AUGUSTA

RESOURCE CORPORATION

Condensed Consolidated Interim Financial Statements

For the First Quarter Ended March 31, 2013

Augusta Resource Corporation

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - in U.S. dollars)

	Notes	March 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 15,970,441	$ 29,050,005
Short-term investments	5	159,659	260,770
Accounts receivable	10b	5,552,635	4,548,032
Due from related parties	11	59,350	18,174
Current portion of other assets	5	750,000	750,000
Prepaids and other		325,461	361,802
		22,817,546	34,988,783
Non-current assets			
Deposits on long-lead equipment	4	11,670,924	11,670,924
Development costs	6	160,232,025	152,708,037
Property, plant, and equipment	4	84,797,415	83,302,232
Mineral properties	6	24,592,564	24,592,564
Other assets	5	2,608,770	2,337,902
		$ 306,719,244	$ 309,600,442
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 3,780,392	$ 6,220,268
Non-current liabilities			
Deferred income tax liability		3,112,681	3,516,000
Long-term debt	8	88,135,206	86,837,755
Total liabilities		95,028,279	96,574,023
Shareholders' equity			
Share capital	9	220,689,151	220,339,132
Reserves		26,941,042	26,416,067
Deficit		(35,939,228)	(33,728,780)
		211,690,965	213,026,419
		$ 306,719,244	$ 309,600,442
Commitments	13		

On Behalf of the Board of Directors

/S/ Richard W. Warke — */S/ Gilmour Clausen*

Richard W. Warke, Director — Gilmour Clausen, Director

Augusta Resource Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - in U.S. dollars)

			Three months ended March 31,	
		Notes	2013	2012
EXPENSES				
Salaries and benefits	$	11	$ 481,944	$ 515,802
Stock-based compensation		9	555,842	1,052,635
Exploration and project investigation			716,012	286,425
Legal, accounting and audit			276,020	125,132
Travel			24,391	17,745
Consulting			10,611	5,475
Filing and regulatory fees			57,816	67,311
Recruiting fees			-	289
Office and administration		11	91,799	79,241
Rent		11	78,710	48,583
Investor relations			42,889	18,749
Directors' fees			45,586	49,269
Insurance			89,487	84,656
Membership and conferences			957	3,672
Amortization and depreciation			86,519	65,489
Fiscal and advisory services			4,034	5,253
Loss from operations			(2,562,617)	(2,425,726)
Interest and other income			170,749	173,262
Other expenses			(129,699)	(117,782)
(Loss) gain on shares and warrants			(95,796)	551,810
Foreign exchange gain			8,363	109,079
Interest and finance charges			(4,767)	(4,641)
Loss before taxes			(2,613,767)	(1,713,998)
Deferred income tax recovery			403,319	246,499
Net comprehensive loss for the period			$ (2,210,448)	$ (1,467,499)
Loss per share				
- Basic			$ (0.02)	$ (0.01)
- Diluted			$ (0.02)	$ (0.01)
Weighted average number of shares outstanding -				
- Basic			144,135,266	143,958,525
- Diluted			144,135,266	143,958,525

See accompanying notes to the condensed consolidated interim financial statements

Augusta Resource Corporation

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - in U.S. dollars)

	Notes	Three months ended March 31, 2013	2012
Cash flows used in operating activities			
Net comprehensive loss for the period		$ (2,210,448)	$ (1,467,499)
Items not involving cash			
Amortization and depreciation		86,519	65,489
Unrealized foreign exchange gain		(8,752)	(109,441)
Accretion income		(73,173)	(88,988)
Stock-based compensation		555,842	1,052,635
Deferred income tax recovery		(403,319)	(246,499)
Loss (gain) on shares and warrants		95,796	(551,810)
		(1,957,535)	(1,346,113)
Changes in non-cash working capital items	10a	(320,401)	233,744
Cash used in operating activities		(2,277,936)	(1,112,369)
Financing activities			
Shares issued for cash	9c	11,297	1,681,460
Cash provided by financing activities		11,297	1,681,460
Investing activities			
Deposits on long-lead equipment		(738,831)	(2,549,300)
Development cost expenditures		(6,230,080)	(8,337,112)
Property, plant and equipment expenditures		(2,821,916)	(176,800)
Advances to joint venture	10b	(993,557)	(1,027,180)
Purchase of other assets		(31,646)	-
Cash used in investing activities		(10,816,030)	(12,090,392)
Effect of exchange rate changes on cash and cash equivalents		3,105	105,629
Decrease in cash and cash equivalents		(13,079,564)	(11,415,672)
Cash and cash equivalents, beginning of period		29,050,005	31,016,782
Cash and cash equivalents, end of period		$ 15,970,441	$ 19,601,110
Supplemental cash flow information on non-cash transactions	10		

See accompanying notes to condensed consolidated interim financial statements

Augusta Resource Corporation

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - in U.S. dollars except for shares)

	Common Shares without Par Value				Total Shareholders'
	Shares	Amount	Reserves	Deficit	Equity
Balance at December 31, 2012	144,086,728	$ 220,339,132	$ 26,416,067	$ (33,728,780)	$ 213,026,419
Proceeds from exercise of stock options	16,667	16,596	(5,299)	-	11,297
Restricted shares and restricted share units issued, net of forfeitures	242,001	333,423	(333,423)	-	-
Stock-based compensation expense	-	-	555,897	-	555,897
Stock-based compensation capitalized	-	-	307,800	-	307,800
Net comprehensive loss for the period	-	-	-	(2,210,448)	(2,210,448)
Balance at March 31, 2013	144,345,396	$ 220,689,151	$ 26,941,042	$ (35,939,228)	$ 211,690,965

	Common Shares without Par Value				Total Shareholders'
	Shares	Amount	Reserves	Deficit	Equity
Balance at December 31, 2011	143,160,392	$ 217,557,562	$ 22,113,694	$ (24,009,903)	$ 215,661,353
Proceeds from exercise of stock options	781,668	2,392,785	(711,325)	-	1,681,460
Restricted shares and restricted share units issued, net of forfeitures	136,334	376,889	(376,889)	-	-
Stock-based compensation expense	-	-	1,052,764	-	1,052,764
Stock-based compensation capitalized	-	-	500,368	-	500,368
Net comprehensive loss for the period	-	-	-	(1,467,499)	(1,467,499)
Balance at March 31, 2012	144,078,394	$ 220,327,236	$ 22,578,612	$ (25,477,402)	$ 217,428,446

See accompanying notes to condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Augusta Resource Corporation (the "Company") is a development stage enterprise engaged in the exploration and development of mineral properties in North America. The Company is incorporated under the Canada Business Corporations Act and its registered office is Suite 600, 837 West Hastings Street, Vancouver, British Columbia V6C 3N6. The Company is domiciled in Canada and its shares are listed on the Toronto Stock Exchange and NYSE MKT under the symbol "AZC". The Company's most significant asset is the Rosemont copper project ("Rosemont") which is located near Tucson, Arizona. The realization of the Company's investment in Rosemont is dependent upon various factors, including, but not limited to, the ability to obtain the necessary financing to complete the development of Rosemont, future profitable operations, or, alternatively, the ability to dispose of the property at amounts sufficient to recover capitalized expenditures.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company incurred a net comprehensive loss of $2.2 million for the three months ended March 31, 2013 and had a working capital of $19.0 million as at March 31, 2013 (December 31, 2012 - $28.8 million working capital).

The Company's forecast cash requirements for the next twelve months require significant expenditures on the Rosemont project, which exceeds the working capital. This factor indicates the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern and the Company's ability to continue is dependent on the Company raising additional debt or equity financing. The Company is currently discussing project financing with a number of lending institutions and believes that such discussions will result in the Company obtaining the project financing required to fund the construction of the Rosemont project. However there is no assurance that such financing will be obtained or obtained on commercially favourable terms. These condensed consolidated interim financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the condensed consolidated interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these interim consolidated financial statements do not include all information and footnotes required by International Financial Reporting Standards as issued by the IASB and interpretations of the International Financial Reporting Interpretation Committee (together "IFRS") for complete financial statements for year-end reporting purposes. The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2012, except for those described in Note 2d. The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 10, 2013.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

(b) ***Basis of presentation***

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 12. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The Company used estimates in determining the fair value of its Ely receivable, warrant liability, and stock-based compensation expense. The most significant judgements in preparing the condensed consolidated interim financial statements related to the determination of the Company's functional currency and the determination that the Rosemont project is in the development stage.

(c) ***Basis of consolidation***

The condensed consolidated interim financial statements of the Company include the following significant subsidiaries:

Name of Subsidiary	Place of Incorporation	Percentage Ownership
Rosemont Copper Company	USA	100%
Cobre Verde Development Corporation	USA	100%

The Company consolidates all of its subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies. The Company accounts for the assets and liabilities of its 92.05% interest in the Rosemont joint venture, which is held by Rosemont Copper Company ("RCC") and its 76.37% interest (December 31, 2012 - 63.08%) in JPAR LLC, which is held by Cobre Verde Development Corporation (Notes 2d and 3). All intercompany transactions and balances are eliminated on consolidation.

(d) ***Adoption of New or Amended IFRS***

On January 1, 2013, the Company adopted the following new accounting standards that were previously issued by the IASB:

Consolidated Financial Statements
IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company applied IFRS 10 at January 1, 2013, and did not have an impact on the condensed consolidated interim financial statements.

Joint Arrangements
IFRS 11, *Joint Arrangements*, replaces IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 provides for a principles-based approach to the

accounting for joint arrangements that requires an entity to recognize its contractual rights and obligations arising from its involvement in joint arrangements. A joint arrangement is an arrangement in which two or more parties have joint control. Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture, whereas under IAS 31, they were classified as a jointly controlled asset, jointly controlled operation or a jointly controlled entity. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, whereas IAS 31 permitted a choice of the equity method or proportionate consolidation for jointly controlled entities. Under IFRS 11, for joint operations, each party recognizes its respective share of the assets, liabilities, revenues and expenses of the arrangement generally resulting in proportionate consolidation accounting. The Company applied IFRS 11 retrospectively by reassessing the type of, and accounting for, each joint arrangement in existence at January 1, 2013. No significant impacts resulted on the condensed consolidated interim financial statements.

Disclosure of interest in other entities
IFRS 12, *Disclosure of Interest in Other Entities,* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles, and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on its financial statements. Disclosures arising from the adoption of IFRS 12 can be found in Note 3 in the condensed consolidated interim financial statements.

Fair value measurement
IFRS 13, *Fair Value Measurement*, sets out a single IFRS framework for measuring fair value, clarifies the definition of fair value, and enhances disclosures about fair value measurements. The Company applied IFRS 13 prospectively at January 1, 2013, and did not have an impact on the condensed consolidated interim financial statements.

Presentation of financial statements
IAS 1, *Presentation of Financial Statements*, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. The Company applied IAS 1 at January 1, 2013, and did not have an impact on the condensed consolidated interim financial statements.

Future Accounting Changes

Financial instruments
IFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

3. INTERESTS IN JOINT VENTURE

a) Rosemont Joint Venture

On September 16, 2010, RCC and United Copper & Moly LLC ("UCM" or "Joint Venture Partner") executed an Earn-In Agreement ("EI Agreement") whereby UCM can earn up to a 20% interest in the unincorporated Rosemont joint venture ("Rosemont JV") by funding $176 million of Rosemont expenditures. Under the terms of the EI Agreement, UCM will contribute cash into the Rosemont JV as follows: Tranche 1 - a maximum $70 million for permitting, engineering, deposits on long-lead equipment purchases and on-going support activities (collectively "Pre-Construction Costs") until such time as the material permits are granted and Tranche 2 - $106 million for construction costs. Once UCM has earned its 20% interest in the Rosemont JV, Rosemont expenditures will be shared pro-rata 80/20. In the third quarter of 2011, UCM completed its Tranche 1 cash investment of $70 million into the Rosemont JV and has earned a 7.95% interest in the Rosemont JV. The Company is currently funding the Pre-Construction Costs until such time the Record of Decision ("ROD") and project financing is in place.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

Under the EI Agreement, the Company will contribute the Rosemont property valued at $704 million and UCM will contribute up to $176 million in cash to the Rosemont JV to earn its respective interest in the joint venture.

The following is a summary of selected financial information of the Rosemont JV at March 31, 2013 and December 31, 2012 on a 92.05% basis:

Statement of Financial Position	March 31, 2013	December 31, 2012
Cash and cash equivalents	$ 980,176	$ 224,709
Other current assets	174,983	197,745
Non-current assets	270,777,020	262,543,496
Liabilities	(3,035,604)	(5,338,015)
Deficit	2,453,567	2,183,260

Statement of Cash Flows	Three months ended March 31, 2013	2012
Cash used in operating activities	$ (101,021)	$ (177,431)
Cash provided by financing activities	10,125,000	12,000,000
Cash used in investing activites	(9,268,512)	(11,498,098)
Increase in cash and cash equivalents	755,467	324,471
Cash and cash equivalents, beginning of period	224,709	1,435,479
Cash and cash equivalents, end of period	$ 980,176	$ 1,759,950

For the three months ended March 31, 2013, the Rosemont JV incurred an operating loss of $0.3 million (2012 - $0.2 million).

UCM did not acquire any interest in the Rosemont JV during the three months ended March 31, 2013 and 2012 and accordingly, the Company did not recognize any gain or loss on sale of interest in the joint venture.

In the fourth quarter of 2011, the Company and UCM entered into a funding arrangement whereby the Company would provide funding for the joint venture for Pre-Construction Costs and repayable to the Company after the ROD have been received. During the three month ended March 31, 2013, the Company advanced $11 million (Cumulative to-date - $61 million) to the joint venture (See Note 10b).

b) JPAR Joint Venture

On August 24, 2012, Cobre Verde Development Corporation ("CVDC") and SICAN Inc., a wholly-owned subsidiary of Community Water Company of Green Valley ("CWCGV") entered into a joint venture ("JPAR") to construct and operate the CWCGV CAP Water Delivery System (the "CAP WDS") in order to replenish the groundwater used for the Rosemont mining operation. JPAR is governed by an Operating Agreement which outlines the roles and responsibilities of each partner, dispute resolution and dissolution, and actions that require unanimous consent. The Company is responsible for funding the construction of the CAP WDS which is estimated to cost $24 million and SICAN is responsible for project management. On August 24, 2012, JPAR entered into a right of way lease with the Community Water Company Right of Way Trust for a 20-year lease on land used for the construction of CAP WDS at an annual base rent of $0.02 million.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

The following is a summary of selected financial information of JPAR at March 31, 2013 on a 76.37% basis (December 31, 2012 – 63.08%):

Statement of Financial Position	March 31, 2013	December 31, 2012
Cash and cash equivalents	$ 282,688	$ 73,151
Non-current assets	815,015	551,941
Liabilities	-	(44,825)

Statement of Cash Flows	Three months ended March 31, 2013	2012
Cash used in operating activities	$ -	$ -
Cash provided by financing activities	395,166	-
Cash used in investing activites	(185,629)	-
Increase in cash and cash equivalents	209,537	-
Cash and cash equivalents, beginning of period	73,151	-
Cash and cash equivalents, end of period	$ 282,688	$ -

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

4. PROPERTY, PLANT, AND EQUIPMENT AND DEPOSITS ON LONG-LEAD EQUIPMENT

Cost	Land	Water Rights	Vehicles	Buildings	Furniture and Equipment	Long-lead Equipment	Total
As at January 1, 2012	$ 5,679,640	$ 3,806,144	$ 412,331	$ 767,687	$ 602,956	$ -	$ 11,268,758
Additions	-	-	52,149	15,052	176,586	4,196,803	4,440,590
Disposals	-	-	-	-	-	(2,125,691)	(2,125,691)
Reclassification	-	-	-	-	-	70,443,212	70,443,212
As at December 31, 2012	$ 5,679,640	$ 3,806,144	$ 464,480	$ 782,739	$ 779,542	$ 72,514,324	$ 84,026,869
As at December 31, 2012	$ 5,679,640	$ 3,806,144	$ 464,480	$ 782,739	$ 779,542	$ 72,514,324	$ 84,026,869
Additions	590,184	-	-	-	5,784	973,620	1,569,588
As at March 31, 2013	$ 6,269,824	$ 3,806,144	$ 464,480	$ 782,739	$ 785,326	$ 73,487,944	$ 85,596,457

Accumulated Depreciation	Land	Water Rights	Vehicles	Buildings	Furniture and Equipment	Long-lead Equipment	Total
As at January 1, 2012	$ -	$ -	$ 187,813	$ 56,541	$ 231,007	$ -	$ 475,361
Depreciation	-	-	101,731	24,736	122,809	-	249,276
As at December 31, 2012	$ -	$ -	$ 289,544	$ 81,277	$ 353,816	$ -	$ 724,637
As at December 31, 2012	$ -	$ -	$ 289,544	$ 81,277	$ 353,816	$ -	$ 724,637
Depreciation	-	-	23,223	7,657	43,525	-	74,405
As at March 31, 2013	$ -	$ -	$ 312,767	$ 88,934	$ 397,341	$ -	$ 799,042
Net Book Value:							
As at December 31, 2012	5,679,640	3,806,144	174,936	701,462	425,726	72,514,324	83,302,232
As at March 31, 2013	$ 6,269,824	$ 3,806,144	$ 151,713	$ 693,805	$ 387,985	$ 73,487,944	$ 84,797,415

As at December 31, 2012 and March 31, 2013, long-lead equipment is not being depreciated as it is not currently in use.

Deposits on long-lead equipment

As at January 1, 2012	$ 78,213,911
Additions	3,900,225
Reclassification to property, plant and equipment	(70,443,212)
As at December 31, 2012 and March 31, 2013	$ 11,670,924

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

5. OTHER ASSETS

	Long-term Receivable	Other Assets	Computer Software, Net of Amortization	Total
As at January 1, 2012	$ 2,469,895	$ 135,830	$ 34,738	$ 2,640,463
Annual Payment	(750,000)	-	-	(750,000)
Interest accretion	311,080	-	-	311,080
Amortization	-	(27,644)	(15,014)	(42,658)
Additions	-	-	929,017	929,017
As at December 31, 2012	2,030,975	108,186	948,741	3,087,902
Less: current portion of long-term receivable				(750,000)
As at December 31, 2012				$ 2,337,902
As at December 31, 2012	$ 2,030,975	$ 108,186	$ 948,741	$ 3,087,902
Interest accretion	73,173	-	-	73,173
Amortization and other	-	-	(12,114)	(12,114)
Additions	-	-	209,809	209,809
Total other assets at March 31, 2013	2,104,148	108,186	1,146,436	3,358,770
Less: current portion of long-term receivable				(750,000)
As at March 31, 2013				$ 2,608,770

Long-term receivable

On February 28, 2008, the Company completed the sale of its interest in the Mount Hamilton, Shell and Monte Cristo properties to Ely Gold & Minerals Inc. ("Ely") for consideration of $6.6 million of which $1.6 million was paid on closing and the remaining $5 million ("Ely Receivable") was payable in annual instalments of $1 million ("Annual Payment") over a five year period.

On November 16, 2009, the Company extended the Annual Payment for two additional years and revised the annual payment schedule as follows:

Due Date	Amount
June 1, 2010 (Paid)	$ 250,000
June 1, 2011 (Paid)	500,000
June 1, 2012 (Paid)	750,000
June 1, 2013	750,000
June 1, 2014	750,000
June 1, 2015	1,000,000
Total receivable	4,000,000
Annual payments received	(1,500,000)
Current portion	(750,000)
Long-term portion	$ 1,750,000

The fair value of the long-term portion of the receivable at March 31, 2013 was $1.35 million (December 31, 2012 - $1.28 million).

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

The Company holds 1.62 million Ely common shares which are accounted for as held for trading and any changes in the fair value of the common shares are recognized in the statement of comprehensive profit (loss). As at March 31, 2013, the Ely common shares have a fair value of $0.16 million (December 31, 2012 - $0.26 million) and are recorded in short-term investments.

6. MINERAL PROPERTIES AND DEVELOPMENT COSTS

Mineral properties costs:	
As at March 31, 2013 and December 31, 2012	$ 24,592,564

The Company purchased 100% of Rosemont, which is in Pima County, Arizona located approximately 50 kilometres southeast of Tucson and near a number of large porphyry type producing copper mines. The property remains subject to a 3% net smelter royalty. The Rosemont property is comprised of 30,000 acres (12,140 hectares) of patented and unpatented claims, fee land and surface grazing rights. On September 16, 2010, the Company entered into the EI Agreement with UCM, whereby UCM can earn up to a 20% interest in Rosemont by funding up to $176 million of pre-construction and construction costs (Note 3a).

Development costs consist of:

As at January 1, 2012	$ 119,014,472
Permitting, engineering and on-going support activities	28,239,085
Capitalized loan interest and financing charges	3,926,948
Capitalized stock-based compensation	1,527,532
As at December 31, 2012	152,708,037
Permitting, engineering and on-going support activities	5,938,975
Capitalized loan interest and financing charges	1,297,451
Capitalized stock-based compensation	287,562
As at March 31, 2013	$ 160,232,025

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Due within the year	March 31, 2013	December 31, 2012
Trade payables and accrued liabilities	$ 702,715	$ 882,253
Project related payables	3,077,677	5,338,015
	$ 3,780,392	$ 6,220,268

8. LONG-TERM DEBT

	March 31, 2013	December 31, 2012
Long-term portion	$ 88,135,206	$ 86,837,755

The Company has an $83 million senior secured loan (the "Loan") and copper concentrate off-take agreement with RK Mine Finance Trust I ("Red Kite"). The Loan bears interest at 3-month LIBOR plus 4.50% (March 31, 2013 – 4.80% and December 31, 2012 – 4.84%) compounded quarterly and matures on the earlier of July 21, 2014 or the date of closing of a Rosemont senior debt financing facility. The Company has the option to repay the loan without penalty at any time prior to maturity and the loan is collateralized against the Company's assets, including the shares of the Company's subsidiary which holds the Rosemont assets.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

As part of the loan agreement, the Company issued to Red Kite 1,791,700 warrants exercisable at US$3.85 per share and expires between April 22, 2014 and July 22, 2015. Under the terms of the off-take agreement, the Company would supply Red Kite with 20% of Rosemont's copper concentrates production per year when Rosemont commences commercial production and ends when cumulative 1.5 million dry metric tonnes have been delivered to Red Kite. The off-take agreement includes market pricing.

Financing costs were deducted from the loan and is accreted to its estimated cash outflow using the effective interest method. For the three months ended March 31, 2013 and 2012, the Company recorded interest of $1.30 million and $1.09 million, respectively, which were calculated based on an effective interest rate of 5.98% (March 31, 2012 – 9.62%) and have been capitalized to development costs.

9. SHARE CAPITAL

a) Authorized: Unlimited number of common shares without par value

b) Issued: See Condensed Consolidated Interim Statements of Changes in Equity

c) Stock options

The Company has a stock option plan providing for the issuance of options that, combined with the RSU Plan (as defined below), shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company on grant date. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or its subsidiaries. The exercise price of each option cannot be lower than the market price of the shares on the closing price of the Company's common shares on the Toronto Stock Exchange the day before the grant date. Options generally vest ratably over periods of up to three years and may expire within 5 years but no later than 10 years from the date of grant as determined by the Board.

The following table summarizes the Company's stock options outstanding as at December 31, 2012 and March 31, 2013:

	Number of Shares	Weighted Average Exercise Price (Cdn$)
Outstanding as at January 1, 2012	6,663,504	$ 2.41
Granted	1,183,500	2.85
Exercised	(790,002)	2.12
Forfeited	(131,667)	3.87
Expired	(150,000)	3.61
Outstanding as at December 31, 2012	6,775,335	3.14
Granted	1,425,000	2.62
Exercised	(16,667)	0.68
Expired	(350,000)	3.84
Outstanding as at March 31, 2013	7,833,668	$ 3.02

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

During the three months ended March 31, 2013, a total of 16,667 stock options were exercised at a weighted average exercise price of Cdn$0.68. The weighted average share price when the stock options were exercised was Cdn$2.45.

The following assumptions were used in the Black-Scholes Option Pricing Model to determine the fair value of the stock options granted during the three months ended March 31, 2013 and 2012:

	2013	2012
Expected life in years	4.50	4.50
Expected volatility	92%	87%
Expected dividend yield	0%	0%
Risk-free interest rate	1.27%	1.26%
Weighted average fair value of each option	$1.74	$1.98

The Company estimates the forfeiture rate at less than 1.0%. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the option is indicative of future trends, which may or may not necessarily be the actual outcome.

The following table summarizes the stock options outstanding as at March 31, 2013:

	Options Outstanding			Options Exercisable		
Exercise Prices (Cdn$)	Number of Outstanding Options	Weighted Average Exercise Price (Cdn$)	Weighted Average Remaining Contractual Life (Years)	Number of Exercisable Options	Weighted Average Exercise Price (Cdn$)	Weighted Average Remaining Contractual Life (Years)
$0.68 - $1.13	1,508,334	$ 0.71	1.13	1,508,334	$ 0.71	1.13
$1.14 - $1.92	25,000	1.92	2.13	16,666	1.92	2.13
$1.93 - $2.30	86,000	2.02	4.20	-	-	-
$2.31 - $3.61	2,850,834	2.79	4.28	844,174	2.96	3.63
$3.62 - $4.97	3,363,500	4.28	3.70	2,164,507	4.33	4.17
	7,833,668	$ 3.02	3.42	4,533,681	$ 2.86	3.05

d) Share Purchase Warrants

The following table summarizes the outstanding share purchase warrants as at December 31, 2012 and March 31, 2013 (Note 8):

	Exercise Price	Expiry Date	December 31, 2012	Issued	Exercised	Expired	March 31, 2013
Warrants	$ 3.85	April 22, 2014	416,749	-	-	-	416,749
Warrants	$ 3.85	July 22, 2015	1,374,951	-	-	-	1,374,951
			1,791,700	-	-	-	1,791,700

Under IAS 32, *Financial Instruments Presentation*, warrants having a strike price other than the functional currency of the issuer are classified as a derivative liability and are fair valued at each balance sheet date. On September 12, 2012, the Company changed the exercise price of the warrants from Canadian to US dollars, which is the Company's functional currency (Note 8). This resulted in a classification change to the warrants as an equity instrument. Prior to the modifications, the Company recognized a $0.45 million gain from changes in the fair value of the warrants for the three months ended March 31, 2012.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

e) Restricted Share Units and Restricted Shares

The Restricted Share Units Plan ("RSU Plan") and Restricted Shares was created to align the directors', employees', and consultants' (collectively the "Participants") interest with the shareholders' interest. The fair value of the shares issued under the RSU Plan can either be paid out in cash or in common shares at the sole discretion of the Board.

The Company's policy is to payout in common shares. The RSU Plan, combined with the stock option plan, shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company on grant date. The restricted shares are issued from treasury with vesting conditions, as determined by the Board, on grant date and the shares underlying the restricted share units are issued on the date vesting conditions are met. The fair value of the restricted shares and restricted share units is charged to the statement of comprehensive profit (loss) over its vesting period with a corresponding credit to reserves. The fair value of restricted shares issued to project Participants is capitalized to development costs. Upon vesting and the Company's issue of shares, the fair value is transferred to share capital.

On March 26, 2013, the Company issued 235,000 restricted shares and restricted share units to its officers at a price of $2.62 (Cdn$2.66) per share and vest over two years with a certain vesting condition. The Company also issued 100,000 restricted shares and restricted share units to its directors which one half vested immediately with the remainder vesting after one year.

The following table summarizes the number of unvested restricted shares and restricted share units as at December 31, 2012 and March 31, 2013:

Issue dates	December 31, 2012	Issued	Forfeited	Vested	March 31, 2013
Restricted shares					
February 4, 2010	63,012	-	-	(63,012)	-
February 10, 2011	260,000	-	-	-	260,000
February 25, 2011	100,000	-	-	-	100,000
January 30, 2012	135,000	-	-	(44,999)	90,001
March 26, 2013	-	165,000	-	(10,000)	155,000
	558,012	165,000	-	(118,011)	605,001
Restricted share units					
February 4, 2010	18,667	-	-	(18,667)	-
February 10, 2011	155,000	-	-	-	155,000
January 30, 2012	55,000	-	-	(18,333)	36,667
May 7, 2012	20,000	-	-	-	20,000
March 26, 2013	-	170,000	-	(40,000)	130,000
	248,667	170,000	-	(77,000)	341,667
Total	806,679	335,000	-	(195,011)	946,668

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

10. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in working capital items

	Three months ended March 31, 2013	2012
Accounts receivable	$ (12,702)	$ 15,266
Due from related parties	(42,142)	(70,577)
Prepaids and other	58,725	(51,501)
Accounts payable and accrued liabilities	(324,282)	340,556
	$ (320,401)	$ 233,744
Interest received	$ 9,822	$ 25,883
Interest paid	-	-

b) Accounts receivable

	March 31, 2013	December 31, 2012
UCM receivable	$ 5,475,143	$ 4,477,950
Other	77,492	70,082
	$ 5,552,635	$ 4,548,032

Included in accounts receivable as at March 31, 2013, is a $5.5 million (December 31, 2012 - $4.5 million) receivable from UCM for their share of advances made by the Company to the joint venture (Note 3a). The Company holds no collateral for any receivable amounts outstanding as at March 31, 2013 and anticipates full recovery of these amounts.

11. RELATED PARTY TRANSACTIONS

The Company shares rent, salaries and administrative services with companies related by common directors and officers (the “Related Companies”). As at March 31, 2013, included in due from related parties was $0.06 million (December 31, 2012 - $0.02 million).

On July 1, 2010, the Company and the Related Companies formed a management services company (“ManCo”) to share personnel costs, office rent and other administration costs under a management services agreement. Each company holds an equal share in ManCo. For the three months ended March 31, 2013 and 2012, ManCo charged the Company $0.32 million for its share of salaries, rent and other administrative expenses.

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three months ended March 31, 2013 and 2012 are as follows:

	2013	2012
Salaries and benefits	$ 383,202	$ 380,109
Stock-based compensation	611,826	1,225,384
	$ 995,028	$1,605,493

12. FINANCIAL INSTRUMENTS

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include: cash and equivalents, accounts receivable, short-term investments, due from related parties, long-term receivable, accounts payable and accrued liabilities, and long-term debt and approximates their fair values. The cash and cash equivalents, accounts receivable, short-term investments, and accounts payable are classified as Level 1 on the fair value hierarchy. The long-term receivable and long-term debt is classified as Level 3 on the fair value hierarchy.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks, market risk (including foreign exchange risk), credit risk, and liquidity risk. Reflecting the current stage of development of Rosemont, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its business plan.

Risk management is the responsibility of the corporate finance function. Material risks are identified and monitored and are discussed by senior management and with the audit committee of the Board.

Foreign exchange risk

The Company is exposed to currency risks on its Canadian dollar and Mexican peso denominated working capital balances due to changes in the USD/CAD and USD/MXP exchange rates and the functional currency of the Company.

The Company issues equity in Canadian dollars but the majority of its expenditures are in U.S. dollars. The Company purchases U.S. dollars based on its near term forecast expenditures and does not hedge its exposure to currency fluctuations.

The Company is primarily exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	March 31, 2013	December 31, 2012
Cash and cash equivalents	$ 125,829	$ 371,288
Accounts receivable	92,710	55,475
Short-term investments	162,150	259,440
Prepaid expenses	39,881	22,449
Accounts payable and accrued liabilities	(360,438)	(575,752)
	$ 60,132	$ 132,900

Based on the net Canadian dollar denominated asset and liability exposures as at March 31, 2013, a 10% change in the USD/CAD exchange rate will impact the Company's earnings by approximately $0.01 million (March 31, 2012 - $0.71 million).

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions and receivable from joint venture partner, as well as credit exposure on outstanding receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company's excess cash and cash equivalents are held at a large Canadian chartered bank and a large US bank and are invested in either short-term GICs or high interest saving accounts. Management believes the risk of loss is remote.

The other asset relates to an Ely receivable, which has a carrying value of $2.10 million and is payable over the next three years to June 1, 2015. In the event that Ely does not make the required payments (Note 5), the Company can take back the common shares of DHI Minerals and DHI Minerals US or the properties in question. Should the Company reacquire the DHI shares or properties, an asset impairment assessment may be required.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements as they become due. This is achieved through the management of its capital structure and debt leverage.

Based on the Company's planned expenditures on permitting, engineering and on-going support activities at the Rosemont project for the next twelve months, the Company will require additional debt or equity financings to meet its obligations as they become due. Recent upheavals in the financial markets worldwide, particularly within Europe, could make it very difficult for the Company to raise funds. Such funding may not be available on commercially acceptable terms or at all. The Company's failure to meet its ongoing obligations on a timely basis or raise additional funds that may be required could result in a delay or indefinite postponement of further exploration and development of the Company's property or the loss or substantial dilution of any of its property interests.

Equity price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's equity price risk also arises from the impact the share purchase warrants with a Canadian dollar strike price will have on the statement of comprehensive profit (loss) based on the volatility of Company's share price.

Capital risk management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of the Rosemont property and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

Similar to other mining companies in the development stage, the Company may enter into discussions with certain parties to provide funding for the Company to execute its business plan. On September 16, 2010, the Company entered into an EI Agreement with UCM to earn up to a 20% interest in the Rosemont joint venture by contributing cash of up to $176 million into the joint venture to fund permitting, engineering and ongoing Rosemont expenditures through to construction. The 2012 Feasibility Study update estimated the capital cost of the mill and mining equipment and all related construction costs including mine pre-development costs at $1.23 billion. Funding for the project could come from a number of sources, including project financing, off-take agreements, sale of future metal streams and from capital markets.

There are no externally imposed capital requirements. In the management of capital, the Company includes the components of shareholders' equity, long-term debt and current liabilities. The Company manages the capital structure and makes adjustments in light of changes in economic and market conditions (including receptivity of the capital markets to new equity or debt issuances) and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or dispose of assets and/or consider strategic alliances including joint venture partners.

In order to facilitate the management of its capital, the Company prepares an annual budget that is updated periodically to account for changes in the timing of expenditures and market conditions. The annual budget is approved by the Board.

The Company's investment policy is to invest its excess cash in highly-liquid, short-term interest-bearing investments. The investments are selected based on the expected timing of expenditures from continuing operations. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The capital requirements for the next twelve months will include scheduled deposits for long-lead equipment purchases, the ongoing cost of permitting, engineering and on-going support activities at the Rosemont project as well as for administration expenses. Rosemont expenditures will be funded from the Company's existing cash reserves and proceeds from potential future financings to meet its ongoing commitments and capital purchases.

13. COMMITMENTS

The following table lists the known contractual obligations at March 31, 2013:

in thousands of U.S. dollars	Remainder of 2013	2014	2015	2016	After 2016	Total
Accounts payable and accrued liabilities	$ 3,780,392	$ -	$ -	$ -	$ -	$ 3,780,392
Long-term debt (Note 8)	-	95,250,013	-	-	-	95,250,013
JPAR and right of way	1,616,669	-	-	-	-	1,616,669
Deposits on long-lead equipment purchases	-	60,795,405	-	-	-	60,795,405
Operating lease obligations	232,424	349,968	352,419	270,022	119,232	1,324,065
	$ 5,629,485	$156,395,386	$ 352,419	$ 270,022	$ 119,232	$ 162,766,544

For purchase agreements related to long-lead time equipment the Company has included or intends to include in such agreements provisions which will allow it under certain circumstances and conditions to assign/transfer/or sell the contracts to third parties. In the event that the Company does not make the necessary progress payments through to completion of the contract, amounts paid to-date are not refundable.

In February 2010, the Company signed a definitive agreement with Silver Wheaton Corporation ("Silver Wheaton") for the sale of all of the Company's silver and gold produced from Rosemont. Silver Wheaton will pay the Company upfront cash payments of $230 million and production payments of $3.90 per ounce of silver and $450 per ounce of gold delivered, or the prevailing market price, if lower, during the mine life. The drawdown of the cash payments is subject to the Company receiving the ROD and the arrangement of project financing.

In September 2010, the Company, pursuant to earn-in agreement with UCM to earn a 20% interest in Rosemont, entered into an off-take agreement with the Korean consortium for the sale of 30% of copper concentrate and molybdenum concentrate produced annually from Rosemont.

The Company signed off-take agreements with Red Kite for the sale of 20% of Rosemont's copper concentrate production to a maximum of 1.5 million dry metric tonnes are delivered to Red Kite.

14. SEGMENTED INFORMATION

The Company operates in one industry – mineral resource and development. The Company does not generate any significant revenue from its operations and the majority of non-current assets are in Canada and the U.S. As at March 31, 2013, the Company's non-current assets in Canada were $1.46 million (December 31, 2012 - $1.39 million) and in the U.S. were $282.44 million (December 31, 2012 - $273.22 million). Non-current assets for this purpose consist of deposits on long-lead equipment, development costs, property, plant and equipment, mineral properties and other assets.

(Unaudited - All amounts are in U.S. dollars unless otherwise noted)

The following table summarizes the net comprehensive loss by geographic location for the three months ended March 31, 2013 and 2012:

	2013	2012
Canada	$ (1,464,957)	$ (886,725)
U.S.	(745,491)	(580,774)
Net comprehensive loss	$ (2,210,448)	$ (1,467,499)

15. SUBSEQUENT EVENT

On April 19, 2013, the Company adopted a shareholder rights plan (the "Rights Plan") and an advance notice policy. The Rights Plan is intended to ensure, to the extent possible, that all holders of common shares of the Company and the Board have adequate time to consider and evaluate any unsolicited take-over bid for the common shares of the Company, provide the Board with adequate time to identify, solicit, develop and negotiate value-enhancing alternatives, as considered appropriate, to any unsolicited take-over bid and encourage the fair treatment of the Company's shareholders in connection with any unsolicited take-over bid. The Board has also adopted an advance notice policy (the "Policy") in order to facilitate an orderly and efficient annual general or, where the need arises, special meeting, ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees, and allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.