



AZURE MINERALS LIMITED
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8 February

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

Dear Sir

RE: DRILLING RECOMMENCES IN MEXICO

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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ASX / MEDIA ANNOUNCEMENT

8 February 2007

STAGE TWO DRILLING PROGRAM COMMENCES IN MEXICO

Azure Minerals Limited (ASX: AZS) is pleased to announce the commencement of the next phase of drilling on its Mexican projects.

Highlights include:

- **Approximately 5,000 metres of diamond core drilling will be carried out on five different projects during the next four months**
- **Drilling begins at Potreritos to follow-up high grade copper (8.5% Cu) and silver (57g/t Ag) mineralisation intersected in previous drilling campaign in late 2006**
- **Follow-up drilling at Pozo de Nacho, where previous drilling has identified molybdenum-copper mineralisation (up to 0.75% MoS₂). High intensity, sulphide-rich core of the IP anomaly remains untested**
- **Drilling to follow at Jagüey, Cardeleña, San Nicolas and Arroyo Amarillo projects.**

Potreritos (copper – silver)

Potreritos is located 115 km northeast of Hermosillo, which is the capital of Sonora State in Mexico, and less than 10 km from the main Hermosillo-Nacozari highway.

Drilling has commenced at Potreritos, where previous drilling in late-2006 intersected semi-massive copper sulphide mineralisation within quartz-tourmaline-sulphide breccia. This contained high grades of copper (up to **8.5% Cu**) and silver (up to **57g/t Ag**) within an overall intercept of **4.57m @ 4.92% Cu & 38.2g/t Ag**. Mineralisation occurs at shallow depth (commencing 7.6m down hole) beneath outcropping breccia containing visible chalcopyrite (copper sulphide).

The mineralised breccia appears to continue for at least a further 500 metres to the north and east, as indicated by old mine workings, copper and silver soil sampling anomalies, and rock chip sampling of breccia outcrops which returned strong copper (**1.55% Cu**), silver (**83.5g/t Ag**) and gold (**0.22g/t Au**) grades (Figure 1).

Induced Polarisation (IP) surveying identified an intense chargeability anomaly, indicating the presence of substantial sulphide mineralisation beneath the outcropping breccia. This anomaly extends several hundred metres further to the northeast, all of which remains untested.

Azure will drill an initial program of eight diamond core holes for approximately 1,200 metres at Potreritos.

Pozo de Nacho (molybdenum – copper)

Pozo de Nacho is located 105 km southeast of Hermosillo, and less than five kilometres south of the main highway connecting Hermosillo with Chihuahua City.

Previous drilling by Azure identified a mineralised intrusive porphyry system at Pozo de Nacho. Five holes were drilled and every hole 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. Significant values of copper, silver and tungsten mineralisation are also present.

Drill hole highlights include:

PDN-DD-01

- very high grade molybdenum (**1.0m @ 0.75% MoS₂**) intersected;
- ended in high grade molybdenum mineralisation (**0.8m @ 0.18% MoS₂**); and
- intersected significant copper sulphide mineralisation (**46.0m @ 0.1% Cu**).

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**).

Drilling intersected mineralisation over a 1,200 metre strike length and from surface down to a vertical depth of 300 metres. However this has tested less than half of the anomaly, which has a strike length in excess of 2,500 metres. This confirms the potential for the mineralised porphyry system to be significantly extended along strike (east-west) and to the north and south (Figure 2).

Importantly, the drill holes have only penetrated the upper part of the IP anomaly, and the high intensity, sulphide-rich, core of the system remains untested (Figure 3).

Follow-up drilling at Pozo de Nacho, comprising five holes for approximately 1,500 metres, will commence upon the completion of the Potreritos drilling.

-ENDS-

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MEXICO – PROJECT LOCATIONS



Note to Editors

Azure Minerals Ltd (ASX: ASZ), formerly Nickel Australia Ltd, is an emerging explorer and developer of precious and base metals projects in Mexico. Through exploration success and selective project acquisition, the Company aims to become an independent minerals producer. In the pursuit of this goal, Azure has elected to focus on the exploration of its prospective projects in Mexico.

Azure's Mexican projects are derived from a joint venture with TSX-V listed Geoinformatics Exploration Inc (TSX-V: GXL) who have a strategic alliance with Kennecott Exploration (Rio Tinto subsidiary). The agreement covers 14 projects in Sonora, Mexico and contains a right of first refusal over any further projects defined by Geoinformatics in the Sonora or Chihuahua states of Mexico. Azure is currently focused on the following Mexican projects:

- **Potreritos** (copper-silver) High grade copper and silver mineralisation has been discovered – follow up drilling has commenced
- **Pozo de Nacho** (molybdenum-copper) Potential for large porphyry molybdenum / copper deposit – significant intercepts to date and further drilling scheduled for first quarter of 2007
- **Cardaleña** (copper, silver & gold) Potential to host significant resources of open-pit table copper, gold and silver mineralisation, with further drilling scheduled for first half of 2007
- **San Nicolas** (copper, molybdenum, silver & zinc) Reconnaissance exploration to date – further exploration including drilling to occur in first half of 2007
- **Arroyo Amarillo** (silver, lead, zinc & gold) Very prospective for epithermal silver and gold. High grade rock chip samples returned – further exploration including drilling to occur in first half of 2007
- **Jaguey** (silver, lead, zinc & copper) Previous exploration returned high grade intercepts of silver-lead-zinc massive sulphide mineralisation, and further drilling is planned

Under the joint venture agreement, Azure must spend US\$4 million on the projects by July 2009 to earn 51% interest, with a US\$1 million minimum commitment within the first 2 years. If GXL elect not to contribute at that stage, Azure can increase to a 75% interest by sole funding a pre-feasibility study by July 2011.

In addition to the Mexican projects, Azure has six projects in Australia (five in Western Australia and one in Victoria). The most significant of these is the Splinter project, located near Esperance in Western Australia. Splinter has an excellent potential to host large scale magnetite-style iron ore deposits. Recent drilling has intercepted large widths of much higher iron grades than previously found.

Given Azure's core focus in Mexico, the Company is looking to divest its Australian projects either through an outright sale or joint venture agreement.

About Mining in Mexico

The Sierra Madre region in northern Mexico hosts one of the most prospective and yet under-explored mineral provinces in the world, containing numerous world-class copper, gold and silver mines. The province has a mining history extending back over 500 years. This exploration potential and successful discovery history is what has attracted Azure to Mexico.

Mexico has a low sovereign risk with a politically stable democratic government that is committed to natural resource development. There is a well established mining culture within Mexico, and strong public acceptance of mine development. A modern mining legal system, with secure mineral title rights, is in place.

Mexico also welcomes foreign investment in the mining sector, with 100% foreign ownership allowed. Mining in Mexico operates within a contemporary taxation system, with no mining royalties. In contrast with labour availability in Australia, a well trained and experienced workforce is readily available. Good local infrastructure exists throughout the project areas.

Figure 1: Geological Plan - Potreritos

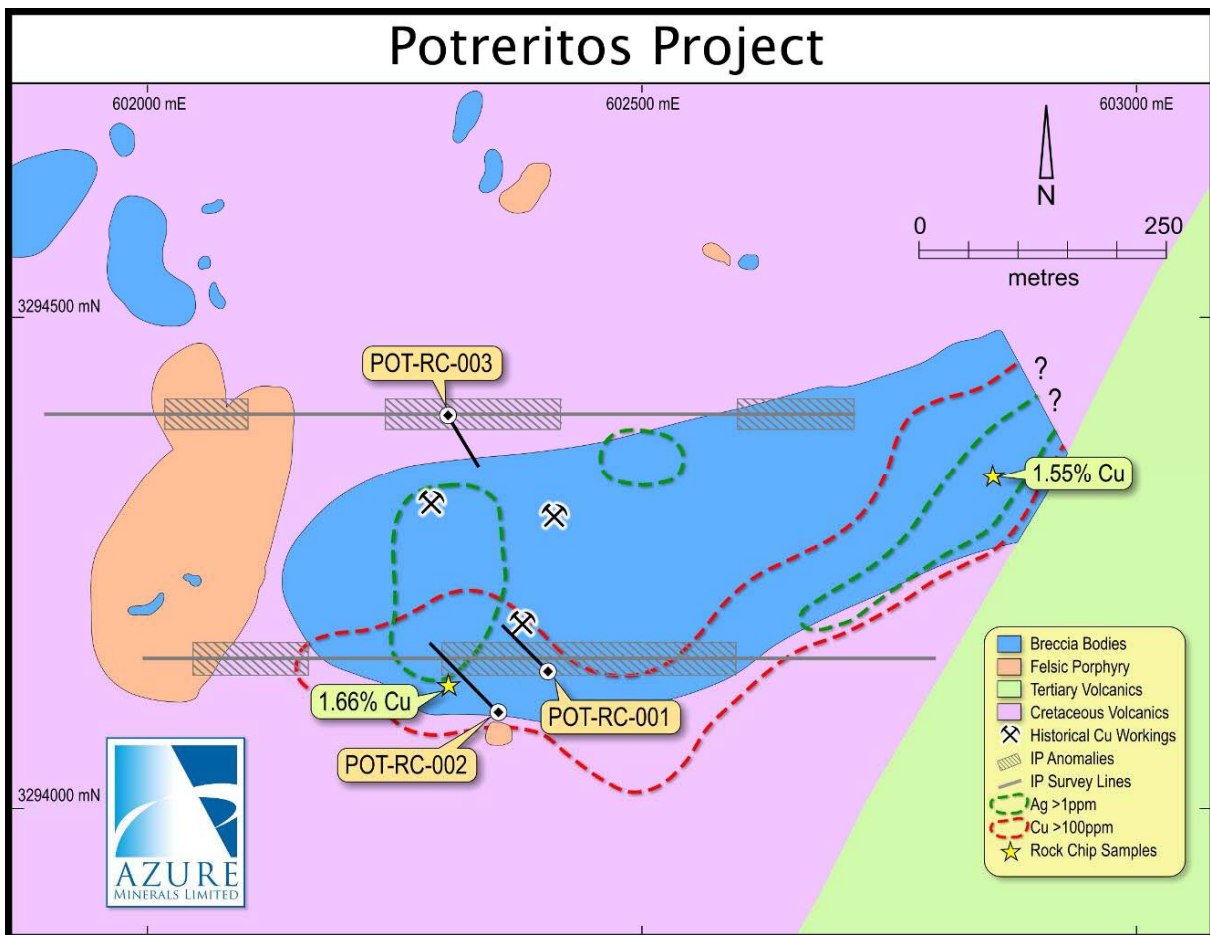


Figure 2: Geological Plan – Pozo de Nacho

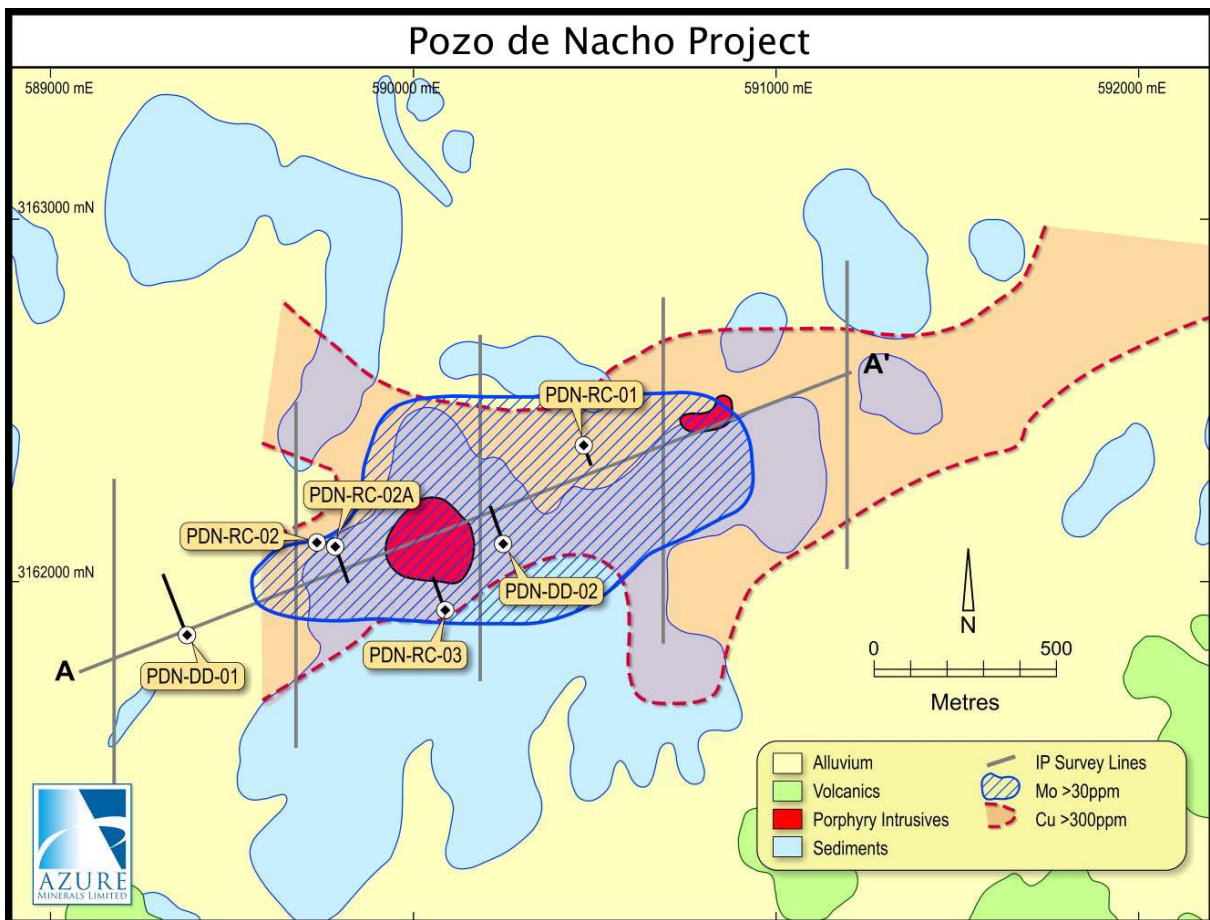
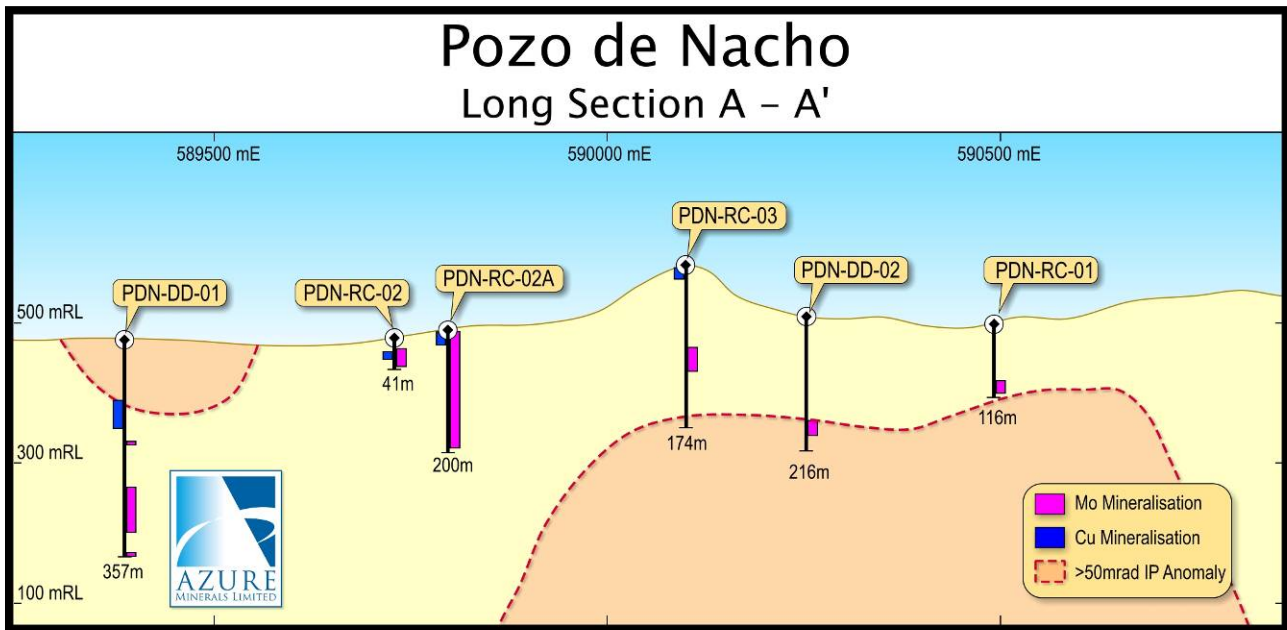


Figure 3: Long Section – Pozo de nacho



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 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 report of the matters based on his information in the form and context in which it appears.