

WORLD

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# MINING STOCKS

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# Augusta's Arizona jewel on target to be big player in copper league

ONE of the mining industry's most interesting stories is taking shape in southern Arizona with the development of the sizeable Rosemont Copper Project by Vancouver-based Augusta Resource Corporation. The project, 50 km southeast of Tucson, is mainly a copper property with significant additional values for molybdenum and silver.

What makes the Rosemont Project particularly noteworthy is the sheer magnitude of what Augusta is set to accomplish. According to its final feasibility study (August 2007), the mine would mill 75,000 short tons daily over an 18.2-year mine life, accounting for a total mineral reserve of 493 Mt at 0.47% copper, 0.015% moly, and 0.12 oz/t silver in sulphide ore alone. The study was based on the NI 43-101-compliant resource estimate published last March, which reported a resource of more than 10,000 Mlb of copper equivalents. The mine would be the third- or fourth-largest copper producer in the US, accounting for 5-10% of US copper needs.

President and CEO Gil Clausen notes that the project could become important, not just as a potentially profit-

able mining venture, but as a strategic domestic asset to the US, noting in a recent press release, that "copper production in the US is declining as the existing major copper deposits in the southwest become exhausted, yet the US continues to demand the products that utilise this strategic metal. This gap between domestic demand and supply has led to a growing dependency on substantial imports of copper", later adding that there is a "critical need for new sources of domestic copper".

## HISTORICAL MINING DISTRICT

The Rosemont Project region has had a lengthy history of mining activity, beginning back in the 1880s when production began from both sides of the Santa Rita Mountains. That era of production came to an end in 1951, having resulted in a total of 227,300 t of ore being processed, containing 17.3 Mlb of copper, 1.1 Mlb of zinc and 180,760 oz of silver.

Anaconda Mining acquired the claims in 1963 and carried out a major exploration programme that identified Rosemont as a large copper mineral resource

and also advanced two other targets - Peach-Elgin and Broad Top Butte. During the Anaconda years, a total of 297,321 ft of drilling took place, of which 232,000 ft focused on the Rosemont deposit.

American Smelting and Refining Co (ASARCO) bought the project in 1988 and carried out minimal exploration work at Rosemont and Peach-Elgin before selling the properties to real estate interests, in 2004. Augusta Resource later acquired the Rosemont Project from a real estate developer in 2005, after Pima County declined an offer to buy the land for conservation.

## STRATEGIC LAND PACKAGE

The company has accumulated a land package covering some 14,000 acres, plus a further 20,000 acres of grazing lease for the cattle ranch it will continue to run throughout the life of mine. Included in their holdings are the Rosemont deposit plus Peach-Elgin, Broad Top Butte and also the Copper World prospects. During a recent interview, Mr Clausen noted that, although developing Rosemont was clearly the company's primary focus, the three other properties offered opportunities for further exploration, especially including Broad Top Butte as the Rosemont deposit is open to the north and east directly toward where Broad Top is located.

The Rosemont Project itself lies on the east side of the Santa Rita Mountains near several large porphyry-type producing copper mines operated by Freeport McMoRan and Asarco. The area boasts an excellent infrastructure with paved roads leading to both sides of the Santa Ritas and gravel roads leading directly to the project. It lies less than 10 miles from major electric transmission lines and rail transportation is also near the project.

Water resources are already being acquired and delivered by the Central Arizona Project (CAP) for storage in the greater Tucson aquifer ahead of actual

*The Rosemont Project site near Tucson, Arizona*



## THE TEAM

### GIL CLAUSEN

#### President and CEO

Before joining Augusta Resource Corporation, Mr Clausen was executive vice-president of mining for Washington Group International based out of Denver, Colorado.

In this role, he was responsible for developing new business, executing the business unit growth strategy, and supporting domestic and international operations for several large open-pit coal, metals and industrial minerals mines. Mr Clausen had previously worked with Stillwater Mining as vice president of operations, where he managed a major capital expansion project and implemented a three-year growth plan that doubled mining production and developed reserves. Earlier in his career, Mr Clausen held various positions with Placer Dome, including mine superintendent at Gibraltar Mine, general manager at the Endako Mine, and general manager at the Detour Lake Mine. Mr Clausen holds a BSc and masters degree in mining engineering from Queens University.



### BRUCE NICOL

#### Senior vice president and CFO

Mr Nicol is a chartered accountant with 15 years' professional experience in the international mining industry, having worked with Placer Dome as an officer and in senior financial roles before his appointment with Augusta. Mr Nicol was appointed acting CFO of Placer Dome in February 2006. Preceding this appointment, he served as vice president and controller of Placer Dome since 1996. Mr Nicol joined Placer Dome in 1991, as manager of corporate accounting and was promoted to controller of Placer Dome Canada Ltd in 1994. Before his employment with Placer Dome, he had careers with PWA Corporation/Canadian Airlines as well as Price Waterhouse. Mr Nicol obtained his BCom degree from the University of British Columbia and is a member of the Canadian Institute of Chartered Accountants.



### JAMIE STURGESS

#### Vice president

Mr Sturgess has over 25 years' industry experience in the areas of environmental management, regulatory compliance, pollution control and project management. His career has spanned from research field biologist to site environmental manager for large mining operations, and included terms as vice president, environmental affairs for Cyprus Climax Metals Company, and president of EnviroNet, an environmental engineering and consulting business. Mr Sturgess was formerly a senior associate with Stantec Consulting in the environmental management group, and did major permitting work in Arizona for the past 15 years. He has earned his masters in resource management ecology and his BSc in renewable natural-resource management from the University of California at Davis.



production. Augusta will have stored a three-year supply by the end of this year, with the intention of importing 105% of the water required for the project. Mr Clausen notes that buying and storing excess CAP water in advance is one of the most important components of the mine plan, "not only ensuring we won't deplete water from Southern Arizona, but actually leaving more than we will use".

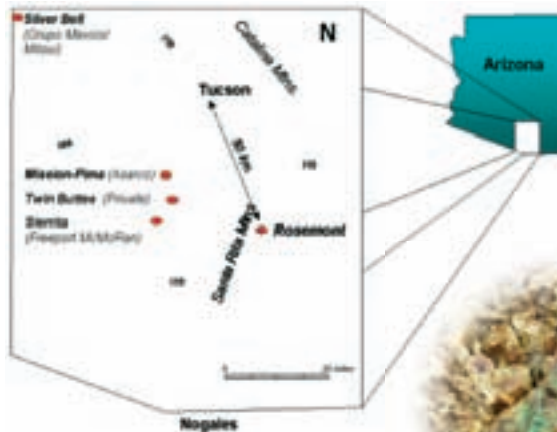
**FAST-TRACK TO DEVELOPMENT**

The company has been moving aggressively toward accomplishing production at the soonest possible time. By mid-2006, it had completed a positive preliminary economic assessment of the project, followed up by securing a sustainable water supply. By December 2006, results had been published from its 20,000 m in-fill drilling program and, as mentioned, a new and updated NI 43-101 compliant mineral resource statement was published in March 2007.

Augusta reversed the trend of traditional financing when it raised C\$37.5 million in a private placement with Sumitomo Corporation at a 40% premium to the current share price in June. Sumitomo acquired 8.7% of the company in the transaction, along with Harbinger Capital Partners which topped up its ownership profile to 19.9%, sending Augusta's share price up nearly 20% overnight.

The company formally filed the plan of operations for the proposed Rosemont Copper project with the US Forest Service in July, completing the first step in the permitting process. The comprehensive report outlines plans to construct, operate and reclaim the Rosemont Copper mine, and takes a best-practice approach to process technology. It uses cutting-edge water, energy, land conservation and re-vegetation techniques, including integrated reclamation, a positive water balance and the elimination of a conventional tailings pond.

Once approved, the final Rosemont plan of operations becomes a binding document that assures the plan's commitments, including reclamation and closure funding guarantees.



Using 24-month forward prices for the first year trending down to \$1.50/lb copper long-term price over the next four years, the NPV (after tax/discounted 5%) was valued at nearly C\$1 billion with an IRR of 20.9% and a payback of three years. For full details please see full report posted at [www.augustaresource.com](http://www.augustaresource.com)

Augusta's current schedule calls for the mine to enter pre-production in the second-half 2009 and ramp up to full production of 27.38 Mt/y by 2011.

At present, the company has C\$37 million in its treasury, which Mr Clausen indicates is more than sufficient to proceed with continuing development and permitting programmes. He also says the company has already explored options for financing

the capital expenditures required to bring the project into production and will likely be able to clarify those plans by Q4 07.

Ultimately, Augusta's goal is first to join the ranks of the world's mid-tier copper producers and then use the cash-flow generated from that production to further develop into a true, world-class mining corporation.

**A FEASIBLE PLAN**

The final feasibility study published last month calls for the use of modern open-pit mining techniques, given the fact that a significant portion of the mineralised material is close to surface. The Rosemont mineral reserve is composed of two distinct types of ore, sulphides and oxides. Sulphide ore will be crushed and reduced to concentrates (84% recovery rate), which will then be transported by highway haul trucks to a concentrate smelter and refinery and eventual shipment to market. Oxide ores will be transported from the open pit by haul trucks for dumping onto lined pads for subsequent leaching with weak acidic solution at a 65% recovery rate to produce high-purity copper cathode plates.

Mining operations are estimated to produce an average 234 Mlb/y of copper (14 Mlb/y in oxides), 4.5 Mlb/y of molybdenum, and 2.65 Moz/y of silver. The capital-cost estimate for the Rosemont mine including all contingencies is projected at US\$797 million, reflecting a slight increase from the preliminary assessment estimate due to higher costs for mining equipment and the inclusion of an oxide plant.

The financial analysis in the final feasibility study completed by M3 Engineering of Tucson, Arizona, reflected positive financial returns.



**VITAL STATISTICS**

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**SHARE INFORMATION**  
**Listed:** AMEX, TSX  
**Symbol:** AZC  
**Issued and outstanding shares:** 88,583,061  
**Convertible securities (including warrants and options):** 18,739,599  
**Fully diluted:** 107,322,660  
**Market cap:** C\$300 million  
**Net cash:** C\$37.5 million  
**Shareholders:** Harbinger Capital Management 19%, management 18%, Front Street 12%, Ospraie Management 9%, Sumitomo Corporation 8%, Goodman & Company 8%

**ASSOCIATES**  
**Transfer Agent:** Computershare Trust Company  
**Auditor:** Ernst & Young Inc  
**Legal counsel:** Faskin Martineau DuMoulin

**PEER GROUP**  
 Chariot Resources  
 Sherwood Copper  
 Peru Copper

