



# ACTIVITIES REPORT

For the period ended 30 December 2007

Azure Minerals (ASX: AZS) is an explorer and developer of precious and base metals projects in Mexico. The Company is currently exploring in the richly mineralised Sierra Madre Occidental mineral province of northern Mexico and has recently expanded its activities to other mining districts in Mexico.

Drilling has intersected very promising mineralisation in a variety of commodities including silver, zinc, lead, molybdenum, copper and gold.

Azure's project portfolio in Mexico is comprised of six 100%-owned properties and 13 properties held in joint venture with TSX-V listed Geoinformatics Exploration Inc (TSX-V: GXL), where Azure is earning an initial 51% interest.

The entire project portfolio now covers an impressive area of 163,300 hectares (1,633 km<sup>2</sup>).

Azure aims to become an independent minerals producer in Mexico through exploration success and selective project acquisition. The Company has an ongoing program of regional exploration, target identification and tenement staking to acquire 100%-owned projects throughout Mexico.

In addition, Azure is continuing to evaluate opportunities for the acquisition of advanced stage projects through joint venture or outright purchase.

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## Quarterly Overview

The Board of Azure Minerals (ASX: AZS, "Azure") is pleased to announce their quarterly report for the quarter ended 30 December 2007. Highlights for the quarter include:

## Exploration

- First ever drill hole on the Los Chinos project intersects strong brecciation, veining and alteration. Drilling is continuing, with 10-12 holes planned. Results are awaited from initial drill holes.
- Ore grade analyses at Pozo de Nacho delivers an average 29% increase in reported molybdenum grades, with individual intercepts increasing by up to 51%. Drilling is to recommence in the coming quarter.
- Four hole diamond drilling program completed at La Providencia, totalling 727m. Visually distinctive alteration was observed in the drill core and assays are awaited.
- Ongoing regional exploration and target identification program leads to the acquisition of a further 100% owned property – El Carnero. Azure's project portfolio now stands at 163,300 hectares (1,633km<sup>2</sup>).
- Upcoming surface geophysical program, utilising NSAMT survey technique.

Azure's Executive Chairman, Mr Tony Rovira, said that the results from the quarter showed pleasing progress on a number of fronts.

"Azure has made good progress in Mexico this quarter, with some very promising intersections from some of our newer projects, as well upgrading a project we have now put a lot of work into," said Mr Rovira.

"We have an exciting next few months ahead of us, with drilling continuing at the Los Chinos project, and commencing again at Pozo de Nacho. Drilling at Los Chinos has already intersected very encouraging geology. At Pozo de Nacho, we have confirmed the presence of a large zone of molybdenum mineralisation.

We are very pleased with how these projects are shaping up. We'll be doing some geophysical surveys next quarter on a number of projects as well, to help guide future drilling campaigns."

"Our project acquisition program has delivered again, allowing us to pick up another great project for our 100% owned portfolio, which has been named El Carnero. This one is significant in that, while it contains much evidence of mineralisation, it has not been touched by the exploration industry for over 80 years."

Since the end of the quarter, Azure made the decision to postpone the TSX-V listing, in consultation with its advisors.

"While it was a tough decision for the Board, we are comfortable that postponing the listing provided the best outcome for our shareholders. We continue to be satisfied with the support and interest received in North America and look forward to advancing our relationships there in 2008."



## Mexico

Following the successful completion of the previous drilling campaign, Azure completed a period of data review in the first half of the quarter. Drilling recommenced in mid-November, and holes have now been completed at both La Providencia and Los Chinos. Drilling is ongoing at Los Chinos, with drilling scheduled to recommence later this quarter at Pozo de Nacho.

Initial drilling reports from Los Chinos are very promising, with the first ever drill hole at the property intersecting geology indicative of base metal mineralisation. Subsequent drill holes at Los Chinos have also intersected zones of visible alteration, brecciation and veining.

Ore grade analyses carried out on previous Pozo de Nacho drill samples resulted in a 29% average increase in reported molybdenum grades for the project. Follow up drilling at Pozo de Nacho will target potential higher grade zones at depths of up to 400m below surface, while also trying to define the overall extent of the mineralised system.

Planned activities for the forthcoming quarter also include an NSAMT geophysical survey at a number of properties, including Los Chinos, El Carnero, La Providencia and Jagüey. NSAMT (Natural Source Audio-Frequency Magneto-Telluric) is a resistivity technique which can detect conductors up to 700m below surface. The NSAMT survey is expected to commence in March.

One further property, El Carnero, was staked this quarter, as a result of the ongoing target identification program. Significantly, this property has had no modern exploration for over 80 years, despite its highly prospective location. This brings the number of 100%-owned properties within Azure's portfolio to six.



## Projects

### Los Chinos (JV Project: AZS earning 51%)

### Polymetallic multi-commodity

Azure's initial reconnaissance exploration identified widespread surface indications of mineralisation throughout the Los Chinos property. Following from this initial success, the first ever drilling campaign at the Los Chinos project has now commenced.

Five diamond holes have now been completed for 622.3m, from a total of 10-12 planned holes totalling approximately 2000m of drilling. Drilling on the sixth hole is currently in progress.

Drilling is targeting beneath horizons of outcropping mineralised breccia, and all holes to date have intersected zones of brecciation, veining and alteration (see Figure 1), indicative of base metal mineralisation. In this part of Mexico, this style of mineralisation often also contains elevated levels of gold and silver. Analytical results are awaited.

Azure's initial surface exploration at Los Chinos identified a 2km x 1km area containing zones of hydrothermal alteration and mineralisation. Soil sampling outlined three large multi-element (zinc, lead, silver, copper, gold and molybdenum) anomalies associated with northeast and northwest trending mineralised structures. Sampling of these zones returned grades up to 15.3% lead, 8.26% zinc, 483g/t silver, 2.03% copper, 3.45g/t gold and 0.66% molybdenum.

**Figure 1: Core from Los Chinos diamond drill hole LCH-DD-002, showing brecciation and intense manganese and iron oxide development.**





### Pozo de Nacho (JV Project: AZS earning 51%)

### Molybdenum-Copper

During the quarter Azure carried out ore grade analyses for molybdenum on sample pulps from previous drilling programs at the project, using the more accurate X-Ray Fluorescence (XRF) technique.

The updated analytical results have led to an increase in the average reported molybdenum grades at the project of 29%. Grades of individual drill intercepts have increased by up to 51%.

Updated significant drill intercepts utilising the XRF technique are presented below.

Drill Hole	Mineralised Intercept	Molybdenum grade increase
PDN-DD-01# <i>including</i>	102.8m @ 294ppm Mo (0.05% MoS <sub>2</sub> ) <b>5.0m @ 1,382ppm Mo (0.23% MoS<sub>2</sub>)</b>	<b>17%</b> <b>11%</b>
PDN-DD-03 <i>including</i>	124.2m @ 304ppm Mo (0.05% MoS <sub>2</sub> ) <b>14.0m @ 859ppm Mo (0.14% MoS<sub>2</sub>)</b>	<b>38%</b> <b>51%</b>
PDN-DD-04#	183.7m @ 303ppm Mo (0.05% MoS <sub>2</sub> )	<b>20%</b>
PDN-DD-06#	138.9m @ 439ppm Mo (0.07% MoS <sub>2</sub> )	<b>29%</b>
PDN-RC-02A# <i>including</i>	198.1m @ 438ppm Mo (0.07% MoS <sub>2</sub> ) <b>19.9m @ 736ppm Mo (0.12% MoS<sub>2</sub>)</b>	<b>30%</b> <b>23%</b>

# denotes drill hole ended while still within mineralisation

A complete list of mineralised intercepts is shown in Table 1, with drill hole details contained in Table 2.

A substantial body of molybdenum mineralisation has now been intersected over an area of 800 by 250 metres, and from surface to depths in excess of 300 metres. The mineralised zone remains open to the east, west and north. As indicated above, several of the drill holes ended while still within molybdenum mineralisation, providing an indication of the significant depth extent and overall size potential of the mineralised system.

These latest assay results confirm the potential of Pozo de Nacho to host a large body of economic molybdenum mineralisation. Azure has planned a follow up drilling program, with the first phase comprising 3-4 holes totalling approximately 1,200 metres.

Molybdenum rich porphyry deposits often have a higher grade core surrounded by a large halo of lower grade mineralisation. Drilling will target potential higher grade zones at depths of up to 400m below surface, while also trying to define the overall extent of the mineralised system.



### La Providencia (100% Azure)

### Silver-Lead-Zinc

Azure has completed a four hole diamond drilling program totalling 727 metres at its 100%-owned La Providencia property.

Drilling tested for mineralisation beneath and around the most significant of the historical mine workings, and zones of visually distinctive alteration were observed in the drill core. Samples of this material have been submitted to the laboratory for analysis and results are awaited.

Reconnaissance surface exploration by Azure at La Providencia returned high grades of zinc (up to 45.4%), lead, silver, copper and gold from rock chip and dump sampling within an area containing numerous historical mine workings. These old workings exploited high grade zones of base metal-rich, carbonate replacement style mineralisation manifested as breccias and veins.

La Providencia adjoins the Ramard Project, held by TSX-V listed Colibri Resource Corp whose recent drilling intersected massive sulphide mineralisation containing high grades of silver, lead and zinc (eg: 4.5m @ 158g/t silver, 10.8% lead & 2.6% zinc). La Providencia and Ramard are hosted in similar geological settings.



## Project Acquisition

Azure's ongoing program of regional exploration, target identification and project acquisition in Mexico has resulted in the staking of one new property during the quarter - **El Carnero**. This brings the number of 100% owned properties within Azure's project portfolio to six (see Figure 2).

El Carnero, which covers approximately 90km<sup>2</sup>, is located only 60 kilometres northwest of the city of Hermosillo, the site of Azure's Mexico office.

Based upon the considerable historical and current mining and exploration activity elsewhere in the local district, Azure identified the El Carnero property as highly prospective with potential to host economic zinc, copper, lead and silver mineralisation.

El Carnero contains extensive evidence of well mineralised zones which have been exploited by numerous small-scale historical mine workings dating back more than two centuries. However no modern exploration techniques have been applied to the property, as the local landowners have denied the resource sector access to El Carnero for over 80 years.

Azure's on ground exploration team in Mexico was able to successfully negotiate access to the property with the family that owns the cattle ranch and associated surface rights, and the Company has completed a preliminary program of reconnaissance mapping and sampling at El Carnero.

This first pass surface sampling on the property returned excellent results, with grades up to **17.55% zinc, 11.45% lead, 419g/t silver, 4.29% copper, 0.28% molybdenum and 0.39g/t gold**.

The historical mining activity exploited replacement-style mineralisation at the contacts between limestone and intrusive felsic dykes. Individual mines selectively extracted high grade zones, some in excess of three metres wide. Workings extend for over 200 metres along strike and to depths of at least 30 metres below surface, indicating excellent continuity of the mineralisation.

A total of 18 rock chip and dump samples were collected from the mineralised zones and returned numerous high grade results, with 15 samples assaying greater than 1% lead and 1% zinc, and seven samples assaying greater than 1% copper and 30g/t silver. Details of the sampling results are attached as Table 3.

El Carnero is considered to be an excellent acquisition in a strongly mineralised district, with the initial exploration returning very positive results.

Azure is also continuing to evaluate opportunities for the acquisition of advanced stage projects through joint venture or outright purchase.



## Corporate Activity

During the quarter, Azure continued to pursue its previously announced intention to list on the TSX Venture Exchange. During roadshow visits and presentations in North America by senior management, strong interest was received from the local investment community.

Unfortunately, external market events have led to a difficult investment climate in North America. As a result, in consultation with its Canadian corporate advisors Versant Partners, Azure has decided to postpone its TSX-V listing.

The Company has determined that proceeding with the secondary listing at this time would not be in the best interests of shareholders.

The North American markets will remain a focus of Azure's growth strategy as the Company develops its Mexican projects.

Azure's Annual General Meeting for the year ended 30 June 2007 was also held during the quarter, on 30 November. All resolutions were passed, and the company is pleased to report that Mr John Saleeba and Dr Wolf Martinick were both re-elected to the Board.

-ENDS-

### For further information, please contact:

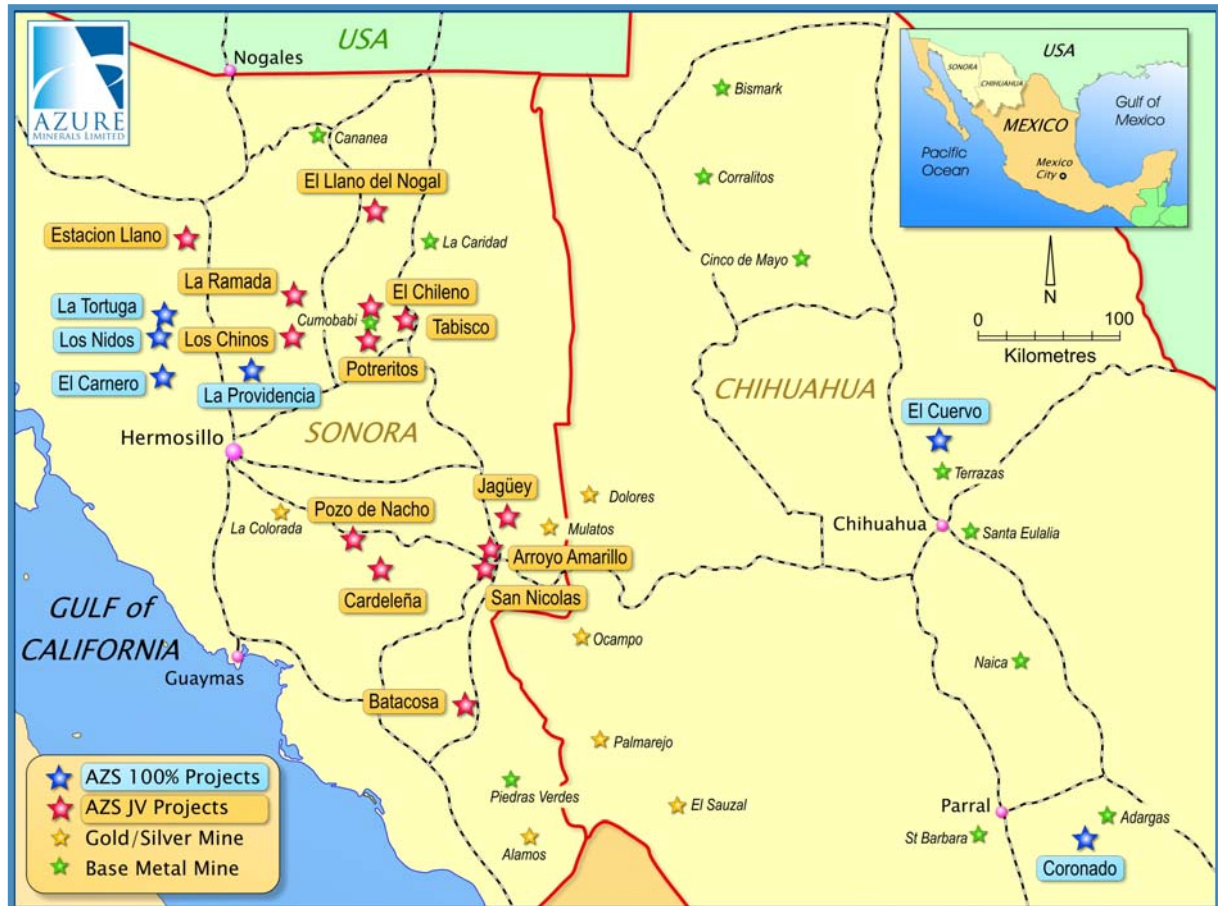
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**Figure 2: Azure's Projects in Mexico**







**TABLE 1: SIGNIFICANT DRILL INTERCEPTS – POZO DE NACHO PROJECT**

Hole No	From (m)	To (m)	Interval (m)	Molybdenum Mo (ppm)	Molybdenum MoS <sub>2</sub> (%)	Copper (%)	Silver (ppm)	Comment
PDN-DD-01	254.0	356.8	102.8	294	0.05	0.03	0.9	Hole ended in mineralisation
<i>including</i>	280.0	285.0	5.0	1,382	0.23	0.02	0.8	
PDN-DD-03	8.8	133.0	124.2	304	0.05	0.08	3.8	
<i>including</i>	119.0	133.0	14.0	859	0.14	0.11	7.3	
PDN-DD-04	68.0	251.7	183.7	303	0.05	0.06	1.6	Hole ended in mineralisation
PDN-DD-06	12.0	150.9	138.9	439	0.07	0.06	2.3	Hole ended in mineralisation
PDN-RC-02A	1.5	199.6	198.1	438	0.07	0.04	1.5	Hole ended in mineralisation
<i>including</i>	41.1	61.0	19.9	736	0.12	0.03	1.1	

*NOTE: Original samples of "DD" drill holes were all half core  
Original samples of "RC" drill holes were all riffle-split drill cuttings  
Re-assays were conducted on sample pulps from original samples  
Assays were undertaken by ALS-Chemex (Vancouver) using X-Ray Fluorescence (XRF) method*

**TABLE 2: DRILL HOLE DETAILS – POZO DE NACHO PROJECT**

Hole No	East (mE)	North (mN)	RL (mASL)	Dip	Azimuth	Total Depth (m)
PDN-DD-01	589 393	3 161 832	475	-60	340	356.8
PDN-DD-02	590 258	3 162 094	513	-60	340	399.9
PDN-DD-03	589 580	3 162 000	475	-60	160	224.9
PDN-DD-04	589 509	3 162 188	475	-60	160	251.7
PDN-DD-05	590 178	3 162 012	520	-70	160	336.3
PDN-DD-06	589 730	3 162 000	480	-90	0	150.9
PDN-DD-07	590 226	3 162 529	485	-70	340	181.1
PDN-RC-01	590 500	3 162 347	495	-60	160	115.8
PDN-RC-02	589 736	3 162 073	470	-60	160	41.1
PDN-RC-02A	589 804	3 162 093	471	-60	160	199.6
PDN-RC-03	590 106	3 161 914	548	-60	340	173.7



**TABLE 3: EL CARNERO ROCK CHIP AND DUMP SAMPLING RESULTS**

Sample No.	Zinc %	Lead %	Silver g/t	Copper %	Molybdenum ppm	Gold g/t
718967	15.25	2.45	30	0.05	2800	0.017
718968	17.55	5.36	40	0.19	93	0.049
718969	9.18	11.45	419	0.17	61	0.032
718970	10.15	3.44	12	0.30	12	0.012
718971	4.47	3.49	18	0.85	29	0.011
718972	5.51	4.12	26	0.17	105	0.008
718973	0.03	0.03	0.5	<0.01	2	0.005
718974	0.13	0.11	0.8	<0.01	3	0.005
718975	3.57	2.41	17	4.29	24	0.114
718976	2.86	2.32	4	2.4	3	0.122
718977	5.72	0.88	7	0.68	15	0.114
718978	4.11	6.58	94	3.83	5	0.391
718979	8.02	11.3	80	1.12	3	0.106
718980	1.85	6.79	18	3.72	19	0.028
718981	7.66	3.65	142	2.17	6	0.031
718982	9.35	7.77	82	1.2	75	0.08
718983	3.28	2.84	7	0.95	21	0.014
718984	0.29	9.96	13	0.21	13	0.055

*Information in these documents that relates to Exploration Results is based on information compiled by Mr Pat Manouge, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Manouge is a full-time employee of Azure Minerals Limited. Mr Manouge 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 Manouge consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**Azure Minerals Limited**

ABN

46 106 346 918

Quarter ended ("current quarter")

31 December 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(306)	(969)
(b) development	-	-
(c) production	-	-
(d) administration	(264)	(701)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	33	63
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(537)</b>	<b>(1,607)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(20)	(21)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(20)</b>	<b>(21)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(557)</b>	<b>(1,628)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(557)	(1,628)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,850
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – preparation for Canadian listing	(148)	(285)
	<b>Net financing cash flows</b>	(148)	(2,565)
	<b>Net increase (decrease) in cash held</b>	(705)	937
1.20	Cash at beginning of quarter/year to date	2,380	738
1.21	Exchange rate adjustments to item 1.20	(8)	(8)
1.22	<b>Cash at end of quarter</b>	1,667	1,667

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	75
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
<b>Total</b>	<b>350</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	104	47
5.2 Deposits at call	1,563	2,333
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,667</b>	<b>2,380</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E30/160	Rights to nickel	100%	Nil
	E30/161	Rights to nickel	100%	Nil
	E30/162	Rights to nickel	100%	Nil
	E30/261	Rights to nickel	100%	Nil
	E30/80	Rights to nickel	100%	Nil
	M30/122	Rights to nickel	100%	Nil
	M30/123	Rights to nickel	100%	Nil
	M30/160	Rights to nickel	100%	Nil
	M30/161	Rights to nickel	100%	Nil
	M30/175	Rights to nickel	100%	Nil
	P30/928	Rights to nickel	100%	Nil

**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2 Interests in mining tenements acquired or increased

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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	132,350,004	132,350,004		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,500,000	Nil	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 30/11/08
	3,000,000	Nil	\$0.25	30/11/09
	3,000,000	Nil	\$0.25	30/11/10
	800,000	Nil	\$0.175	30/01/11
	1,300,000	Nil	\$0.25	30/01/12
	1,300,000	Nil	\$0.35	30/01/13
	2,950,000	Nil	\$0.15	30/11/09
	1,000,000	Nil	\$0.25	<i>Various dates</i>
7.8 Issued during quarter	1,000,000	Nil	\$0.25	<i>Various dates</i>
7.9 Exercised during quarter				

7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29/01/2008  
(Director/Company secretary)

Print name: Brett Dickson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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