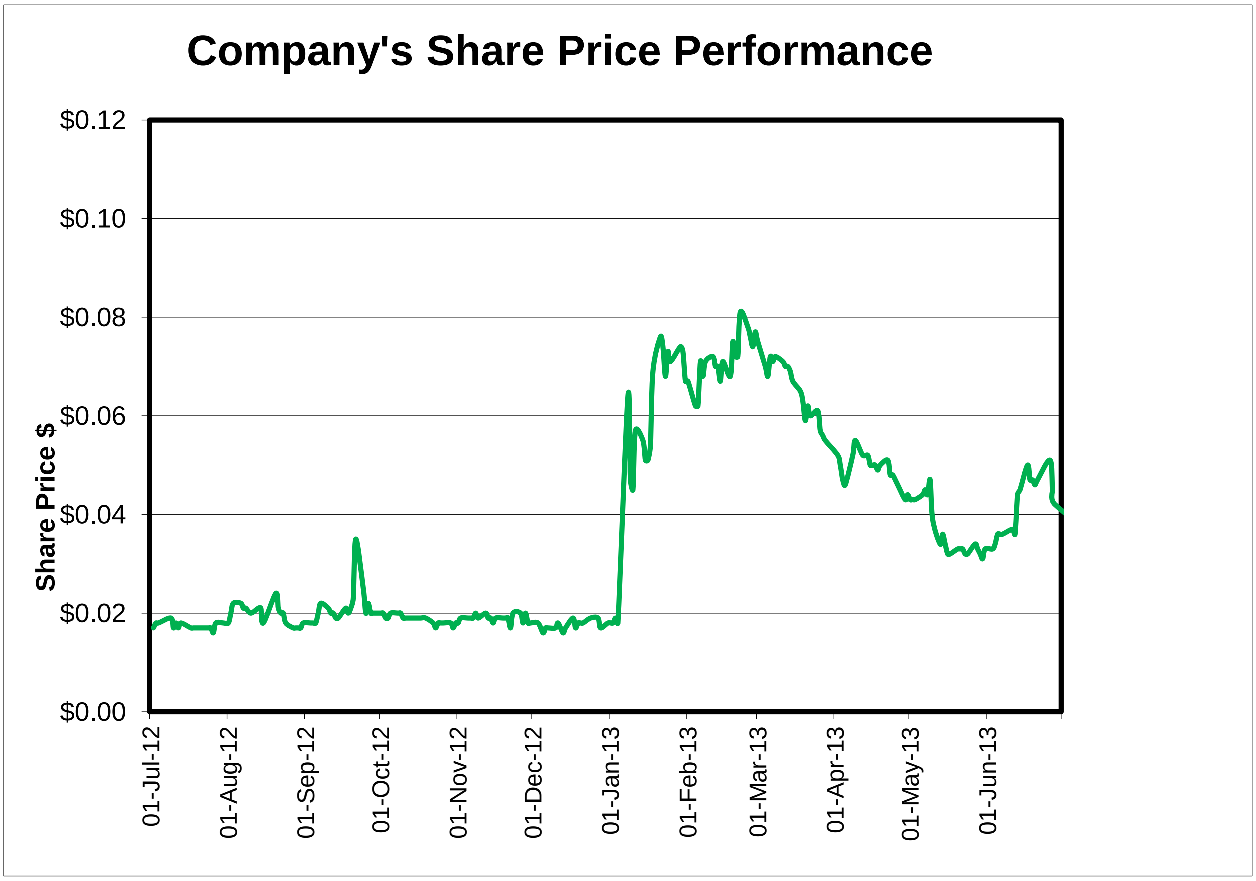
Company's Performance

Company's share price performance

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the year and of general market conditions.

The variable components of the executives' remuneration including short-term and long-term incentives are indirectly linked to the Company's share price performance.

The graph below shows the Company's share price performance during the financial year ended 30 June 2013.



Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2013.

	2013	2012	2011	2010	2009
Basic loss per share (cents)	(0.7)	(0.9)	(1.2)	(0.9)	(1.9)

Voting and comments made at the company's 2012 Annual General Meeting

Azure Minerals received approximately 85% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices

End of Audited Remuneration Report

Directors' Report

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been provided to directors or executives.

SHARES UNDER OPTION

At the date of this report there are 20,500,000 unissued ordinary shares in respect of which options are outstanding.

				Total Number of options
Balance at the beginning of the year				20,500,000
Share option movements during the year	*Issued*	*Exercised*	*Lapsed*	
Exercisable at 5.8 cents, on or before 30 June 2017	25,000,000			25,000,000
Exercisable at 2 cents, on or before 30 September 2014	39,000,000	(20,726,389)		18,273,611
Exercisable at 35 cents, on or before 31 January 2013			(500,000)	(500,000)
Exercisable at 8.8 cents, on or before 30 November 2012			(12,500,000)	(12,500,000)
Total options issued, exercised and lapsed in the year to 30 June 2013				30,273,611
Total number of options outstanding as at 30 June 2013 and at the date of this report				50,773,611

The balance is comprised of the following

Date granted	Expiry date	Exercise price (cents)	Number of options
14 Dec 2010	30 Nov 2013	13.0	4,500,000
9 Dec 2011*	30 Nov 2014	4.9	3,000,000
27 Sept 2012	30 Sept 2014	2.0	2,873,611
3 Dec 2012	30 Sept 2014	2.0	15,400,000
25 June 2013*	30 June 2017	5.8	25,000,000
Total number of options outstanding at the date of this report			**50,773,611**

* These options were granted as remuneration to directors and executives. Details of options granted to officers are disclosed at note 25.

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.

During the financial year 20,726,389 options exercisable at $0.02 were exercised by parties unrelated to the Company. 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 $16,095 (2012: $19,980) to insure the directors and secretary of the company and its Australian based controlled entities.

The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may 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.

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*

Directors' Report

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 Audit (WA) Pty Ltd) 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	
	2013	2012
1. Audit Services	$	$
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**54,358**	44,641
2. Non audit Services		
Audit-related services		
BDO Audit (WA) Pty Ltd		
Attendance at Annual General Meeting	**285**	550
Taxation Services		
BDO Audit (WA) Pty Ltd		
Tax compliance services	**10,832**	12,289
Total remuneration for non-audit services	**11,117**	12,839

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 57.

AUDITOR

BDO Audit (WA) Pty Ltd 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.

Peter Ingram
Chairman
Perth, 27 September 2013

Corporate Governance Statement

Approach to Corporate Governance

Azure Minerals Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 2nd edition (**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 the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at http://www.azureminerals.com.au/azs/corporate/corporate-governance/, under the section marked “Corporate”, "Corporate Governance":

Charters
Board
Audit Committee
Nomination Committee
Remuneration Committee

Policies and Procedures
Policy and Procedure for Selection and (Re) Appointment of Directors
Process for Performance Evaluations
Policy on Assessing the Independence of Directors
Diversity Policy
Code of Conduct (summary)
Policy on Continuous Disclosure (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication Policy
Risk Management Policy (summary)

The Company reports below on whether it has followed each of the ASX recommendations during the 2012/2013 financial year (**Reporting Period**). The information in this statement is current at 27 September 2013.

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company’s website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Skills, experience, expertise and period of office of each Director
(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board’s current composition. While the Company is at exploration stage, it does not wish to increase the size of the Board, and considers that the Board weighted towards technical experience is appropriate at this stage of the Company’s development.

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board has a majority of directors who are independent.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Consolidated statement of financial position 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, could affect the Company's rights to its assets, if accumulated 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 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 which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are the Company's Chairman, Peter Ingram and Wolf Martinick. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent director of the Company is the Company's Managing Director, Anthony Rovira.

Independent professional advice
(Recommendation: 2.6)

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 from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

Board committees

Nomination and Remuneration Committee
(Recommendations: 2.4, 2.6, 8.1, 8.2, 8.3, 8.4)

The Board has established a Nomination and Remuneration Committee comprised of the Company's two independent non-executive directors; Peter Ingram (Chair) and Wolf Martinick. The Nomination and Remuneration Committee is not structured in accordance with Recommendation 8.2 as it only has two members. However, the Board considers that the committee's composition is appropriate as it comprises the Board's two independent non-executive directors.

The Nomination and Remuneration Committee met twice during the Reporting Period. Details of director attendance at Nomination and Remuneration Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 13.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 14. The Company's policy on remuneration distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant options to non-executive directors. The grant of options is designed to attract and retain suitably qualified non-executive directors. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at general meeting.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company has adopted Nomination and Remuneration Committee Charters which describe the role, composition, functions and responsibilities of the Nomination and Remuneration Committees. As noted above, the Board has combined these committees. The Company's Nomination Committee Charter and Remuneration Committee Charters are disclosed on the Company's website. The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Audit and Risk Management Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit and Risk Management Committee comprised of the Company's two independent non-executive directors; Peter Ingram and Wolf Martinick (Chair). The Audit and Risk Management Committee is not structured in accordance with Recommendation 4.2 as it only has two members. However, the Board considers that the committee's composition is appropriate as it comprises the Board's two independent non-executive directors.

The Audit and Risk Management Committee met twice during the Reporting Period. Details of director attendance at Audit and Risk Management Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 13.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee. The Company also has a Risk Management Policy (discussed further below).

Details of each of the director's qualifications are set out in the Directors' Report. Each of the members of the Audit and Risk Committee consider themselves to be financially literate and have an understanding of the industry in which the Company's operates. The Company's Chief Financial Officer, Mr Brett Dickson, is a Certified Practising Accountant with a Bachelor degree in Economics and is invited to attend Audit and Risk Management Committee meetings by invitation.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

Performance evaluation

Senior executives
(Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executives as required. During the interview key performance indicators are set and agreed on, which will form the basis for the following years' review.

The Nomination Committee (or equivalent), at least annually, evaluates the performance of the Managing Director by formal interview. In reviewing the performance of the Managing Director, performance against pre-determined budgets and performance criteria set the previous year (if any) is assessed.

During the Reporting Period an evaluation of the Managing Director and other senior executives took place in accordance with the process disclosed above.

Board, its committees and individual directors
(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

The Chair evaluates the Board and, when deemed appropriate, Board committees and individual directors by utilising questionnaires which are completed by each director. The Chair, in consultation with the Company Secretary, then reviews the questionnaires and holds round table discussions with the Board to discuss the questionnaires. The Chair holds discussions with individual directors, if required.

During the Reporting Period an evaluation of the Board and individual directors took place in accordance with the process disclosed above.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

Diversity
(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

The Board has not set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, the number of employees in Australia and the nature of the labour market in Mexico, the Board considers that it is not practical to set measurable objectives for achieving gender diversity.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	2 out of 7 (28%)
Senior executive positions	0 out of 1 (0%)
Board	0 out of 3 (0%)

The Company's Diversity Policy is disclosed on the Company's website.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

Risk Management

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risks and to report to the Board whether those risks are being effectively managed.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least half yearly by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least half yearly to the Board and an annual review of the risk profile is to be undertaken to ensure relevancy. Specific areas of risk that were identified in the report included operational activities, asset management (including title to exploration and mining leases) and staff.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board 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 risks.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

Corporate Governance Statement

ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendation		Comply
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	☑
1.2	Companies should disclose the process for evaluating the performance of senior executives.	☑
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	☑
Principle 2:	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	☑
2.2	The chair should be an independent director.	☑
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	☑
2.4	The board should establish a nomination committee.	☑
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	☑
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	☑
Principle 3:	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	☑
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	☑
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	☒
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	☑
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	☑
Principle 4:	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	☑
4.2	The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.	☒
4.3	The audit committee should have a formal charter.	☑
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	☑
Principle 5:	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	☑
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	☑
Principle 6:	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	☑
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	☑
Principle 7:	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	☑
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	☑
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance	☑

Corporate Governance Statement

	with section 295A of the Corporations Act 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 risks..	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	☑
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	☑
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	☒
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	☑
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	☑

Consolidated Statements of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2013	Notes	Consolidated 2013 $	Consolidated 2012 $
Revenue from continuing activities	5	**46,692**	109,777
Expenditure			
Depreciation	6	**(40,354)**	(39,442)
Salaries and employee benefits expense		**(622,809)**	(570,562)
Directors fees		**(95,000)**	(110,747)
Exploration expenses	6	**(3,798,902)**	(4,094,247)
Exploration expenses reimbursed	6	**1,851,810**	2,104,045
Travel expenses		**(174,720)**	(216,121)
Promotion expenses		**(82,267)**	(58,943)
Administration expenses		**(110,690)**	(107,191)
Consulting expenses		**(84,780)**	(29,599)
Insurance expenses		**(42,414)**	(44,722)
Share based payment expense	28	**(447,153)**	(48,480)
Profit from equipment sales		**-**	8,771
Provision for doubtful debts		**-**	(426,978)
Other expenses		**(291,525)**	(187,891)
Loss from continuing operations before income tax		**(3,892,112)**	(3,712,330)
Income tax benefit/(expense)	7	**-**	-
Loss from continuing operations after income tax		**(3,892,112)**	(3,712,330)
Loss is attributable to:			
The owners of Azure Minerals Limited		**(3,892,112)**	(3,712,330)
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit and loss			
Exchange differences on translation of foreign operations		**375,390**	(58,268)
Change to available-for–sale financial assets, net of tax		**(9,844)**	(36,313)
Items that will not be subsequently reclassified to profit and loss		**-**	-
Other comprehensive income/(loss) for the year net of tax		**365,546**	(94,581)
Total comprehensive loss for the Year		**(3,256,566)**	(3,806,911)
Total comprehensive income is attributable to:			
The owners of Azure Minerals Limited		**(3,256,566)**	(3,806,911)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share (cents per share)	23	**(0.7)**	(0.9)
Diluted loss per share (cents per share)		**(0.7)**	(0.9)

The above Consolidated Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statements of Financial Position

AT 30 JUNE 2013	Notes	Consolidated 2013 $	Consolidated 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	19	**2,386,471**	643,525
Trade and other receivables	8	**570,514**	332,594
Total Current Assets		**2,956,985**	976,119
Non-Current Assets			
Available for sale investments	9	**3,123**	12,967
Plant and equipment	10	**113,842**	126,988
Capitalised exploration expenditure	11	**2,254,337**	1,580,221
Other financial assets	12	**45,378**	45,378
Total Non-Current Assets		**2,416,680**	1,765,554
TOTAL ASSETS		**5,373,665**	2,741,673
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**602,822**	213,259
Provisions	15	**83,688**	68,388
Total Current Liabilities		**686,510**	281,647
Non-Current Liabilities			
Provisions	15	**47,687**	42,687
Total Non-Current Liabilities		**47,687**	42,687
TOTAL LIABILITIES		**734,197**	324,334
NET ASSETS		**4,639,468**	2,417,339
EQUITY			
Contributed equity	16	**44,677,855**	39,592,568
Reserves	17(a)	**2,149,021**	1,120,067
Accumulated losses		**(42,187,408)**	(38,295,296)
TOTAL EQUITY		**4,639,468**	2,417,339

The above Consolidated Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

	Issued Share Capital	Share Option Reserve	Available for Sale Assets Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2012	**39,592,568**	**1,559,257**	**(27,977)**	**(411,213)**	**(38,295,296)**	**2,417,339**
Loss for period	-	-	-	-	(3,892,112)	(3,892,112)
Other comprehensive income/(loss)						
Exchange differences on translation of foreign operations	-	-	-	375,390	-	375,390
Change in fair value of available-for-sale financial assets	-	-	(9,844)	-	-	(9,844)
Total other comprehensive loss	-	-	(9,844)	375,390	-	365,546
Total comprehensive loss for the period	-	-	(9,844)	375,390	(3,892,112)	(3,256,566)
Transactions with owners in their capacity as owners:						
Issue of share capital, net of transaction costs	5,085,287	-	-	-	-	5,085,287
Share based payments	-	663,408	-	-	-	663,408
Total transactions with owners	5,085,287	663,408	-	-	-	5,748,695
Balance as at 30 June 2013	**44,677,855**	**2,222,665**	**(37,821)**	**(35,823)**	**(42,187,408)**	**4,639,468**

30 JUNE 2012

	Issued Share Capital	Share Option Reserve	Available for Sale Assets Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2011	**35,250,678**	**1,264,942**	**-**	**(226,534)**	**(30,121,161)**	**6,167,925**
Loss for period	-	-	-	-	(3,712,330)	(3,712,330)
Other comprehensive income/(loss)						
Exchange differences on translation of foreign operations	-	-	-	(58,268)	-	(58,268)
Change in fair value of available-for-sale financial assets	-	-	(36,313)	-	-	(36,313)
Total other comprehensive income/(loss)	-	-	(36,313)	(58,268)	-	(94,581)
Total comprehensive income/(loss) for the period	-	-	(36,313)	(58,268)	(3,712,330)	(3,806,911)
Transactions with owners in their capacity as owners:						
Issue of share capital, net of transaction costs	4,341,890	-	-	-	-	4,341,890
Share based payments	-	48,480	-	-	-	48,480
Total transaction with owners	-	48,480	-	-	-	48,480
Balance at 30 June 2012	**39,592,568**	**1,559,257**	**(27,977)**	**(411,213)**	**(38,295,296)**	**2,417,339**

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

Consolidated Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013	Notes	Consolidated	
		2013	2012
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,460,408)**	(1,748,636)
Interest received		**46,692**	170,932
Expenditure on mining interests		**(1,746,532)**	(2,126,744)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	19(b)	**(3,160,248)**	(3,704,448)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(15,425)**	(57,643)
Option payments for projects		**(423,013)**	(364,943)
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		**(438,438)**	(422,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**5,590,528**	-
Share issue costs		**(288,986)**	-
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES		**5,301,542**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,702,856**	(4,127,034)
Cash and cash equivalents at the beginning of the financial year		**643,525**	4,689,383
Effect of exchange rate changes on cash and cash equivalents		**40,090**	81,176
CASH AND CASH EQUIVALENTS AT END OF YEAR	19(a)	**2,386,471**	643,525

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

Notes to the Consolidated 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, and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Azure Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with AIFRSs

The consolidated financial statements of Azure Minerals Limited and the separate financial statements of Azure Minerals Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

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.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2013 of $3,892,112 (2012: $3,712,330) and experienced net cash outflows from operating activities of $3,160,248 (2012: $3,704,448). At 30 June 2013, the Consolidated Entity had net current assets of $2,270,475 (30 June 2012: net current assets of $694,472).

The Directors believe there are sufficient funds to meet the Consolidated Entity's working capital requirements and as at the date of this report the directors believe they can meet all liabilities as and when they fall due. However the Directors recognise that additional funding either through the issue of further shares, convertible notes or a combination of both may be required or successful exploration and subsequent exploitation of the Consolidated Entity's tenements for the Consolidated Entity to continue to actively explore its mineral properties in the long term.

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate. Since the end of the end of the reporting date the Group has conducted a share purchase plan, refer Note 22 for further information.

However, if the Consolidated Entity is unable to achieve the above, there is significant uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

(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 the reporting 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 acquisition 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.

Notes continued

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

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost 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.

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

Depreciation

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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) 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.

(d) 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 on a straight line basis over the period of the lease.

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

(e) 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 statement of financial position date.

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

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

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

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

Notes continued

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

(f) 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 statement of financial position 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.

(g) 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 profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(h) Trade and other payables

Liabilities for trade creditors are recognised initially at fair value and subsequently at amortised cost.

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.

(i) Employee benefits

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

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

Share-based payments

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a 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 reporting 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.

Notes continued

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

(i) Employee benefits (Cont'd)

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.

(j) Revenue recognition

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

(k) 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.

(l) 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.

(m) 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 statement of financial position.

(n) Comparative figures

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

(o) 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 statement of financial position.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chairman.

(q) Investments and Financial assets

Classification
The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised at fair value on initial recognition. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position sheet (note 8).

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are nonderivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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 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.

Notes continued

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

(q) Investments and Financial assets (Cont'd)

Subsequent measurement
Loans and receivables are carried at amortised cost using effective interest method.

Impairment
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the profit or loss. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(r) 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 reporting 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 reporting 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 reporting 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.

(s) 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 reporting 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.

(t) New Accounting Standards for Application in future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 27] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial instruments, as well as recognition and de-recognition requirements if financial instruments. The Group has not yet determined the potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with-held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

Notes continued

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

(t) New Accounting Standards for Application in future Periods (Cont'd)

— Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in Other Comprehensive Income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged; the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

— AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of the Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of "structured entity", replacing the "special purpose entity" concept currently used in interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASB's 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These standards are not expected to significantly impact the Group.

— AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair values, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:
- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy;
- Enhanced disclosure regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value

These standards are not expected to significantly impact the Group.

— AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013)

These standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) For an offer that may be withdrawn – when the employee accepts;
(ii) For an offer that cannot be withdrawn – when the offer is communicated to the affected employees; and
(iii) Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restricting costs are recognised.

The Group has been able to reasonably estimate the impact of these changes to AASB 119.

Notes continued

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.

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 cash and cash equivalents. For the Company it arises from receivables due from subsidiaries.

Cash and Cash Equivalents

The Group manages its credit risk on cash and cash equivalents by only dealing with banks licensed to operate in Australia.

Trade and other receivables

As the Group operates in the mining exploration sector, it generally 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 reporting 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:

		Consolidated	
		Carrying amount	
	Note	**2013**	2012
Trade and other receivables	8	**557,093**	317,435
Cash and cash equivalents	19	**2,386,471**	643,525
Security deposits	12	**45,378**	45,378

Impairment losses

None of the Company's other receivables are past due (2012: nil). However, Minera Piedra Azul C.A. de C.V.("MPA") a 100% owned, Mexican incorporated subsidiary of the Company is in dispute with Mexican tax authorities over claims made in its 2008 income tax return. As a result of the dispute, Mexican tax authorities have imposed a fine of $426,978 on MPA, which it has paid under protest. MPA appealed the decision and won, however, the Mexican tax authority is in the process of appealing the decision and until all appeal avenues are exhausted the Group will carry the amount paid as a receivable. Given that the tax authority appeal may be ultimately successful a provision against the full amount has been made

Other than as described above, the Group operates in the mining exploration sector and generally does not have trade receivables and is therefore not materially exposed to credit risk in relation to trade receivables. Other receivables are principally value added taxes withheld by third parties and due to the Group from sovereign governments, as such the Group does not consider it is exposed to any significant credit risk.

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 2013 the Group does not have any collective impairments on its other receivables other than as described above (2012: nil).

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. There are no guarantees outstanding (2012: Nil)

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

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 at amortised cost:

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 2013							
Trade and other payables	602,822	-	602,822	-	-	-	-
30 June 2012							
Trade and other payables	213,259	-	213,259	-	-	-	-

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 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 the 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 reporting date was as follows, based on notional amounts:

	30 June 2013	30 June 2012
	USD	USD
Trade receivables	**438,909**	442,203
Trade payables	**170,717**	46,583
Gross statement of financial position	**609,626**	488,786
Forward exchange contracts	-	-
Net exposure	**609,626**	488,786

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2013**	**2012**	**2013**	**2012**
USD	**0.9746**	0.9695	**1.0942**	0.9842

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

Sensitivity analysis

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and decrease 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 2012.

	Consolidated Profit or loss
30 June 2013	
USD	60,963
30 June 2012	
USD	48,879

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.

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

	Consolidated Carrying amount	
	2013	2012
Variable rate instruments		
Short term cash deposits	**2,286,006**	675,571

Cash flow sensitivity analysis for variable rate instruments

The Group has reviewed the likely movements in interest rates and considers that a movement of +/- 100 basis points is reasonable.

Group Sensitivity

At 30 June 2013 if interest rates had changed +/- 100 basis points from year end rates with all other variables held constant, equity and post tax profit would have been $24,318 higher /lower (2012 – change of 100 basis points: $6,889 higher/lower).

Fair values

Fair values versus carrying amounts

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

Consolidated	30 June 2013		30 June 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	570,514	570,514	332,594	332,594
Cash and cash equivalents	2,386,471	2,386,471	643,525	643,525
Other financial assets	45,378	45,378	45,378	45,378
Trade and other payables	(602,822)	(602,822)	(213,259)	(213,259)

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

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Available-for-sale financial assets: Quoted prices in active markets been used to determine the fair value of listed available-for-sale investments (Level 1). The fair value of these financial assets has been based on the closing quoted bid prices at reporting date, excluding transaction costs.

Notes continued

2 . FINANCIAL RISK MANAGEMENT (Cont'd)

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 SIGNIFICANT 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:

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. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Currently no deferred tax assets have been recognised as it is not probable that future taxable profits will be available to utilise those temporary differences.

4. SEGMENT INFORMATION

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on this criteria, management has determined that the company has one operating segment being mineral exploration in Mexico. As the company is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date

	30 June 2013 $	30 June 2012 $
Revenue from external sources	-	-
Reportable segment loss	(1,993,754)	(2,422,442)
Reportable segment assets	2,864,690	1,834,693
Reportable segment liabilities	(433,486)	(93,166)

Notes continued

4. SEGMENT INFORMATION (cont'd)

	30 June 2013 $	30 June 2012 $
Reconciliation of reportable segment loss		
Reportable segment loss	**(1,933,754)**	(2,422,442)
Other profit		109,777
Unallocated:		
- Salaries and wages	**(717,809)**	(682,377)
- Travel and accommodation	**(174,720)**	(216,121)
- Office costs	**(110,854)**	(107,191)
- Other corporate expenses	**(435,874)**	(314,825)
- Share based payments	**(447,153)**	(48,480)
- Profit on asset sales	**-**	8,771
- Depreciation	**(11,948)**	(39,442)
Loss before tax	**(3,892,112)**	(3,712,330)
Reconciliation of reportable segment assets		
Reportable segment assets	**2,864,690**	1,834,693
Unallocated:		
- Cash	**2,386,470**	643,525
- Trade and other receivables	**52,830**	172,319
- Investments	**3,123**	12,967
- Security deposits	**45,378**	45,378
- Office plant and equipment	**21,174**	32,791
Total assets	**5,373,665**	2,741,673
Reconciliation of reportable segment liabilities		
Reportable segment liabilities	**(433,486)**	(93,166)
Unallocated:		
- Trade and other payables	**(169,336)**	(120,094)
- Provisions	**(131,375)**	(111,074)
Total liabilities	**(734,197)**	(324,334)

5. REVENUE FROM CONTINUING OPERATIONS

Other revenues		
Interest		
Bank interest	**46,692**	109,777
Total revenues from continuing operations	**46,692**	109,777

6. EXPENSES

Loss before income tax includes the following specific expenses		
Depreciation of plant and equipment	**40,354**	39,442
Exploration expenditure	**3,798,902**	4,094,247
Exploration expenditure reimbursement	**(1,851,810)**	(2,104,045)
Operating lease expenses	**62,173**	129,658
Superannuation	**35,550**	36,967
Provision for doubtful debt	-	426,978

Notes continued

	2013 $	2012 $
7. INCOME TAX		
(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	**(3,892,112)**	(3,712,330)
Tax at the Australian tax rate of 30% (2011: 30%)	**(1,167,634)**	(1,113,699)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**134,146**	14,544
Provision for doubtful debt	**-**	128,093
Sundry items	**55,975**	56,341
	(977,513)	(914,721)
Movement in unrecognised temporary differences	**(105,592)**	(131,331)
Difference in overseas tax rates	**(21,220)**	(21,267)
Prior year adjustments to deferred tax balances	**613,921**	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**490,404**	1,067,319
Income tax expense	-	-

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)		
On Income Tax Account		
Capital raising costs	**-**	-
Prepayments	**(3,262)**	3,935
Depreciation of plant and equipment	**(15,577)**	16,099
Provisions	**48,413**	37,823
Carry forward tax losses	**5,501,962**	5,011,558
Carry forward tax losses – foreign	**4,827,031**	3,787,244
Other – tenement	**654,601**	719,934
	11,013168	9,576,593
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.

8. TRADE AND OTHER RECEIVABLES

Current

Prepayments	**13,421**	15,159
Sundry Receivables (a)	**984,071**	744,413
Provision for doubtful debt (b)	**(426,978)**	(426,978)
	570,514	332,594

(a) Except as described in (b) below, 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.

There are no impaired sundry receivables and no past due but not impaired receivables.

Notes continued

8. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Minera Piedra Azul C.A. de C.V.("MPA") a 100% owned, Mexican incorporated subsidiary of the Company is in dispute with Mexican tax authorities over claims made in its 2008 income tax return. As a result of the dispute, Mexican tax authorities have imposed a fine of $426,978 on MPA, which it has paid under protest. MPA appealed the decision and won, however, the Mexican tax authority is in the process of appealing the decision and until all appeal avenues have been exhausted the Group will carry the amount paid as a receivable. Given that the tax authority appeal may be ultimately successful a provision against the full amount has been made.

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

9. AVAILABLE FOR SALE INVESTMENTS

	2013 $	2012 $
Listed shares at fair value (a)		
Stoneshield Capital Corp.	**3,123**	12,967

(a) Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. Stoneshield Capital Corp. is listed on the Toronto Venture Exchange. Fair value has been determined directly by reference to published quotations on active markets. Also refer to Note 2 – Financial Risk Management.

	2013	2012
At Cost	**40,944**	40,944
Impairment	**-**	-
Fair value adjustment to reserve	**(37,821)**	(27,977)
Fair value at 30 June	**3,123**	12,967

10. PLANT AND EQUIPMENT

Consolidated	**Furniture, fittings and equipment $**	**Motor Vehicles $**	**Exploration Equipment $**	**Total**
At 1 July 2011				
Cost	366,908	59,798	38,465	465,171
Accumulated Depreciation	(279,985)	(48,080)	(18,508)	(346,573)
Net Book Amount	86,923	11,718	19,957	118,598
Year ended 30 June 2012				
Opening net book value	86,923	11,718	19,957	118,598
Additions	13,168	37,507	6,968	57,643
Disposals	-	(21,650)	-	(21,650)
Depreciation on disposals	-	19,677	-	19,677
Depreciation Charge	(24,557)	(11,967)	(2,918)	(39,442)
Foreign exchange translation adjustment	(3,920)	(819)	(3,099)	(7,838)
Closing net book amount	71,614	34,466	20,908	126,988
At 30 June 2012				
Cost	373,935	70,744	41,581	486,260
Accumulated Depreciation	(302,321)	(36,278)	(20,673)	(359,272)
Net Book Amount	71,614	34,466	20,908	126,988
Year ended 30 June 2013				
Opening net book value	71,614	34,466	20,908	126,988
Additions	3,082	-	12,343	15,425
Disposals	(4,090)	-	(2,845)	(6,935)
Depreciation on disposals	1,155	-	617	1,772
Depreciation Charge	(23,638)	(13,218)	(3,497)	(40,353)
Foreign exchange translation adjustment	7,778	4,020	5,147	16,945
Closing net book amount	55,901	25,268	32,673	113,842
At 30 June 2013				
Cost	387,103	81,986	57,976	527,065
Accumulated Depreciation	(331,202)	(56,718)	(25,303)	(413,223)
Net Book Amount	55,901	25,268	32,673	113,842

Notes continued

	2013 $	2012 $

11. CAPITALISED EXPLORATION EXPENDITURE (NON-CURRENT)

	2013 $	2012 $
At Cost	**2,254,337**	1,580,221

Reconciliations

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

	2013 $	2012 $
Opening net book amount	**1,580,221**	1,331,811
Additions	**423,013**	364,943
Disposals	**-**	-
Foreign exchange translation adjustment	**251,103**	(116,533)
Closing net book amount	**2,254,337**	1,580,221

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

12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2013 $	2012 $
Security Deposit	**45,378**	45,378

These financial assets are carried at cost.

13. 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* 2013 %	Equity Holding* 2012 %
Azure Mexico Pty Ltd	Australia	Ordinary	**100**	100
Minera Piedra Azul, S.A. de C.V	Mexico	Ordinary	**100**	100
Minera Capitana S.A. de C.V	Mexico	Ordinary	**100**	100
Azu-Perth S.A. de C.V.	Mexico	Ordinary	**100**	100

*Percentage of voting power is in proportion to ownership

14. TRADE AND OTHER PAYABLES (CURRENT)

	2013 $	2012 $
Trade payables	**602,822**	213,259

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

15. PROVISIONS

CURRENT

	2013 $	2012 $
Employee benefits	**83,688**	68,388

NON-CURRENT

	2013 $	2012 $
Employee benefits	**47,687**	42,687

The provisions for employee benefits include accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. Based on past experience employee entitlements that represent annual leave are presented as current and employee entitlements that are in relation to long serve leave are present as non-current.

Notes continued

16. CONTRIBUTED EQUITY

(a) Share capital

	Consolidated			
	2013		2012	
	Number of shares	**$**	Number of shares	$
Ordinary shares fully paid			394,000,000	39,592,568
Total consolidated contributed equity	**630,476,486**	**44,677,855**	394,000,000	39,592,568

(b) Movements in ordinary share capital

	2013		2012	
	Number of shares	**$**	Number of shares	$
1 July opening balance	**394,000,000**	**39,592,568**	394,000,000	39,592,568
Issue at $0.018 per share	**157,000,097**	**2,826,000**	-	-
Issue at $0.02 per share	**20,726,389**	**414,528**	-	-
Issue at $0.04 per share	**58,750,000**	**2,350,000**	-	-
Share issue expenses	**-**	**(505,241)**	-	-
30 June closing balance	**630,476,486**	**44,677,855**	394,000,000	39,592,568

Funds raised from the share issue during the 2012 year were used to progress the company's exploration activities and for general working capital.

(c) Movements in unlisted options on issue

	Number of options	
	2013	2012
1 July Opening Balance	**20,500,000**	18,400,000
Issued during the year		
-Exercisable at 2.0 cents, on or before 30 June 2014	**39,000,000**	-
-Exercisable at 5.8 cents, on or before 30 June 2017	**25,000,000**	-
-Exercisable at 4.9 cents, on or before 30 Nov 2014	**-**	3,000,000
Forfeited during the year		
- Exercisable at 35 cents, on or before 30 Nov 2013	**(500,000)**	-
- Exercisable at 8.8 cents, on or before 30 Nov 2012	**(12,500,000)**	-
- Exercisable at 25 cents on or before 31 Jun 2012	**-**	(400,000)
- Exercisable at 25 cents, on or before 30 Nov 2012	**-**	(500,000)
Exercised during the year at 2.0 cents	**(20,726,389)**	-
30 June closing balance	**50,773,611**	20,500,000

Further information on options issued is set out in note 28.

(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.

For further information on Capital Management refer to Note 2.

Notes continued

	2013 $	2012 $
17. RESERVES AND ACCUMULATED LOSSES		
Accumulated losses		
Balance at beginning of year	**38,295,296**	34,582,966
Loss for the year	**3,892,112**	3,712,330
Balance at end of year	**42,187,408**	38,295,296
Share-based payments reserve		
Balance at beginning of year	**1,559,257**	1,510,777
Movement during the year	**663,408**	48,480
Balance at end of year	**2,222,665**	1,559,257
Available-for-sale assets reserve		
Balance at beginning of year	**(27,977)**	8,336
Revaluation	**(9,844)**	(36,313)
Balance at end of year	**(37,821)**	(27,977)
Foreign currency translation reserve		
Balance at beginning of year	**(411,213)**	(352,945)
Movement during the year	**375,390**	(58,268)
Balance at end of year	**(35,823)**	(411,213)

(a) Nature and purpose of reserves

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Available-for-sale assets reserve
This reserve records fair value changes on available-for-sale investments. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

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.

18. 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.

19. STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents (refer note 2)

Cash and cash equivalents comprises:		
– cash at bank and in hand	**145,843**	26,038
– short-term deposits	**2,240,628**	617,487
Closing cash and cash equivalents balance	**2,386,471**	643,525

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.

Notes continued

19. STATEMENT OF CASH FLOWS (cont'd)

	2013 $	2012 $
(b) Reconciliation of the net loss after income tax to the net cash flows from operating activities		
Net loss	**(3,892,112)**	(3,712,330)
Depreciation of non-current assets	**40,354**	39,442
Share based payment expense	**447,153**	48,480
Loss (Profit) on equipment sales	**-**	(8,771)
Foreign exchange differences	**-**	1,934
Provision for doubtful debt	**-**	426,978
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**36,571**	(94,829)
(Increase)/decrease in prepayments	**2,081**	1,006
Increase/(decrease) in trade and other payables	**185,405**	(340,787)
Increase/(decrease) in provisions	**20,300**	(65,571)
Net cash outflow from operating activities	**(3,160,248)**	(3,704,448)

(c) Non-cash financing and investing activities

There have been no non-cash financing and investing activities during the 2013 year (2012: Nil).

20. 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 which are expected to be met in the normal course of business are as follows:

Not later than one year	**177,849**	120,902

(b) Option payments

The company has entered into option agreements to acquire a 100% interest in the Promontorio project located in the northern Mexican state of Chihuahua within the richly mineralised Sierra Madre Occidental mining province. In order to retain the right to acquire the Promontorio project option payments must be made as follows:

Not later than one year	**3,019,992**	314,944
Later than one year and not later than five years	**-**	2,716,392
	3,019,992	3,031,336

(c) Lease expenditure commitments

Operating leases (non-cancellable):		
Minimum lease payments		
not later than one year	**148,371**	**64,364**
later than one year and not later than five years	**222,557**	**-**
Aggregate lease expenditure contracted for at reporting date	**370,928**	**64,364**

The property lease is a non-cancellable lease with a three-year term ending 31 December 2015, rent is payable monthly in advance. The lease allows for subletting of all leased areas and excess off space has been sub-let the related third parties as disclosed in Note 26(d).

(d) Remuneration Commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in note 25 that are not recognised as liabilities and are not included in the key management personnel compensation.

not later than one year	**480,120**	-
later than one year and not later than five years	**-**	-
	480,120	-

21. CONTINGENCIES

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

Notes continued

22. EVENTS OCCURING AFTER BALANCE SHEET DATE

No 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

23. LOSS PER SHARE

	2013 $	2012 $
(a) Reconciliation of earnings to profit or loss		
Net loss	**(3,892,112)**	(3,712,330)
Loss used in calculating basic loss per share	**3,892,112)**	(3,712,330)

	CONSOLIDATED Number of shares 2013	Number of shares 2012
(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	**532,841,075**	394,000,000

(c) Effect of dilutive securities

Options on issue at reporting 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 2013 $	2012 $
24. AUDITORS' REMUNERATION		
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd or associated entities for:		
Tax compliance services	**10,832**	12,289
Other	**285**	550
An audit or review of the financial report of the entity	**54,358**	44,641
	65,475	57,480
Remuneration of other auditors of subsidiaries		
Audit or review of financial report of subsidiaries	**8,585**	8,531

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of key management personnel by compensation

	Consolidated 2013 $	2012 $
Short-term	**632,141**	563,867
Post employment	**35,550**	113,978
Share-based payment	**225,731**	48,480
	893,422	726,325

For further information refer to the Remuneration Report included as part of the Director's Report.

(b) Shares issued on exercise of compensation options

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

Notes continued

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(c) Option holdings of key management personnel

2013	Balance at beginning of year 1 July 2012	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at end of year 30 June 2013	Vested at 30 June 2011 Vested & Exercisable	Unvested
Directors							
Wolf Gerhard Martinick	2,500,000	3,000,000	-	(2,000,000)	3,500,000	1,500,000	2,000,000
Peter Anthony Ingram	3,000,000	3,000,000	-	-	6,000,000	4,000,000	2,000,000
Anthony Paul Rovira	7,500,000	9,000,000	-	(5,500,000)	11,000,000	5,000,000	6,000,000
Executives							
Brett Dickson	5,000,000	6,000,000	-	(3,500,000)	7,500,000	3,500,000	4,000,000
Total	**18,000,000**	**21,000,000**	**-**	**(11,000,000)**	**28,000,000**	**14,000,000**	**14,000,000**

2012	Balance at beginning of year 1 July 2010	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at end of year 30 June 2011	Vested at 30 June 2011 Vested & Exercisable	Unvested
Directors							
Wolf Gerhard Martinick	2,900,000	-	-	(400,000)	2,500,000	2,500,000	-
Peter Ingram	-	3,000,000		-	3,000,000	3,000,000	
Anthony Paul Rovira	8,000,000	-	-	(500,000)	7,500,000	7,500,000	-
John Walter Saleeba	2,500,000	-	-	-	2,500,000	2,500,000	-
Executives							
Brett Dickson	5,000,000	-	-	-	5,000,000	5,000,000	-
Total	**18,400,000**	**3,000,000**	**-**	**(900,000)**	**20,500,000**	**20,500,000**	**-**

(d) Shareholdings of key management personnel

	Balance 1 July Ord	Granted Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30 June Ord	Balance Indirectly Held Ord
2013						
Directors						
Wolf G Martinick	1,540,000	-	-	833,333	2,373,333	833,333
Anthony P Rovira	3,300,000	-	-	1,833,333	5,133,333	1,880,000
Peter A Ingram	-	-	-	1,000,000	1,000,000	-
Executives						
Brett Dickson	112,000	-	-	(112,000)	-	-
Total	**4,952,000**	**-**	**-**	**3,554,666**	**8,506,666**	**2,713,333**

Notes continued

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(d) Shareholdings of key management personnel (cont'd)

	Balance 1 July Ord	Granted Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30 June Ord	Balance Indirectly Held Ord
2012						
Directors						
Wolf G Martinick	1,540,000	-	-	-	1,540,000	-
Anthony Paul Rovira	3,200,000	-	-	100,000	3,300,000	1,880,000
Peter Ingram	-	-	-	-	-	-
John Walter Saleeba	2,669,600	-	-	-	2,669,600	2,669,600
Executives						
Brett Dickson	112,000	-	-	-	112,000	40,000
Total	**7,521,600**	**-**	**-**	**100,000**	**7,621,600**	**4,589,600**

26. RELATED PARTY DISCLOSURES

(a) Parent entity

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

(b) 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* 2013 %	Equity Holding* 2012 %
Azure Mexico Pty Ltd	Australia	Ordinary	**100**	100
Minera Piedra Azul, S.A. de C.V	Mexico	Ordinary	**100**	100
Minera Piedra Capitana, S.A. de C.V	Mexico	Ordinary	**100**	100
Servicios AzuPerth, S.A. de C.V	Mexico	Ordinary	**100**	100

*Percentage of voting power is in proportion to ownership

During the 2012 year Minera Capitana S.A. de C.V. disposed of all its assets and accordingly the Parent Entity made an allowance of $3,823,578 against loans advanced to its Mexican subsidiary Minera Capitana , S.A. de C.V.

No other provision for doubtful debts have been raised in relation other outstanding balances, and no other 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 25.

(d) Other Related Transactions
The Company has entered into a sub-lease agreement on normal commercial terms with Oro Verde Limited, a company of which Wolf Martinick is a director and Brett Dickson is Company Secretary. During the year Ezenet Limited paid sub-lease fees totalling $4,800 (2012: $4,800).

The Company has also entered into a sub-lease agreement on normal commercial terms with Rox Resources Limited, a company of which Brett Dickson is Company Secretary. During the year Rox Resources Limited paid sub-lease fees totalling $98,406 (2012: $98,406).

27. INTERESTS IN JOINT VENTURES

The company has interests in the following joint ventures:

	Joint Venture	Activities	Interest	Carrying Value $
(a)	JOGMEC	Copper	100%	NIL

Under the joint venture agreement JOGMEC may earn a 51% interest in the La Tortuga and Los Nidos projects by spending US$3 million by 30 September 2013. During June 2013 JOGMEC completed its US$3million expenditure obligation and accordingly earnt a 51% interest in the joint venture. At 30 June 2013 the joint venture had no assets or liabilities.

Notes continued

27. INTERESTS IN JOINT VENTURES (cont'd)

(b)	JOGMEC	Copper	100%	NIL

During the 2012 year the Group entered into a joint venture with JOGMEC covering the El Tecolote project. Pursuant to the agreement JOGMEC may earn a 51% interest in the project by spending US$5 million. JOGMEC may earn a further 19% interest by spending a further US$8 million. During the year JOGMEC withdrew from the joint venture having spent approximately US$3,084,900.

28. 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.

2013

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
6 Dec '06	31 Jan '13	35.0	3.45	500,000	-	-	500,000	-	-
				500,000	**-**	**-**	**(500,000)**	**-**	**-**
Weighted average exercise price				$0.35			$0.35	-	-

2012

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
6 Dec '06	31 Jan '12	25.0	3.64	500,000	-	-	(500,000)	-	-
6 Dec '06	31 Jan '13	35.0	3.45	500,000	-	-	-	500,000	500,000
				1,000,000	**-**	**-**	**(500,000)**	**500,000**	**500,000**
Weighted average exercise price				$0.30			$0.25	$0.35	$0.35

No options were exercised during the periods covered by the above table. During the year all remaining options (500,000) lapsed (2012: 500,000).

The weighted average remaining contractual life of share options outstanding at the end of the period was Nil (2012: 0.59 years).

Fair value of options granted

Options are granted for no consideration. No options were granted pursuant to the Plan during the 2013 or 2012 financial years.

Notes continued

28. SHARE-BASED PAYMENTS (cont'd)

(b) Directors and executive options

Set out below are summaries of current Directors & Executives options granted.

2013

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
25 Jun '13	30 Jun '17	5.8	3.2	-	25,000,000	-	-	25,000,000	8,333,334
9 Dec '11	30 Nov '14	4.9	1.6	3,000,000	-	-	-	3,000,000	3,000,000
9 Dec '09	30 Nov '12	8.8	2.9	12,500,000	-	-	(12,500,000)	-	-
14 Dec '10	30 Nov '13	13.0	5.5	4,500,000	-	-	-	4,500,000	4,500,000
				20,000,000	**25,000,000**	**-**	**(12,500,000)**	**32,500,000**	**15,833,334**
Weighted average exercise price				$0.092	$0.058	-	$0.088	$0.061	$0.079
2012									
9 Dec '11	30 Nov'14	4.9	1.6	-	3,000,000	-	-	3,000,000	3,000,000
24 Dec '07	31 Jan '12	25.0	11.7	400,000	-	-	(400,000)	-	-
9 Dec '09	30 Nov'12	8.8	2.9	12,500,000	-	-	-	12,500,000	12,500,000
14 Dec '10	30 Nov'13	13.0	5.5	4,500,000	-	-	-	4,500,000	4,500,000
				17,400,000	**3,000,000**	**-**	**(400,000)**	**20,000,000**	**20,000,000**
Weighted average exercise price				$0.103	$0.049	-	$0.25	$0.092	$0.092

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.27 years (2012: 0.9 years).

Fair value of director options granted.

Options are granted for no consideration. During the 2013 financial year the weighted average fair value of the options granted was 3.2 cents (2012: 1.6 cents). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2013	2012
Weighted average exercise price	**5.8 cents**	4.9 cents
Weighted average life of the option	**4.0 years**	3.0 years
Weighted average underlying share price	**4.7 cents**	2.8 cents
Expected share price volatility	**100%**	110%
Risk free interest rate	**3.07%**	3.68%

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 year were as follows:

	Consolidated	
	2013	2012
	$	$
Options issued to directors and executives	**268,728**	48,480

(c) Options issued to other parties

During the year options were issued to unrelated parties relating to the fundraising activities and corporate advice received. The following table illustrated the number, exercise prices and movements in share options held by unrelated parties during the year. No options were issued or held by unrelated parties during the 2012 year.

Notes continued

(c) Options issued to other parties (cont'd)

2013

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
27 Sept '12[1]	30 Sept '14	2.0	1.1	-	19,500,000	(16,626,389)	-	2,873,611	2,873,611
3 Dec '12[2]	30 Sept '14	2.0	0.9	-	19,500,000	(4,100,000)	-	15,400,000	15,400,000
				-	**39,000,000**	**(20,726,389)**	**-**	**18,273,611**	**18,273,611**
Weighted average exercise price				$0.02	$0.02		$0.02	$0.02	$0.02

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.2 years (2012: Nil).

Fair value of options granted.

During the 2013 financial year the weighted average fair value of the options granted was 1.0 cents (2012: Nil). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2013
Weighted average exercise price	**2.0 cents**
Weighted average life of the option	**1.9 years**
Weighted average underlying share price	**1.9 cents**
Expected share price volatility	**105%**
Risk free interest rate	**2.56%**

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 year were as follows:

	Consolidated	
	2013 $	2012 $
Options issued to other unrelated parties[2]	**178,425**	-

1. An amount of $216,255 relating to these options has been capitalised as costs associated with a capital raising (note 16(b)).
2. These options were issued as payment for consulting services and $178,425 has been expensed to consulting fees in the profit and loss.

29. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $	2012 $
Statement of Financial Position		
Current assets	**16,674,089**	11,152,664
Total assets	**16,744,117**	11,244,484
Current liabilities	**253,024**	188,482
Total liabilities	**300,711**	231,169
Shareholder's equity		
Issued capital	**44,677,855**	39,592,568
Reserves		
Share-based payments	**2,184,844**	1,531,280
Accumulated loses	**(30,419,293)**	(30,110,532)
	16,443,406	11,013,315

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

(c) Contracted commitments for the acquisition of property, plants or equipment

The parent entity did not have any commitments for the acquisition of property, plants or equipment.

Directors' Declaration

The directors of the company declare that:

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

  (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.

(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 directors have been given the declaration by the chief executive officer and chief financial officer as required by section 295A of the *Corporations Act 2001*.

(4) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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:

P. Ingram

Peter Ingram
Chairman

Perth, 27 September 2013

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INDEPENDENT AUDITOR'S REPORT

To the members of Azure Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Azure Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 disclosing entity's preparation of the financial report that gives a true and fair view 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 disclosing 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 opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Azure Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Azure Minerals Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 27 September 2013

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DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AZURE MINERALS LIMITED

As lead auditor of Azure Minerals Limited for the year ended 30 June 2013, 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 Azure Minerals Limited and the entities it controlled during the period.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2013

ASX Additional Information

The number of shareholders, by size of holding, in each class of share as at 12 September 2013 are:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	165	14,234
1,001	-	5,000	190	688,473
5,001	-	10,000	613	5,452,052
10,001	-	100,000	1,812	82,689,476
100,001		and over	933	541,632,251
			3,713	630,476,486
The number of shareholders holding less than a marketable parcel of shares are:			1,262	10,044,096

(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	National Nominees Limited	34,349,333	5.45
2	Yandal Investments Pty Ltd	29,152,200	4.62
3	Drake Private Investments LLC	25,000,000	3.97
4	HSBC Custody Nominees <Australia>	9,236,666	1.47
5	Mr Toby Chandler	8,000,000	1.27
6	Mr Peter Murray Nicholas	6,000,000	0.95
7	JP Morgan Nominees Australia Limited <Cash Income A/C>	5,762,641	0.91
8	ASIPAC Group Pty Ltd	5,555,555	0.88
9	International Commodity Finance Limited	5,555,555	0.88
10	J J Greer Nominees Pty Ltd	5,255,000	0.83
11	Mrs Theodosia Baxanis	4,800,000	0.76
12	Mr Phillip Wood	4,344,444	0.69
13	Dr Lyndsay George Gordon	4,279,611	0.68
14	Poluru Pty Ltd <Kent Superfund A/C>	3,733,333	0.59
15	Mr Neil James Waddington	3,445,160	0.55
16	Mr Richard Dean Clarke	3,350,000	0.53
17	Mr Anthony Paul Rovira	3,253,333	0.52
18	Mr Phillip John Doyle + Mrs Carla Doyle <PJ Doyle Family A/C>	3,100,000	0.49
19	Investec Bank (Australia) Ltd	3,100,000	0.49
20	Parsons Cove Pty Ltd <DF Bowen Superannuation A/C>	3,045,926	0.48
		170,318,757	**27.01**

(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
Drake Private Investments LLC	56,000,000

(d) Voting rights

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

ASX Additional Information

(e) Schedule of interests in mining tenements

Project	Common Name		Tenement	Percentage held / earning
Pozo de Nacho	Pozo de Nacho	All Minerals	222873	100%
	Pozo de Nacho 2 - Fracc. 1	All Minerals	225057	100%
	Pozo de Nacho 2 - Fracc. 2	All Minerals	225058	100%
	Pozo de Nacho 3	All Minerals	228563	100%
Estacion Llano	Estacion Llano	All Minerals	227017	100%
Los Chinos	Los Chinos	All Minerals	231815	100%
La Tortuga	La Tortuga	All Minerals	230422	100%[1]
	La Tortuga II	All Minerals	233462	100%[1]
Los Nidos	Los Nidos	All Minerals	231051	100%[1]
	Los Nidos II	All Minerals	234294	100%[1]
El Tecolote	El Tecolote	All Minerals	230771	100%
	El Tecolote II	All Minerals	236795	100%
	El Tecolte III	All Minerals	234586	100%
	El Tecolte III-A	All Minerals	239384	100%
San Juan	San Juan	All Minerals	228839	100%
	San Juan II	All Minerals	222952	100%
San Eduardo	San Eduardo	All Minerals	232387	100%
	San Eduardo 2 Frac 1	All Minerals	236796	100%
	San Eduardo 2 Frac 2	All Minerals	236797	100%
	San Eduardo 2 Frac 3	All Minerals	236798	100%
Promontorio	Hidalgo	All Minerals	235270	100%[2]
	Promontorio	All Minerals	235269	100%[2]
	El Magistral	All Minerals	218881	100%[2]
	Promontorio Regional	All Minerals	234447	100%
Loreto	Loreto	All Minerals	Awaiting allocation	100%
Panchita	Panchita	All Minerals	212767	100%
	Dona Panchita	All Minerals	192097	100%

3. JOGMEG earning a 51% interest
4. Azure has an option to purchase 100%