



AZURE MINERALS LIMITED
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31 January

The Manager
Companies Announcement Office
Australian Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir

RE: SECOND QUARTER ACTIVITY REPORT

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully,

A handwritten signature in black ink, appearing to read "APR", with a long horizontal flourish extending to the right.

Tony Rovira
Managing Director

Encl





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QUARTERLY ACTIVITY REPORT

For The Period Ended 31 December 2006

HIGHLIGHTS

MEXICO

- Drilling discovers high grade copper and silver mineralisation (**up to 8.5% Cu and 57g/t Ag**) at Potreritos
- Porphyry-hosted molybdenum-copper mineralisation identified at Pozo de Nacho
- Planning for further drill programs throughout the forthcoming quarter (Portreritos, Pozo de Nacho) and first half of 2007 (San Nicolas, Arroyo Amarillo)

AUSTRALIA

- Wide zones of high grade magnetite mineralisation intersected at Splinter
- Initial metallurgical testwork reports positive magnetite recovery and concentrate grade results
- Continuing review of options to expedite growth of the Splinter project

CORPORATE

- Annual General Meeting approves change of company name to **Azure Minerals Limited** (ASX code: **AZS**) which became effective on 8 January 2007

OVERVIEW

MEXICO

In line with its increased focus on its Mexican projects, Azure continued intensive exploration on its gold, silver and base metal projects in Mexico, including diamond core and Reverse Circulation (RC) drilling, Induced Polarisation (IP) surveying, and widespread geochemical sampling.

Potreritos (copper-silver)

Potreritos is a high grade copper-silver target located in the richly mineralised Sierra Madre Occidental region of Sonora, Mexico. The district contains numerous copper, silver and molybdenum mines, particularly hosted in intrusive breccias.

Azure carried out an RC drilling program comprising three holes for 507 metres to test an area of strong geochemical anomalism and outcropping copper sulphide mineralisation hosted by intrusive breccia.

The first hole (POT-RC-01) intersected abundant semi-massive copper sulphides at shallow depth within quartz-tourmaline-sulphide breccia. An interval of **4.57m @ 4.92% copper** and **38.2g/t silver** was intersected at the shallow depth of 21.3 metres downhole, including a high grade intercept of **1.52m @ 8.5% copper** and **57.4g/t silver**. A second, gold-mineralising, event within the breccia is indicated by the presence of gold-rich drill intercepts, including 1.52m @ 2.17g/t Au (from 105m) and 1.52m @ 1.03g/t Au (from 170.7m).

The mineralised breccia appears to continue for at least a further 500 metres to the northeast, with copper and silver soil sampling anomalies, and rock chip sampling of breccia outcrops returning anomalous copper (**1.55% Cu**), silver (**83.5g/t Ag**) and gold (**0.22g/t Au**) values. The IP chargeability anomaly, which indicates the presence of substantial disseminated sulphide mineralisation, also extends further to the northeast, where it remains open and untested.

POT-RC-02 tested the western edge of the IP anomaly and intersected a wide interval of copper sulphide mineralisation (53.3m @ 0.15% Cu) associated with quartz-tourmaline-pyrite alteration on the periphery of the breccia body. Drilling problems led to the third hole (POT-RC-03) being abandoned short of the target depth.

Further drilling on the Potreritos project will commence in February.

Mineralised intercepts are shown in Table 1. Drill hole details are listed in Appendix 1.

TABLE 1: SIGNIFICANT DRILL INTERCEPTS - POTRERITOS

Hole No	From (m)	To (m)	Interval (m)	Cu (%)	Ag (g/t)	Comments
POT-RC-01	7.62	32.00	24.38	1.21	11.3	
<i>including</i>	19.81	28.96	9.15	2.65	21.4	Abundant (>20%) sulphides
<i>including</i>	21.34	25.91	4.57	4.92	38.2	
	99.06	121.92	22.86	0.24	5.4	
<i>including</i>	111.25	112.77	1.52	1.63	26.2	
	188.98	195.07	6.09	0.11	1.7	Hole ended in mineralisation
POT-RC-02	73.15	126.49	53.34	0.15	1.9	

NOTE: Samples collected in 5 foot (1.52 metre) intervals & assayed at ALS Chemex (Vancouver) using ICP-AES.

Pozo de Nacho (porphyry molybdenum-copper)

An intrusive porphyry system with excellent potential for containing a large body of molybdenum and copper mineralisation has been identified at Pozo de Nacho. During the December Quarter, Azure commenced RC and diamond drilling to test several strong, coherent geochemical and IP anomalies.

Two diamond holes (totalling 573m) and four RC holes (totalling 532m) were drilled. All holes intersected significant quantities of visible molybdenite (molybdenum sulphide: MoS₂) mineralisation. The molybdenite is present as veins and coarse accumulations, hosted in strongly altered quartz-feldspar porphyry and sediments. Copper sulphide, silver and tungsten mineralisation is also present.

Drill hole highlights include:

PDN-DD-01

- ended in high grade mineralisation (**0.8m @ 0.18% MoS₂**); and
- intersected significant copper sulphide mineralisation (**46.0m @ 0.1% Cu from 96.8m**).

PDN-RC-02A

- entire drill hole contained molybdenum mineralisation (**198.1m @ 0.06% MoS₂**); and
- ended in strong tungsten mineralisation (**4.6m @ 0.06% W from 193.5m**).

Mineralised intercepts are shown in Table 2. Drill hole details are listed in Appendix 2.

TABLE 2: SIGNIFICANT MOLYBDENUM-RICH DRILL INTERCEPTS – POZO DE NACHO

Hole No	From (m)	To (m)	Interval (m)	MoS ₂ (%)	Comments
PDN-DD-01	73.9	78.8	4.9	0.06	
	169.5	175.0	5.5	0.11	
	260.0	304.0	44.0	0.06	
<i>including</i>	280.0	285.0	5.0	0.21	
	316.0	340.0	24.0	0.04	
	356.0	356.8	0.8	0.18	Hole ended in mineralisation
PDN-DD-02	174.0	198.0	24.0	0.04	
PDN-RC-01	89.9	111.2	21.3	0.04	
PDN-RC-02	9.1	41.1	32.0	0.05	Hole ended in mineralisation
PDN-RC-02A	1.5	199.6	198.1	0.06	Hole ended in mineralisation
<i>including</i>	41.1	61.0	19.9	0.10	
PDN-RC-03	41.1	83.8	42.7	0.04	

NOTE: Samples assayed at ALS Chemex (Vancouver) using the ICP-AES method.

Drilling intersected mineralisation over a 1,200 metre strike length and from surface to a vertical depth of approximately 300 metres. However, this has tested less than half of the geochemical anomaly (>2,500 metre strike length), and there is potential for the mineralised porphyry system to be significantly extended both along strike (east-west) and to the north and south.

Importantly, the drill holes have only penetrated the upper part of the IP anomaly, and the high intensity core of the system remains untested.

Follow-up drilling at Pozo de Nacho will be carried out in the forthcoming Quarter.

Other Mexican Projects

San Nicolas (copper, molybdenum, silver & zinc)

Reconnaissance exploration has confirmed the potential of this property, with rock chip sampling returning high grades up to **6.2% copper, 795g/t silver, 7.1% zinc, and 5,340ppm molybdenum (0.534% Mo)**.

Breccia and pegmatite vein-hosted molybdenite mineralisation has been exposed by trenching. Channel samples returned strongly mineralised intervals of **30m @ 800ppm Mo, including 6m @ 1,100ppm Mo and 8m @ 1,200ppm Mo, 32m @ 560ppm Mo and 8m @ 1,100ppm Mo**.

The company considers that the San Nicolas project has excellent potential for hosting significant copper, molybdenum and silver-zinc mineralisation. Further exploration, including drilling, will be undertaken during the first half of 2007.

Arroyo Amarillo (silver, lead, zinc & gold)

The project area contains strong alteration and stockwork vein development, with several groups of old mine workings present. Rock chip sampling returned high grade mineralisation, including **1,395g/t silver, 2.7g/t gold, 1.2% copper, 16.2% lead and 2.4% zinc**.

The alteration and mineralisation are indicative of a high sulphidation epithermal system and the property is considered to be very prospective for silver and gold-rich, polymetallic sulphide vein mineralisation. Further exploration, including drilling, will be undertaken during the first half of 2007.

Jagüey (silver, lead, zinc & copper)

Previous exploration by Azure returned several high grade intercepts of silver-lead-zinc mineralisation hosted in massive sulphide veins. Better intercepts included:

- **3,180g/t silver & 19% lead + zinc over 0.7 metres from a depth of 19.2 metres;**
- **526g/t silver & 4.3% lead + zinc over 0.5 metres from 37.4 metres;**
- **242g/t silver & 9.9% lead + zinc over 0.6 metres from 95.9 metres; and**
- **122g/t silver & 13.8% lead + zinc over 1.1 metres from 116.8 metres.**

Azure plans to carry out further diamond drilling at Jagüey to follow-up these very promising initial results.

AUSTRALIA

Splinter

Splinter comprises four granted Exploration Licences covering 840km², and is located 120 kilometres northeast of the port of Esperance. The project has been of interest to the company since listing in 2003 due to its prospectivity for iron ore (magnetite-style) deposits and iron oxide copper-gold deposits.

Recent diamond core and RC drilling by Azure identified a large Banded Iron Formation (BIF) containing multiple iron-rich magnetite zones. Highlights include:

- wide zones of high grade magnetite mineralisation;
- potential 16 kilometre strike length;
- better intercepts of **24m @ 30.8% iron** and **50m @ 22.8% iron**;
- high grades starting at only 8 metres below surface;
- Davis Tube Recovery metallurgical testwork returned:
 - magnetite recovery of 39.5%;
 - magnetite concentrate grade of 66.5% iron;
 - very low levels of impurities; and
- Splinter compares favourably with other Western Australian magnetite deposits, such as the Southdown Magnetite Project of Grange Resources Ltd

The Splinter BIF forms an eight kilometre long antiform, with magnetite-rich units occurring on both limbs of the fold, indicating potential for a magnetite deposit of substantial size.

Further exploration has also identified another, much larger magnetic formation within the eastern part of the project area. This Eastern Iron Formation has a magnetic signature that has up to twice the magnetic intensity as the Splinter BIF, indicating a higher magnetite content.

Azure believes that Splinter has excellent potential for hosting large scale, magnetite-style, iron ore deposits. The company is currently reviewing its options to expedite growth of the Splinter project.

-ends-

For further information, please contact:

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APPENDIX 1 – DRILL HOLE DATA - POTRERITOS

Hole No	North (m)	East (m)	Dip / Azimuth	Total Depth (m)
POT-RC-01	3 294 150	602 400	-70° / 315 °	195.07
POT-RC-02	3 294 080	602 340	-60° / 315 °	188.98
POT-RC-03	3 294 410	602 310	-60° / 150°	123.44

APPENDIX 2 – DRILL HOLE DATA – POZO DE NACHO

Hole No	North (m)	East (m)	Dip / Azimuth	Total Depth (m)
PDN-DD-01	3 161 850	589 390	-60° / 340 °	356.8
PDN-DD-02	3 162 100	590 260	-60° / 340 °	216.2
PDN-RC-01	3 162 370	590 480	-60° / 160°	115.8
PDN-RC-02	3 162 100	589 750	-60° / 160 °	41.1
PDN-RC-02A	3 162 090	589 800	-60° / 160 °	199.6
PDN-RC-03	3 161 915	590 100	-60° / 340 °	173.7

The information in this report that relates to Exploration Results 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 Nickel Australia Ltd. 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 report of the matters based on his information in the form and context in which it appears.