



ASX: AZS

30 JANUARY 2011

ACTIVITIES REPORT

For the period ended 31 December 2011

The Board of **Azure Minerals Limited** (ASX: AZS, "Azure" or 'the Company') is pleased to provide its Quarterly Report for the period ended 31 December 2011.

HIGHLIGHTS:

Promontorio

- Environmental Impact Statement for the next drilling campaign at Promontorio completed and submitted to the Federal Ministry of Environment and Natural Resources

El Tecolote – Copper-Zinc

- 2011 program identifies several new targets including Reyna del Cobre, extensions to the El Tecolote Mine and nearby porphyry copper targets
- Diamond drilling program commences at the 100% owned El Tecolote Project
- JOGMEC increases current drilling program to 4,000m and 2011/12 budget to US\$2.27 million

Corporate

- Appointment of Mr Peter Ingram as Chairman of Azure Minerals
- Cash balance at end of Quarter \$2.3 million

Promontorio – Copper-Gold-Silver

The Promontorio deposit comprises massive, semi-massive and disseminated copper sulphides containing strong gold and silver credits. Azure has previously announced a JORC Mineral Resource (Indicated + Inferred) of:

502,000 tonnes @ 4.7% Copper, 2.1 g/t Gold and 99 g/t Silver¹

The deposit is defined over a strike length of 200m and remains open in all directions. Azure's drilling carried out in mid-2011 extended the north-south strike length of the mineralised system to 400m, confirming the potential for additional resources. Further drilling is warranted to increase the resource size.

¹ Details of the resources classification and estimation methodologies are contained in Azure's ASX announcement, released on 7th January 2009.

Drilling has also confirmed the nearby Cascada prospect as a bulk tonnage gold-silver target with first pass drilling intersecting wide zones of moderate grade gold mineralisation. Cascada is a northwest trending zone of epithermal quartz veining which crosscuts the Promontorio deposit. Azure believes that Cascada warrants significant further exploration.

In order to undertake the next phase of drilling, Azure has prepared and submitted an Environmental Impact Statement ("EIS") to the Ministry of Environment and Natural Resources ("SEMARNAT") of the Mexican Federal Government. Approval of the EIS, if granted, will allow Azure to operate in areas where the land surface has undergone disturbance through previous exploration, mining or forestry activities. Drilling will commence as soon as practicable after Azure receives the required approval.

EI Tecolote – Copper-Zinc

During November, Azure commenced the second diamond drilling program at its 100%-owned EI Tecolote Project, located in the state of Sonora, Mexico.

The 178 km² EI Tecolote Project contains substantial evidence of base metal mineralisation demonstrating the potential for both porphyry copper and skarn copper-zinc-silver deposits. Exploration is being conducted in Joint Venture ("JV") with the Japanese Government organisation, JOGMEC, which has the right to earn up to 70% in the project by spending US\$13 million. Total expenditure to 31 December 2011 is US\$1.2 million.

The 2011/12 exploration program includes numerous geophysical surveys (airborne VTEM, aeromagnetics, ground magnetics and Induced Polarisation), geological mapping, sampling and an initial 3,000m of diamond drilling.

Following evaluation of positive results received to date, JOGMEC informed Azure that it has increased the 2011/12 total budget to US\$2.27 million, to include an additional 1,000 metres of diamond drilling (taking the total to 4,000m) within the current stage of the EI Tecolote exploration program. To enable this stage of work to be completed by March, Azure has mobilised a second drill rig to site.

Through this extensive exploration program several new targets have been identified including:

- Reyna del Cobre (skarn)
- Extensions of the EI Tecolote Mine (skarn)
- Several nearby porphyry copper prospects.

Reyna del Cobre was discovered by Azure in early 2011 when drilling intersected multiple skarn zones containing massive sulphide copper-zinc mineralisation. The first hole of the current drilling program was drilled at Reyna del Cobre, targeting the mineralised structure at a depth of approximately 150m below surface. Minor mineralisation was observed in the drill core.

The EI Tecolote Mine, which historically produced 1.4 million tonnes @ 1.9% copper, 7.0% zinc and 47 g/t silver, closed in 1984 due low commodity prices, with unmined copper and zinc mineralisation remaining around the old mine workings. Azure's exploration in this area has identified possible strike and depth extensions and repetitions which are being drill tested by the current program.

Several porphyry copper targets have been developed to the south of the mine, where strong IP and geochemical anomalies are present along with surface occurrences of alteration, quartz veining and copper oxide mineralisation. This area is also being targeted as part of the current drilling program.

Drilling commenced in November and the Company anticipates this program to be completed by March 2012, with results expected shortly after that.

La Tortuga – Copper-Zinc

As part of a separate JV with JOGMEC covering the La Tortuga Project, Azure completed the first part of a two stage, deep-seeking three dimensional Induced Polarisation (IP) survey over an aeromagnetic anomaly, situated in the northwest corner of the property.

Magnetic modelling indicates the presence of a strongly magnetic body with characteristics and dimensions typical of a porphyry copper deposit. The first stage of the dual IP surveys detected the presence of a large, moderate strength IP anomaly coincident with the aeromagnetic anomaly.

To follow up these anomalies, Azure recently commenced a Titan 24 IP and MT (Magneto-Telluric) survey. Operated by Quantec Geoscience from Canada, the Titan system is designed to map mineralised bodies in three dimensions to depths in excess of one kilometre. This will enable the JV to target its follow-up drilling program with maximum effectiveness.

Like the adjoining El Tecolote Project, the 214 km² La Tortuga Project contains occurrences of both porphyry copper and skarn copper-zinc style mineralisation. Exploration is being conducted in JV with JOGMEC, which has the right to earn up to 51% in the project by spending US\$3 million. Total expenditure to 31 December 2011 is US\$1.9 million.

Background to the El Tecolote and La Tortuga Joint Ventures

JOGMEC is a wholly-owned Japanese Government corporation established to assist in the stable supply of oil, gas and mineral resources to the Japanese economy. JOGMEC seeks to gain entry into the high-potential mineral exploration projects through providing funding and technical assistance, with a view to the later introduction of commercial Japanese interests. In line with these objectives, JOGMEC entered into the El Tecolote and La Tortuga JV's with the aim of discovering large copper deposits. The JV's are managed and staffed by Azure out of the Company's Hermosillo office, with technical assistance provided by JOGMEC.

San Francisco - Manganese

In December, Azure reported that it had elected not to proceed with the acquisition of the San Francisco Manganese Project and therefore withdrew from the Acquisition Agreement. This decision was made based on drilling results failing to confirm extensions to the mineral resource and it was considered unlikely that the project's scale would support a significant mining and processing operation at current low manganese prices.

Corporate

In October 2011, Azure announced the appointment of Mr. Peter Ingram as a Non-Executive Director (NED) of the Company.

Mr. Ingram is a highly experienced geologist with over 40 combined years' on the ground and in corporate management roles. He was the founding Chairman and Managing Director (MD) of Universal Resources Limited, and remains a Non-Executive Director of Altona Mining Ltd, formed from the merger of Universal and Vulcan Resources Ltd. He has previously been a director of Metana Minerals NL (MD), Eastmet Ltd (MD), Metana Petroleum NL (NED), Carnarvon Petroleum Ltd (NED), Dragon Mining Ltd (NED), Australia Oriental Minerals NL (Executive Chairman) and Glengarry Resources Ltd (Executive Chairman).

Additionally, Mr. Ingram was a member of the Board of Management of the WA School of Mines and was a founding councillor and past President of the Association of Mining and Exploration Companies (AMEC), an organisation of which he has been made an honorary life member.

In December, following the AGM, Mr. Ingram was appointed Non-Executive Chairman of Azure Minerals, thus allowing Mr. Tony Rovira to focus wholly on his role as Managing Director.

-ENDS-

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About the Company:

***Azure Minerals Limited** is an Australian mineral exploration company focused on developing mining projects in the richly mineralised Sierra Madre Occidental mining province in northern Mexico. Azure's key projects are the high grade **Promontorio** copper-gold-silver project and the **EI Tecolote** copper-zinc project.*

***Promontorio** has a JORC Mineral Resource of 502,000 tonnes @ 4.7% Cu, 2.1g/t Au & 99g/t Ag. Metallurgical testwork produced high grade copper-gold-silver concentrate with excellent metal recoveries. Preliminary economic modelling indicates Promontorio could be developed and operated profitably. Exploration has identified further high grade copper mineralisation as well as additional potential for large, bulk tonnage gold mineralisation.*

*Exploration for porphyry copper and skarn copper-zinc deposits is continuing on the **EI Tecolote** and **La Tortuga** joint ventures with the Japanese Government corporation JOGMEC. JOGMEC may earn a 70% interest in the **EI Tecolote** project by spending US\$13 million, with total expenditure to 31 December 2011 of US\$1.2M. JOGMEC may earn a 51% interest in the **La Tortuga** project by spending US\$3 million, with total expenditure to 31 December 2011 of US\$1.9M. Azure is the operator and manager of both joint ventures.*

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.