



September 12, 2012

Mr. Jim Upchurch  
Forest Supervisor  
Coronado National Forest  
300 West Congress  
Tucson, Arizona 85701

**Re: Response to August 8, 2012 Forest Service Letter**

Dear Mr. Upchurch:

Rosemont recently completed an update of our reserve models and feasibility study. We would like to provide you with information on that process that you may find helpful and that should clarify the other information provided previously to your office. Following the discussion on the feasibility study update are the specific responses to the questions enumerated in your letter dated August 8, 2012.

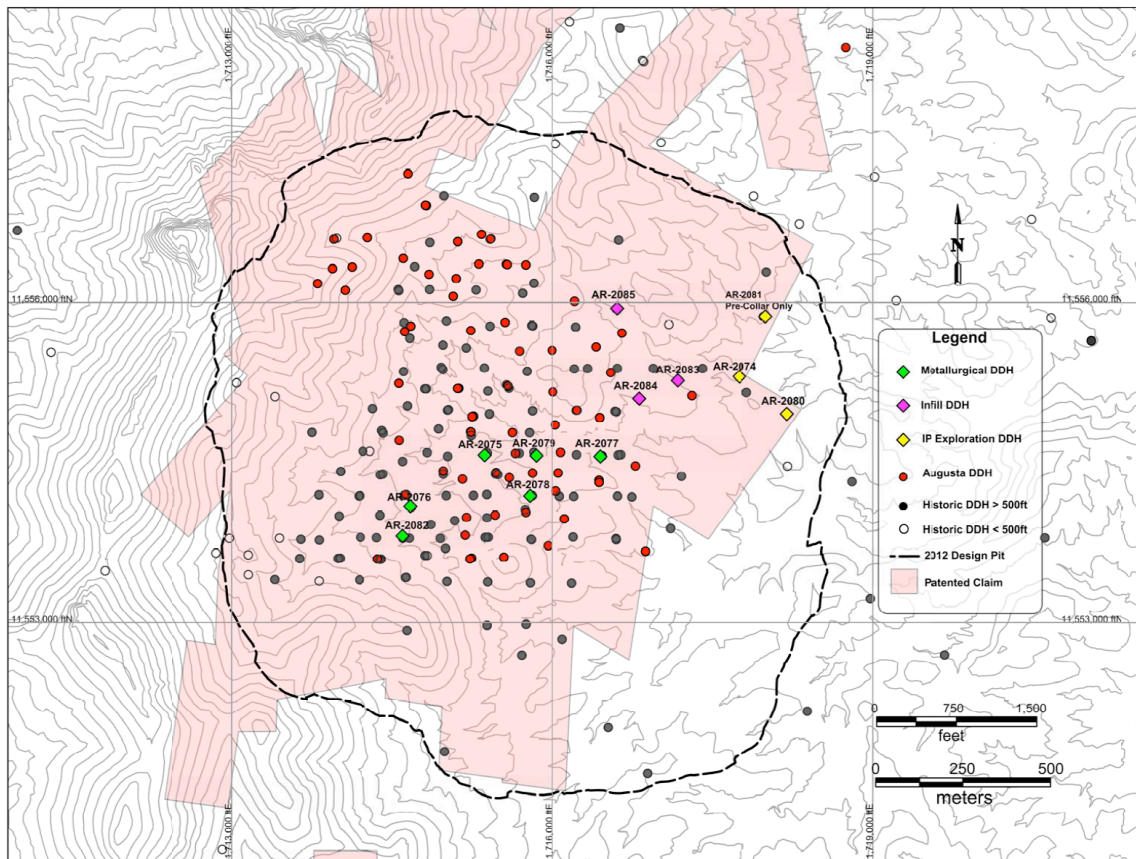
#### **Update Information**

Further drilling of the Rosemont deposit was conducted from November 2011 to February 2012. Twelve additional holes were drilled, with six for additional metallurgical sample material, three to provide for infill drilling in the northeast area, and three to better define the pit limit to the east.

The Rosemont deposit resource database currently consists of 266 drill holes, totaling 342,708 feet of drilling. The RCC drilling represents 39 percent of the total footage drilled in the deposit. Figure 1 shows the location of the holes that have been drilled in the deposit to date.

The 2011-2012 drilling results, along with the results from further sampling of five previously drilled holes, were incorporated into an updated resource block model in May 2012. The block modeling parameters were updated for use in the new model based on geostatistical analysis. The resulting resource is reported based on equivalent copper within the limits of a \$3.50/lb copper cone pit. The equivalent copper grade incorporates the additional respective contribution of the molybdenum and silver values.

**Figure 1— Rosemont Deposit Drill Hole Locations**



As you may be aware, the drilling activities are analyzed spatially and economically to result in a mineral reserve categorized as Proven or Probable, and mineral resource estimates categorized as Measured, Indicated, or Inferred. Each one of these reserve and resource categories has a specific definition under Canadian regulatory reporting standards “NI43-101” that we are required to perform as a public company. The definitions are consistent and similar or analogous to SEC reserves and resource categories. Those definitions are below:

**“Proven Mineral Reserve** is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

**Probable Mineral Reserve** is the economically mineable part of an Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

**Measured Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through

*appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.*

**Indicated Mineral Resource** *is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.*

**Inferred Mineral Resource** *is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.”*

Improved recoveries resulted in an adjustment of the “just below cutoff” blocks of ore into an economic block thus “converting” waste to ore. Additional analysis of the grade model showed a few opportunities to convert inferred areas in the pit shell into measured and indicated ore reserves. This work is simply optimization of the model and mine plan and is not an increase in the pit footprint.

### **Processing of Oxide Ore**

*In order to understand the effects from the proposed change to the alternative, and to make a decision on whether or not to apply the change in the analysis, I am requesting information on the rationale used to determine that remaining oxide materials, formerly ore, are now below cut-off grade, and how that grade was determined. Additionally, please discuss whether or not the oxide ore previously identified in other action alternatives would now be considered below grade, and why or why not.*

The oxide mineralization in the Rosemont ore deposit consists of copper minerals in a form that is not recoverable by the flotation method planned for the sulfide ore, but which potentially could be recovered by heap leaching. For this reason, heap leaching of the oxide materials was previously included in the operating plan proposed in our Mine Plan of Operation and in our previous Feasibility Studies.

The definition of cut-off grade is slightly complicated. Obviously, the grade of the ore is important. However, the analysis includes other factors including metal price, rate of recovery, the cost of production and the recovery of construction and closure costs. It is a measure of the viability of the recovery of the oxide resource.

Based on our 2012 economic analysis, it was determined that the oxide mineralized material must have a value of at least \$3.03 per ton to recovery operating costs relating to the mining and processing of the oxide material. This value is approximately equivalent to a cutoff grade of 0.10 percent copper. In the mineral resource block model, developed by independent consultants in May 2012 and reported in the latest feasibility update, there was a total of 63.4 million tons of measured and indicated resource category oxide at an average grade of 0.17 percent copper. As this oxide material is only slightly above the cutoff grade, this material is considered marginally economic.

Moreover, as stated in our letter dated July 10, 2012, we have determined that for the Barrel Alternative, processing the oxide ore does not make sense from a logistical point of view. In short, we

cannot effectively process the oxide material and recover the copper using the Barrel Alternative configuration. These reasons include the important element of the time required to fully leach the oxide ore and allow full recovery of the copper metal to support the payback of capital and closure costs.

As to your question regarding whether the oxide ore is considered “below grade” for the purposes of the other alternatives, Rosemont believes the answer is no for the same reason. Our ability to fully recover copper through the leaching process is an important element of our analysis of cutoff grade. The logistics associated with other alternatives allow for unimpeded operation of the leach facility for a much longer period of time, and hence, full leaching of the oxide material could occur. Consequently, under the other alternatives, our ability to recover metals through the leaching process is not compromised. In contrast, the reduced space and time available for the leaching operations under the Barrel Alternative limits the opportunity for copper recovery.

### **Effects Listing**

The specific information you are requesting with the additional bulleted items can be found in the sections below. Please be aware, as stated in our July 10, 2012 letter, that there are **NO** proposed changes to the footprints of the facilities that were examined in the DEIS. Under the Barrel Alternative, the size and configuration of the open pit, the plant area, the dry stack tailings and the waste storage area will remain unchanged.

- *Capacity of processing and waste facilities, and change in their configurations, footprints and also, change in equipment to be used with the operation.*

The capacity of the processing and waste facilities and their configurations were designed to meet the footprint of the Barrel Alternative as prescribed by the Forest Service. As previously explained, the logistics associated with this design are what has necessitated the elimination of the heap leaching facility.

Changes to operating equipment being proposed include additional haulage equipment already identified for the purposes of calculating air emissions. The haulage equipment was identified and detailed due to the additional haulage distances and cycle times.

Rosemont is reviewing the opportunity for increasing throughput at the concentrator through operational efficiencies and, potentially, the installation of additional equipment in about year 5 of the operations. While design details on the equipment have not been specified, the requirement will be for grinding and flotation equipment. This equipment will be located adjacent to the existing grinding and flotation lines and includes installation of the thickener most recently depicted in the Preliminary Reclamation Plan for the Barrel Alternative as contingency. Additional filters would also be installed inside of the existing filter building. All of this installation would occur within the existing plant area – in areas marked as contingency in the various plans submitted in support of the MPO and DEIS, most recently the Draft Reclamation and Closure Plan submitted in July 2012. The mill production rate with the additional equipment is still below the rate used to calculate emissions in the MPO, air permits and modeling.

- *Sequencing of placement of materials, timing of production, reclamation and closure of operation.*

The sequencing of placement of materials, timing of production, reclamation and closure of the operation are all detailed in the Reclamation and Closure Plan draft associated with the Barrel Alternative. Mining rates are very similar to those presented in the Mine Plan of Operations (2007) and in the Phased Tails Alternative (2009 Feasibility Study). The mining rates are shown on **Table 2 - Mining**.

The reclamation and closure information is detailed in the Reclamation and Closure Plan that was provided to the Forest Service in July 2012.

- *Change in transportation and traffic.*
- *Change in products to market and volume of the products with elimination of oxide ore and cathode production.*

Transportation and traffic will change as a result of the elimination of the need to transport sulfuric acid to the project area and a slight increase in the concentrate tons being shipped. You will, however, notice that the actual number of shipments is reduced in the current configuration. This reduction is the result of improved concentrate grade, and optimized travel and loading studies. Table 1 illustrates those changes from the Mine Plan of Operations. As you will see the overall number of shipments is less with this scenario.

**Table 1 - Traffic**

Material	Mine Plan of Operations			2012 Feasibility Study		
	Quantity per Year (tons)	Trips per Week	Trips per Day	Quantity per Year (tons)	Trips per Week	Trips per Day
Copper Concentrate	484,700	388	46	439,000	352	50
Sulfuric Acid	73,190	64	9			
Pebble Lime	37,200	33	5	37,200	33	5
SAG & Ball Mill Balls	19,000	17	4	19,000	17	4
Diesel fuel (gallons)	9,000,000	29	4	9,000,000	29	4
Copper Cathode	19,000	17	4			
Ammonium Nitrate	20,075	18	4	20,075	18	4
Miscellaneous Reagents	3,750	6	1	3,750	5	1
Wear Parts & Explosives	3,250	5	1	3,250	5	1
Moly Concentrates	4,670	4		4,670	4	
Fuel & Oils (gallons)	105,000	1		105,000	1	

**Table 2 - Mining**

Yr.	Mine Plan of Operations (2007 FS)				Phased Tailings (2009 FS Update)				Barrel Alternative (2012 FS Update) <sup>1</sup>		
	Sulfide	Oxide	Waste	Total	Sulfide	Oxide	Waste	Total	Sulfide	Waste	Total
-2							1,688	1,688		13,117	13,117
-1	3,328	14,979	101,293	119,600	977	8,647	62,229	71,853	6,259	85,742	92,001
1	19,444	18,244	84,286	121,974	21,498	20,674	72,822	114,994	27,920	88,169	116,089
2	27,375	5,320	92,305	125,000	27,376	14,751	72,243	114,370	35,577	69,944	105,521
3	27,375	937	89,088	117,400	27,375	9,629	72,369	109,373	42,628	82,165	124,793
4	27,375	2,602	87,423	117,400	27,375	3,901	78,094	109,370	27,375	95,980	123,355
5	27,375	5,002	85,023	117,400	27,375	1,821	80,177	109,373	32,015	74,569	106,584
6	27,375	2,195	87,830	117,400	27,375	9,758	71,241	108,374	34,349	63,412	97,761
7	27,375		90,025	117,400	27,375		81,997	109,372	37,373	92,094	99,467
8-10	82,125	166	269,909	352,200	82,125		245,491	327,616	50,316	269,243	319,559
11-15	136,875		287,195	424,070	136,875		339,995	476,870	163,520	260,736	424,256
16-19 <sup>2</sup>	86,705		14,050	100,755	140,612		53,911	194,523	164,250	83,990	243,596
20-21									39,847	4,644	44,491
Total	492,727	49,445	1,288,427	1,830,599	546,338	69,181	1,232,257	1,847,777	661,429	1,249,161	1,910,590

<sup>1</sup> The amounts listed in preproduction years 1 and 2 include the movement of construction related materials such as at the plant site. This was not included in prior studies.

<sup>2</sup> For the 2009 Feasibility Study, the amounts listed under years 16-19 were actually for years 16-21.

- *Change in number of jobs and impact to profit and revenue.*

The number of jobs associated with the current plan averages approximately 450 people over the life of the facility, with the peak workforce is estimated to be 506 employees in year 4. A comparison of the distribution of personnel for the Mine Plan of Operations, the 2009 Feasibility Study and the 2012 Feasibility Study is shown in Table 3.

**Table 3 –Average Employment**

	<b>Mine Plan of Operations (2007)</b>	<b>Phased Tails Alternative (2009 FS)</b>	<b>Barrel Alternative (2012 FS)</b>
General & Administrative	40	40	45
Mine Operations	284	288	293
Mill Operations	96	94	112
SX-EW Operations	36	35	
Total	456	457	450

Additional staff in mill operations for tailings management as well as additional mining personnel for the extended hauls replaces the more than half of the SX-EW operations staff. Based on current plans, additional staff also will be required in the General and Administrative functions. Therefore, some of the SX-EW personnel are incorporated there as well.

Eliminating the SX-EW facilities (including the heap leach) has reduced operations and capital costs, which provides a positive impact to the operations as illustrated in the attached press release from Augusta Resource.

- *Amount of reduction in the use of electricity and water, and a discussion including the following:*
  - *Would electrical load be reduced to the point that a 69kV rather than 138Kv line would suffice for the remaining operation?*
  - *Would the change in amount of electricity used for operations facilitate an increase in the use of solar-generated electricity or make underground power transmission more feasible? Could the remaining use of electricity be shared with existing lines (Trico and TEP)?*
  - *Would the change in the amount of water use result in a change in the number and location of pumping stations used for the water line.*

According to calculations, there will be reductions in electricity and water usage but not to the extent that a lower kV line could be used.

The total connected load for Rosemont is estimated to be approximately 126 megawatts (MW) and will require a transmission voltage of 138 kV. The estimated demand load is about 96.5 MW and the estimated operating load is about 92.8 MW. This configuration will still require the use of a 138 kV line to transmit the electricity, which still requires a Certificate of Environmental Compatibility from

the Arizona Corporation Commission. The load cannot be supported by solar power. Consequently, there is no change to the configuration of the proposed transmission lines or their alignments.

Peak water demand for the project does not change and is still estimated at the permitted level of 6,000 acre-feet per year. The estimated reduction in use due to the elimination of the heap leach and SX-EW facilities is approximately 650 acre-feet per year. However, longer haulage roads and increased dust control requirements may offset this reduction and will be dependent upon the year of operation and the air permit requirements. Rosemont requests that the Forest Service maintain the water use analysis at current permit levels to ensure maximum potential impacts are disclosed.

The number and location of pumping stations will remain at four stations and remain at the locations specified in prior correspondence.

*Additionally, how will the elimination of the oxide operation effect natural resources such as water quality relative to geochemical changes with ore re-classification; and, does it change impacts to air quality, wildlife and vegetation, soils and other natural resources? How does it affect the visual quality of the operation? Does the change affect lighting, for example number of lumens?*

Samples of materials associated with Arkose, QMP, and Andesite were included in the geochemical testwork completed to characterize the material at the site. The addition of these oxide materials does not change the overall geochemistry of the waste rock facility as this material has been included in the geochemical analysis completed. The additional oxide material accounts for approximately 5% of the overall waste material total. Any rock determined to be acid-producing will continue to be identified and segregated as required in the Aquifer Protection Permit.

The oxide material will still need to be moved so the impacts to air, wildlife or vegetation, or visual quality will not change from the original impact analysis that included the heap leach. Elimination of the SX-EW and heap leach facilities reduces the potential emissions by eliminating those facilities. Those emissions, excluding emergency generators, are shown in Table 4 below.

**Table 4 – Estimated Emissions Reduction**

	<b>PM/TSP (tpy)</b>	<b>PM<sub>10</sub> (tpy)</b>	<b>PM<sub>2.5</sub> (tpy)</b>	<b>VOC (tpy)</b>	<b>CO<sub>2</sub> (tpy)</b>	<b>Other (tpy)</b>
EW Hot Water Heater	0.63	0.44	0.3	0.04	4,453.51	5.07
SX-EW Fire Water Pump	0.03	0.03	0.03	0.04	114.14	1.19
SX-EW facility				3.77		3.33
<b>Total</b>	<b>0.66</b>	<b>0.47</b>	<b>0.33</b>	<b>3.85</b>	<b>4,567.65</b>	<b>9.59</b>

The reduction in the number of lumens has been approximated at 105,538 lumens associated with 500 NM Filtered LED (FLED). These numbers were included in the latest update by Monrad Engineering, dated August 17, 2012, which was provided to the technical team. No credit was taken for the elimination of the in-plant SX-EW facilities, tanks or ponds. The reductions are associated with the elimination of lighting in the heap leach pad area. No credit was taken for the elimination of the SX-EW facilities, tanks or ponds in the plant area.



I emphasize again that the decision to eliminate the heap leach pads and related facilities are driven largely by the economic and logistical constraints caused by the Barrel Alternative. These same considerations are not applicable to the other alternatives evaluated in the DEIS. Nevertheless, these operational changes are a logical outgrowth of the Barrel Alternative, and respond to comments that related to the operation and closure of the heap leach/SX-EW facilities. We also believe that these operational changes will reduce the environmental impacts of the Rosemont Project, should the Forest Service ultimately select the Barrel Alternative

If you have questions or would like to discuss any particular aspect of this letter or the attachments in greater detail, please let me know.

Regards,



Katherine Ann Arnold  
Vice President, Environmental and Regulatory Affairs

Attachment: *Augusta Resource News Release, "Augusta Announces 2012 Feasibility Study Update Results"*

Cc: Chris Garrett, SWCA  
File

*Doc. No. 059/12-15.3.1*



## NEWS RELEASE

### Augusta Announces 2012 Feasibility Study Update Results

Denver, CO, July 24, 2012 – Augusta Resource Corporation (TSX/NYSE MKT: AZC) (“Augusta” or “the Company”) announces an updated mineral reserve estimate and results from its National Instrument (“NI”) 43-101 compliant Feasibility Study update for its Rosemont Copper project (“Rosemont”) located near Tucson, Arizona. *All amounts in United States Dollars and all tons are in short tons.*

#### **Financial Summary**

The Feasibility Study update includes financial analysis on three scenarios with varying metal prices: 1) 60/40 pricing reflecting a weighted average of 60% on three-year historical prices and 40% on two-year forward market prices; 2) three-year historical pricing; and, 3) long term metal prices reflecting a long term copper price of \$2.50/lb. A comparison of project economics based on these three scenarios is provided below.

	<b><u>60/40 Pricing</u></b> <sup>(1)</sup>	<b><u>Historical 3 Year Average</u></b> <sup>(2)</sup>	<b><u>Long Term Pricing</u></b> <sup>(3)</sup>
After-tax NPV (0%)	\$7.26B	\$7.50B	\$4.55B
After-tax NPV (5%)	\$3.65B	\$3.78B	\$2.26B
After-tax NPV (8%)	\$2.51B	\$2.60B	\$1.53B
After-tax IRR	38%	39%	31%
Payback	2.3 years	2.2 years	2.4 years

*Note: All scenarios include silver and gold pricing from the Silver Wheaton Agreement, which are \$3.90/oz silver and \$450/oz gold*

- 1. Assumes a copper price of \$3.50/lb and molybdenum price of \$14.19/lb throughout the mine life; pricing is as of June 30, 2012.*
- 2. Assumes a copper price of \$3.56/lb and molybdenum price of \$15.06/lb throughout the mine life; pricing is as of June 30, 2012.*
- 3. Assumes a copper price of \$3.50/lb in year one, \$3.25/lb in year two, \$3.00/lb in year three, \$2.75/lb in year four, and \$2.50/lb in year five and thereafter, and, a molybdenum price of \$15.00/lb throughout the mine life.*

***“We are pleased to be able to deliver this updated mine plan conforming to the Preferred Alternative as identified by federal agencies during the NEPA public review process,” said Gil Clausen, Augusta’s President and CEO. “Updating Rosemont’s mine plan and economics is one of the last steps required for finalizing project financing, which we expect to complete by the end of this year.”***

***“This Feasibility Study update represents a detailed estimate of capital and operating costs that form the basis for construction, which we will begin with the receipt of our final agency approvals and permits.” Mr. Clausen added.***

### **Regulatory Approvals and Mitigation Requirements**

In the Rosemont draft Environmental Impact Statement (“EIS”) released in October 2011, the U.S. Forest Service (“USFS”) identified the Barrel Alternative as the Agency Preferred Alternative, which is a different alternative than the original plan submitted by the Company. Augusta has optimized mine planning for the Agency Preferred Alternative within the impact footprint developed during the USFS National Environmental Protection Act (“NEPA”) process. These plan changes respond to public and agency comments and include incorporating the latest agency requirements for impact avoidance, pollution control, habitat mitigation, resource conservation, and public safety.

These regulatory-driven changes, along with the 2012 mineral resource and updated metallurgical testwork, led to plan optimizations presented in this Feasibility Study update. The operating plan conforms to the Agency Preferred Alternative and to conditions for approval that are anticipated to be finalized in the final EIS and Record of Decision by the end of 2012.

### **Mining and Processing**

The Rosemont deposit is a large tonnage, skarn-hosted, porphyry-intruded, copper-molybdenum deposit located in close proximity to the surface and is amenable to open pit mining methods. The proposed pit operations will be conducted from 50-foot-high benches using large-scale equipment, including: 12.25-inch-diameter rotary blasthole drills, 65-cu-yd electric mining shovels, 36-cu-yd front-end loaders, 35 cyd hydraulic excavators, 260 ton off-highway haul trucks, 580- to 850-hp crawler dozers, 500-hp rubber-tired dozers, 297 hp motor graders and 30,000-gallon off-highway water trucks.

Preproduction, mining and construction is estimated to be 22 months followed by 21 years of mining production. Sulfide ore feed to the concentrator plant starts at 27 million tons per year ramping up to 33 million tons per year with an average stripping ratio of 1.9 tons of waste to ore moved.

The sulfide ore is to be processed by crushing, grinding and flotation to produce a copper concentrate and a molybdenum concentrate. Rosemont concentrator throughput for the first four years of production will average 75,000 tons per day (tpd) ramping up to 90,000 tpd for the second half of the mine life. Process equipment will be added and optimized within the concentrator in order to sustain annual average copper production for the life of mine (“LOM”) of approximately 243 million pounds per year. Average annual production for the first three years is estimated at 255 million pounds of copper.

This Feasibility Study update eliminates the heap leaching of oxide minerals and associated plant facilities, such as the SX/EW plant, that were contained in earlier feasibility studies. As a result of the technical challenges associated with stacking plans for the heap leach in the Barrel Alternative, and assuming a long term copper price of \$2.50/lb, copper cathode production was eliminated from the Barrel Alternative plan analyzed in this update. Although the oxide minerals contained in the mineral resource estimate are potentially economic, it has been removed from mineral reserves and is included in waste in this update. If the oxide minerals are excluded from waste, the waste to ore ratio would be 1.7:1.

As a result of additional metallurgical testwork and further optimizations, the Company has improved LOM copper recoveries from 83% to 87%. LOM molybdenum and silver recoveries remain comparable at 58% and 76%, respectively.

Production and processing metrics from the Feasibility Study update are summarized below.

<b><i>Production and Processing Metrics</i></b>	
First 3 Years Average Annual Copper Production (lbs)	255M
First 3 Years Average Annual Molybdenum Production (lbs)	6.9M
First 3 Years Average Annual Silver Production (oz)	2.8M
LOM Average Annual Copper Production (lbs)	243M
LOM Average Annual Molybdenum Production (lbs)	5.4M
LOM Average Annual Silver Production (oz)	2.9M
LOM Average Copper Grade (%)	0.44%
LOM Average Molybdenum Grade (%)	0.015%
LOM Average Silver Grade (oz per ton)	0.12 opt
Waste to Ore Ratio*	1.9:1
LOM Average Copper Recoveries	87%
LOM Average Molybdenum Recoveries	58%
LOM Average Silver Recoveries	76%

\* Waste includes oxide material

### **Capital Costs**

The total initial capital cost for construction, commissioning and mine pre-development is estimated at \$1.226 billion and includes additional tailings filtration capacity and a redundant tailings stacking system. Capitalized mine pre-development expense is estimated at \$116 million. The total capital cost represents an overall increase of 32% from the cost estimate in the 2009 Feasibility Study, reflecting additional equipment and escalation in costs of equipment, materials and labor.

Augusta has already spent approximately \$90 million on purchases of long lead equipment and \$23 million on EPCM costs, for a total of \$113 million, which is included in the capital cost estimate.

<b>Capital Expenditures (CAPEX) Breakdown (\$M)*</b>	
General Site / Ancillary Facilities	\$60
Mine	\$252
Sulfide Plant / Tailings	\$471
Power / Water Supply	\$122
EPCM, Commissioning, Spare Parts	\$104
Owner's Costs	\$163
Contingency	\$51
Spent Costs (Long-Lead Equipment and EPCM)	(\$113)
<b>Total Construction &amp; Commissioning CAPEX</b>	<b>\$1,110</b>
Mine Pre-development CAPEX	\$116
<b>Total CAPEX</b>	<b>\$1,226</b>

Sustaining capital for the life of mine is estimated at \$276 million, which includes equipment replacement and process optimization.

## Operating Costs

Average cash costs, net of by-product credits, using the 60/40 pricing scenario, for the first three years of production are estimated at \$0.87 per pound of copper and \$1.02 per pound of copper for the life of mine. In the Long Term Pricing Scenario, cash costs are reduced to \$0.85/lb for the first three years and \$0.99/lb for the life of mine.

Total cash operating costs are estimated at \$10.66 per ton, which includes mining, processing, general and administration (G&A), treatment and refining (TC/RC's), transportation and regulatory costs. The reclamation will be largely concurrent and is included in the mining operating costs. An operating cost general breakdown is provided in the table below.

Cash operating cost (\$ per ton of ore)	
Mining	\$3.37/ton
Processing	\$4.27/ton
G&A	\$0.42/ton
TC/RC and Transportation	\$2.60/ton
<b>Total cash operating cost</b>	<b>\$10.66/ton</b>

## Financial Sensitivity Analysis

Sensitivity analysis was completed on additional key assumptions such as operating and capital costs and total production under the 60/40 Pricing Scenario. This analysis is summarized below.

	After-tax NPV (0%)	After-tax NPV (5%)	After-tax NPV (8%)	After-tax IRR
60/40 Pricing Scenario	\$7.26B	\$3.65B	\$2.51B	37.9%
Initial CAPEX (+10%)	\$7.18B	\$3.57B	\$2.43B	34.1%
Initial CAPEX (-10%)	\$7.33B	\$3.72B	\$2.59B	42.8%
OPEX (+10%)	\$6.95B	\$3.47B	\$2.38B	36.6%
OPEX (-10%)	\$7.56B	\$3.81B	\$2.63B	39.1%
Metal Production (+10%)	\$8.35B	\$4.24B	\$2.94B	42.0%
Metal Production (-10%)	\$6.16B	\$3.05B	\$2.07B	33.5%

## Mineral Reserve and Mineral Resource

Rosemont's proven and probable mineral reserves increased by 22%, or 121 million tons, to 667 million tons, when compared to the previous 2008 mineral reserve. The average grades are 0.44% copper and 0.015% molybdenum for a total of 5.9 billion lbs of copper and 194 million lbs of molybdenum. This mineral reserve is effective July 24, 2012 and is included within the measured and indicated mineral resource announced on July 17, 2012.

A summary of the mineral reserve and mineral resource estimate is provided below.

Rosemont Proven and Probable Mineral Reserve Sulfides $\geq$ 4.90 \$/ton NSR cutoff					
	Tons (Ms)	NSR \$/ton	Copper (%)	Molybdenum (%)	Silver (opt)
Proven Mineral Reserves	308.1	20.29	0.46	0.015	0.12
Probable Mineral Reserves	359.1	18.67	0.42	0.014	0.12
<b>TOTAL Proven and Probable</b>	<b>667.2</b>	<b>19.42</b>	<b>0.44</b>	<b>0.015</b>	<b>0.12</b>

- The mineral reserve excludes potentially economic oxide material, therefore waste includes potentially economic material.
- Net Smelter Return (NSR) values are based on metal prices of \$2.50/lb Cu, \$15.00/lb Mo, and \$20/oz Ag.

- The mineral reserve has been confined by a pit shell based on \$1.88 per pound copper.
- Copper equivalency for copper is based on \$2.50/lb Cu and 86% recovery for sulfide, 40% recovery for mixed sulfide.
- Copper equivalency for molybdenum is based on \$15.00/lb Mo and 63% recovery for sulfide, 30% recovery for mixed sulfide.
- Copper equivalency for silver is based on \$20/oz Ag and 80% recovery for sulfide, 38% recovery for mixed sulfide.

Rosemont Measured and Indicated Mineral Resources (inclusive of mineral reserves)							
	Sulfide Mineral Resources (includes mixed sulfide)					Oxide Mineral Resources	
	Tons (M)	Copper Equiv (%)	Copper (%)	Molybdenum (%)	Silver (opt)	Tons (M)	Copper (%)
Measured Mineral Resource	347.7	0.56	0.45	0.015	0.12	30.3	0.17
Indicated Mineral Resource	571.6	0.48	0.38	0.014	0.10	33.1	0.16
<b>TOTAL Measured &amp; Indicated</b>	<b>919.3</b>	<b>0.51</b>	<b>0.41</b>	<b>0.014</b>	<b>0.11</b>	<b>63.4</b>	<b>0.17</b>

Inferred Mineral Resources							
	Sulfide Mineral Resources (includes mixed sulfide)					Oxide Mineral Resources	
	Tons (M)	Copper Equiv (%)	Copper (%)	Molybdenum (%)	Silver (opt)	Tons (M)	Copper (%)
<b>TOTAL Inferred</b>	<b>138.6</b>	<b>0.49</b>	<b>0.40</b>	<b>0.012</b>	<b>0.10</b>	<b>1.1</b>	<b>0.15</b>

- The mineral resource has been confined to a pit shell based on \$3.50 per pound copper.
- Cutoff grades are 0.15% CuEq for sulfide, 0.30% CuEq for mixed sulfide, and 0.10% Cu for oxide.
- Copper equivalency for copper is based on \$2.50/lb Cu and 86% recovery for sulfide, 40% recovery for mixed sulfide.
- Copper equivalency for molybdenum is based on \$15.00/lb Mo and 63% recovery for sulfide, 30% recovery for mixed sulfide.
- Copper equivalency for silver is based on \$20/oz Ag and 80% recovery for sulfide, 38% recovery for mixed sulfide.

The mineral reserve and mineral resource estimate includes drill and assay information up to March 2012. A total of 266 drill holes, representing 342,700 feet of drilling, were used to update the geologic block model. This included 12 recent holes drilled for infill and metallurgical purposes, as well as further sampling of five older holes. The mineral reserve took advantage of geotechnical optimizations of the northeast pit wall due to recent drill holes encountering more competent rock than was previously identified.

### **Conference Call**

Augusta will host an investor conference call with members of management to discuss the results of Rosemont's Feasibility Study update today at 9 a.m. E.T. Dial information is as follows:

North American Toll Free: (888) 231-8191 International: (647) 427-7450

A presentation slide show will accompany the call. The slides as well as a live webcast will be available on the Company's website at [www.augustaresource.com](http://www.augustaresource.com).

An audio replay and archived webcast will be available for one week following the conference call. Replay information is as follows:

North American Toll Free: 1-855-859-2056  
International: 416-849-0833

Participant Code: 11384797

### **Technical Report**

The complete Feasibility Study update National Instrument ("NI") 43-101 Technical Report will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) within 45 days and will also be available on the Company's website at [www.augustaresource.com](http://www.augustaresource.com).

## **Qualified Persons**

The Feasibility Study update was prepared by an integrated engineering team led by M3 Engineering & Technology Corporation (M3) of Tucson, Arizona as the primary author of the Technical Report. The Feasibility Study update was conducted under the overall review of Conrad Huss, P.E. Ph.D., of M3, and serves as Principal Author of the Technical Report. Dr. Huss has reviewed and approved the information in relation to the updated feasibility study results in this news release and verified the respective data. Dr. Huss is an independent Qualified Person under the standards set forth under NI 43-101 and is M3's Chairman of the Board. He has over 40 years of experience in engineering, operations, and construction.

Augusta contracted Moose Mountain Technical Services of British Columbia, Canada to estimate Rosemont's updated mineral reserve. The mineral reserve update was performed under the direction of Mr. Robert Fong, P.Eng. Mr. Fong has reviewed and approved the mineral reserve data included in this press release and verified the respective data. He is a registered professional engineer with the province of Alberta and is an Independent Qualified Person under the standards set forth by Canadian National Instrument 43-101.

## **About M3 Engineering & Technology Corporation**

M3 Engineering & Technology Corporation (M3) provides professional EPCM services to the hard rock mining and cement industries. M3 is currently managing over \$2.5 billion in EPCM projects in North and South America, with the largest current project at over \$1.5 billion. Past projects include Goldcorp's Minera Penasquito poly-metallic mine in Zacatecas, Mexico with a capital cost in excess of \$1 billion in addition to Penoles Madero, Newmont's La Herradura, Frontera Copper's Piedras Verdes, Pan American Silver's Alamo Dorado, Alamos Gold's Mulatos, and Mitsubishi's Cement Long Beach Loadout. Historically M3 has provided design for over 9,000 projects and is now recognized as an industry leader in Feasibility Studies and associated NI 43-101's.

## **ABOUT AUGUSTA**

Augusta is a base metals company focused on advancing the Rosemont Copper deposit near Tucson, Arizona. Rosemont hosts a large copper/molybdenum reserve that would account for about 10% of US copper output once in production (for details refer to [www.augustaresource.com](http://www.augustaresource.com)). The exceptional experience and strength of Augusta's management team, combined with the developed infrastructure and robust economics of the Rosemont project, propels Augusta to becoming a solid mid-tier copper producer. The Company trades on the Toronto Stock Exchange and the NYSE MKT under the symbol AZC.

## **Contact Information**

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## **CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING INFORMATION**

Certain of the statements made and information contained herein may contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements and forward-looking information include, but are not limited to statements concerning: expectations surrounding future project financings or refinancing; the Company's plans at the Rosemont Project including timing for final permits and construction; estimated production; and capital and operating and cash flow estimates. Forward-looking statements or information include statements regarding the expectations and beliefs of management. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or

“believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: history of losses; requirements for additional capital; dilution; loss of its material properties; interest rates increase; global economy; no history of production; speculative nature of exploration activities; periodic interruptions to exploration, development and mining activities; environmental hazards and liability; industrial accidents; failure of processing and mining equipment; labour disputes; supply problems; commodity price fluctuations; uncertainty of production and cost estimates; the interpretation of drill results and the estimation of mineral resources and reserves; legal and regulatory proceedings and community actions; title matters; regulatory restrictions; permitting and licensing; volatility of the market price of Common Shares; insurance; competition; hedging activities; currency fluctuations; loss of key employees; as well as those factors discussed in the section entitled “Risk Factors” in the Company’s Annual Information Form dated March 19, 2012. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. The Company disclaims any intent or obligation to update forward-looking statements or information except as required by law, and you are referred to the full discussion of the Company’s business contained in the Company’s reports filed with the securities regulatory authorities in Canada and the United States.

#### **About Mineral Reserves and Mineral Resources**

This press release uses the terms indicated and inferred resources as a relative measure of the level of confidence in the resource estimate. Readers are cautioned that: (a) mineral resources are not economic mineral reserves; (b) the economic viability of resources that are not mineral reserves has not been demonstrated; and (c) it should not be assumed that further work on the stated resources will lead to mineral reserves that can be mined economically. In addition, inferred resources are considered too geologically speculative to have any economic considerations applied to them. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies or economic studies except for certain preliminary economic assessments. Readers should also refer to the Company’s Annual Information Form dated March 19, 2012 and other continuous disclosure documents available at [www.sedar.com](http://www.sedar.com), which is subject to the qualifications and notes set forth therein.