



MANAGEMENT PROXY CIRCULAR

INFORMATION PROVIDED AS AT MAY 22, 2008 (*unless otherwise stated*) FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON
JUNE 23, 2008

PERSONS MAKING THE SOLICITATION

This Management Proxy Circular is furnished in connection with the solicitation of proxies being made by the management of Augusta Resource Corporation (the "Corporation") for use at the Annual General Meeting of the Corporation's shareholders (the "Meeting") to be held on Monday, June 23, 2008 at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Corporation. All costs of this solicitation will be borne by the Corporation.

APPOINTMENT OF PROXIES

The individuals named as proxyholder in the accompanying form of proxy are the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT ON HIS BEHALF AT THE MEETING, OR ANY ADJOURNMENT THEREOF OR POSTPONEMENT THEREOF, HAS THE RIGHT TO DO SO, BY INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER VALID FORM OF PROXY.** A proxy will not be valid unless the completed form of proxy is received by Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof.

NON-REGISTERED HOLDERS

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the names of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their shares in their own name (referred to herein as "Beneficial Shareholders") should note that only registered shareholders may vote at the Meeting. If common shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those common shares will not be registered in such shareholder's name on the records of the Corporation. Such common shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which company acts as nominee for many Canadian brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients.

Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial

Shareholders in order to ensure that their common shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered shareholders. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to service companies such as Broadridge. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote common shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of common shares must be communicated to Broadridge) well in advance of the Meeting in order to have the common shares voted.**

This Management Proxy Circular and accompanying materials are being sent to both registered shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“Objecting Beneficial Owners”, or “OBOs”) and those who do not object to their identity being made known to the issuers of the securities they own (“Non-Objecting Beneficial Owners”, or “NOBOs”). Subject to the provision of National Instrument 54-101 – Communication with Beneficial Owners of Securities of Reporting Issuers (“NI 54-101”) issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

The Corporation’s OBOs can expect to be contacted by Broadridge or their brokers or their broker’s agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. **Beneficial shareholders who wish to attend the Meeting and indirectly vote their common shares as proxyholder for the registered shareholder should enter their own names in the blank space on the voting instruction form provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Proxy Circular, the accompanying form of proxy and Notice of Annual Meeting of Shareholders are to registered shareholders of record unless specifically stated otherwise.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it by an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Corporation, at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, V6C 0A3, at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it, or to the chair of the Meeting on the day of the Meeting or any adjournment of it. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

VOTING OF PROXIES

The shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be called for; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specification made in such proxy.

If, however, direction is not made in respect of any matter, the proxy will be voted as recommended by management of the Corporation.

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of matters identified in the Notice of the Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter which may be presented to the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The directors of the Corporation have set May 22, 2008 as the record date (the "Record Date") for determining which shareholders shall be entitled to receive notice of and to vote at the Meeting.

As at the Record Date, there were a total of 88,590,061 common shares (the "common shares") outstanding. Each common share entitles the shareholder(s) thereof to one vote for each common share shown as registered in the shareholders' name on the record date. Only shareholders of record holding common shares at the close of business who either personally attend the meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their shares voted at the Meeting.

On a show of hands, every individual who is present and is entitled to vote as a shareholder or as a representative of one or more corporate shareholders, or who is holding a valid proxy on behalf of a shareholder who is not present at the Meeting, will have one vote, and on a poll every shareholder present in person or represented by a valid proxy and every person who is a representative of one or more corporate shareholders, will have one vote for each share registered in that shareholder's name on the list of shareholders, which is available for inspection during normal business hours at Computershare Investor Services Inc. and will be available at the Meeting. Shareholders represented by proxy holders are not entitled to vote on a show of hands.

To the knowledge of the directors and executive officers of the Corporation, the only person or company who beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Corporation as of the close of business on May 22, 2008 is as follows:

<u>Name</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Issued Shares</u>
HMC Investments LLC	17,369,827	19.6%
Richard W. Warke	9,878,929	11.1%

ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended December 31, 2007, together with the report of the Corporation's auditors thereon, will be presented to the Corporation's shareholders at the Meeting.

INTEREST OF CERTAIN PERSON IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Corporation at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting except with respect to grants of stock options pursuant to the Corporation's stock option plan and the issuance of bonuses by the Corporation to its executive officers pursuant to their respective employment contracts.

ELECTION OF DIRECTORS

There are currently seven directors of the Corporation. The present term of office of each of these seven directors will expire immediately prior to the election of directors at the Meeting. It is proposed that the seven persons named below be nominated for election as directors of the Corporation. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as directors. Each director will hold office until the next annual meeting of the Corporation or until his successor is appointed or elected, unless his office is earlier vacated in accordance with the By-Laws of the Corporation or with the provisions of the *Canada Business Corporations Act*.

In the following table and notes thereto is stated the name of each person proposed to be nominated by management for election as a director, the country in which he is ordinarily resident, all offices of the Corporation now held by him, his principal occupation, the period of time for which he has been a director of the Corporation and the number of common shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

Name, Province/State and Country of Residence	Position with Company and Principal Occupation During the Past Five Years ⁽¹⁾	Date Became a Director	Number of common shares beneficially owned or over which control or direction is exercised ⁽²⁾
Donald B. Clark BC, Canada	Vice President Administration and Director of the Corporation; CFO of the Company between June 2004 and August 2006; Director of Sargold Resource Corporation from May 1998 to October 2007; CFO of Sargold from May 2004 to August 2006; President and CEO and Director of Wildcat Silver Corporation since February 27, 2006 and President and Director of Ventana Gold Corporation since March 2006. Sargold, Wildcat and Ventana are all mineral exploration and development companies.	Feb. 1, 1996	5,178,934
Gil Clausen CO, USA	President, CEO and Director of the Corporation; Executive Vice President of Washington Group International, Inc., providers of integrated engineering, construction, and management solutions, between 2001 to March 2005.	Mar. 28, 2005	125,500
W. Durand Eppler ⁽³⁾⁽⁴⁾⁽⁵⁾ CO, USA	Director of the Corporation; CEO of Sierra Partners, LLC since April 2005 and President of New World Advisors, LLC since August 2004. Both Sierra Partners and New World Advisors provide strategic and business advisory services to global resource companies. Since July 2005, CEO of Coal International, Plc, a London (AIM) listed company with global coal operations and investments. Vice President of Newmont Mining Corporation between May 1995 and August 2004	Jun. 15, 2005	Nil
Christopher M.H. Jennings ⁽⁴⁾⁽⁵⁾ Cayman Islands, BWI	Director of the Corporation; Non-Executive Chairman of SouthernEra Diamonds Inc., a company engaged in diamond exploration in Canada, South Africa, Gabon, Australia and the Democratic Republic of Congo between 1992 to 2007, Director of Southern Platinum Corp., a mineral exploration and development company, between September 2004 to June 2005; President and CEO of SouthernEra Resources Limited, a mineral exploration and development company, between April 1992 to April 2001.	Apr. 15, 2002	173,000
Michael A. Steeves ⁽³⁾⁽⁴⁾ BC, Canada	Director of the Corporation; President and Chief Operating Officer and Director of Zazu Metals Corporation since November 2007. Consultant to the base metal industry between August 2005 to November 2007. Vice President Investor Relations of Glamis Gold Ltd., a mining company, between June 2002 and August 2005. Director of Investor Relations of Coeur d'Alene Mines Corporation, a mining company, between October 1999 to June 2002.	Jun. 8, 1999	20,000

Name, Province/State and Country of Residence	Position with Company and Principal Occupation During the Past Five Years ⁽¹⁾	Date Became a Director	Number of common shares beneficially owned or over which control or direction is exercised ⁽²⁾
Robert P. Wares ⁽³⁾⁽⁵⁾ QC, Canada	Director of the Corporation, Executive Vice President and Chief Operating Officer of Osisko Exploration Ltd. (“Osisko”) since early 2006. He was President of Osisko from September 1998 to early 2006. Osisko is a Canadian junior exploration company holding interests in several properties located in Quebec, Canada and Brazil, South America.	Apr. 26, 1999	Nil
Richard W. Warke BC, Canada	Executive Chairman of the Corporation; President of the Company between April 1999 to April 2005; CEO and Chairman of Sargold Resource Corporation, a mineral exploration and development company, between May 1998 to October 2007 and President between May 1998 to December 2006.	Feb. 1, 1996	9,878,929 ⁽⁶⁾

- (1) The information as to country of residence and principal occupation of the directors has been furnished by the respective directors, individually. The directors listed may be directors of other reporting issuers. Details with respect to other directorships is provided under the heading entitled “*Statement of Corporate Governance Practices*” of the Corporation.
- (2) The information as to common shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (3) Denotes member of Audit Committee.
- (4) Denotes member of Compensation Committee.
- (5) Denotes member of Nominating and Corporate Governance Committee.
- (6) 9,664,425 are held by Augusta Capital Corporation, a company 100% beneficially owned by Richard W. Warke and 125,837 are held by Augusta Capital (US) Corporation, a company 100% beneficially owned by Richard W. Warke.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

The following director, or proposed management nominee for election as a director of the Corporation is, or has been within the 10 years before the date of this Management Proxy Circular, a director or executive officer of any other company that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets:

Richard W. Warke, the Chairman of the Corporation, is the President and Director of Cybercom Systems Inc. (“Cybercom”) and Donald B. Clark, Vice President Administration of the Corporation, is a Director of Cybercom. Cybercom was issued a cease trade order on October 23, 2002 due to failure to file comparative annual financial statements and quarterly report for the period ended January 31, 2002. Cybercom’s failure to filing the financial statements resulted from its inability to pay filing fees associating with such filing due to a lack of funding. Cybercom is currently inactive and remains under cease trade order.

Donald B. Clark, Michael A. Steeves and Robert P. Wares, directors of the Corporation, were directors of Wildcat Silver Corporation (“Wildcat”) when Wildcat requested and received notice from the British Columbia Securities Commission of the issuance of a management cease trade order (the “MCTO”) on October 30, 2007 in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ending June 30, 2007. Wildcat’s failure to make

the filing within the required time frame was due to the need to clarify potential foreign tax obligations relating to an acquisition it made. The required filing was made on January 7, 2008 and the MCTO was revoked on January 8, 2008.

Personal Bankruptcies

Other than as described below, no director of the Corporation, or proposed management nominee for election as a director of the Corporation, or a personal holding company of any such persons has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual except as follows:

Richard W. Warke, Chairman of the Corporation, filed a proposal (the "Proposal") with the Official Receiver under the *Bankruptcy and Insolvency Act* on September 15, 1998. Despite filing the Proposal, by letter dated August 7, 2002 the TSX Venture Exchange confirmed that Mr. Warke is acceptable to act as a director of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

The following table sets forth all annual and long-term compensation awarded, paid to or earned for services in all capacities to the Corporation for the fiscal year ended December 31, 2007 for the CEO and CFO of the Corporation, regardless of the amount of compensation paid to those individuals, and each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recent fiscal year, provided that disclosure is not required for an executive officer whose total salary and bonus does not exceed \$150,000 (the "Named Executive Officer(s)"). The following were the Corporation's Named Executive Officers during the Corporation's fiscal year ended December 31, 2007: Richard W. Warke (Chairman), Gil Clausen (President and CEO), Bruce B. Nicol (Senior Vice President and CFO), Michael Clarke (Vice President Exploration), and James A. Sturgess (Vice President Exploration). In this Management Proxy Circular, wherever referred, salaries and bonuses relating to a Named Executive Officer that is resident in the United States (Gil Clausen, Michael Clarke, and James Sturgess) were paid by a wholly owned US subsidiary of the Corporation.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary ⁽¹⁾ (\$)	Bonus ⁽²⁾ (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Shares or Units Subject to Restrictions (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Richard W. Warke Executive Chairman	2007	166,000	134,400	N/A	130,000/Nil	N/A	N/A	Nil
	2006	157,400	160,000	N/A	200,000/Nil	N/A	N/A	Nil
	2005	150,000	150,000	N/A	630,000/Nil	N/A	N/A	Nil
Gil Clausen President and CEO	2007	243,813	246,750	N/A	150,000/Nil	N/A	N/A	Nil
	2006	231,250	235,000	N/A	250,000/Nil	N/A	N/A	Nil
	2005	155,833	155,833	N/A	1,000,000/Nil	N/A	N/A	Nil
Bruce B. Nicol Sr. Vice President and CFO	2007	202,500 ⁽³⁾	36,750	Nil	130,000/Nil	N/A	N/A	Nil
	2006	36,408 ⁽³⁾	N/A	Nil	300,000/Nil	N/A	N/A	Nil
	2005	N/A	N/A	Nil	N/A	N/A	N/A	Nil
Michael Clarke Vice President Exploration	2007	150,438 ⁽⁴⁾	53,287	Nil	50,000/Nil	N/A	N/A	Nil
	2006	142,500 ⁽⁴⁾	N/A	Nil	75,000/Nil	N/A	N/A	Nil
	2005	93,937	N/A	Nil	250,000/Nil	N/A	N/A	Nil
James A. Sturgess Vice President Projects and Environment	2007	147,417	53,287	Nil	75,000/Nil	N/A	N/A	Nil
	2006	129,333	N/A	Nil	175,000/Nil	N/A	N/A	Nil
	2005	18,844	N/A	Nil	150,000/Nil	N/A	N/A	Nil

(1) Salaries and bonuses are stated in US dollars for all Named Executive Officers except for Richard W. Warke and Bruce B. Nicol for whom salaries and bonus are stated in Canadian dollars.

(2) The bonus amounts stated for Richard W. Warke and Gil Clausen were earned for the year indicated and paid in the following year and the bonus amounts stated for Bruce Nicol, Michael Clarke, and James A. Sturgess were earned and paid in the year

indicated.

- (3) In 2006 Bruce B. Nicol was paid by another company of which Cdn\$36,408 was allocated to the Corporation. In 2007 Bruce B. Nicol was paid by the Corporation with \$81,000 allocated to other companies resulting in a net expense to the Corporation of Cdn\$121,500.
- (4) During 2006 and 2007 Michael Clarke performed work for another company and a portion of his salary was recovered (2007, US\$11,800 and 2006, US\$42,900) resulting in a net expense to the Corporation of US\$138,638 for 2007 and US\$99,600 for 2006.

Long Term Incentive Plan Awards

Long term incentive plan awards ("LTIP") means "any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one financial year whether performance is measured by reference to financial performance of the Corporation or an affiliate, or the price of the Corporation's shares but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units". The Corporation has not granted any LTIP's to the Named Executive Officers during the past fiscal year.

Options and Stock Appreciation Rights

Stock appreciation rights ("SAR's") means a right, granted by a Corporation or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Corporation's shares. No SAR's were granted to or exercised by the Named Executive Officers during the past fiscal year.

During the most recently completed financial year, the following stock options were granted to the Named Executive Officers:

Name and Position	Securities Under Options Granted ⁽¹⁾ (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of the Grant (\$/Security)	Expiration Date
Richard W. Warke	130,000	10.97%	\$2.12	\$2.12	March 2, 2012
Gil Clausen	150,000	12.66%	\$2.12	\$2.12	March 2, 2012
Bruce B. Nicol	130,000	10.97%	\$2.12	\$2.12	March 2, 2012
Michael Clarke	50,000	4.22%	\$2.12	\$2.12	March 2, 2012
James A. Sturgess	75,000	6.33%	\$2.12	\$2.12	March 2, 2012

- (1) Vesting provisions apply - one third (1/3) of the options granted are exercisable on the first anniversary and each subsequent anniversary of the date of grant.

Aggregated Options/SARS Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

No stock options were exercised by the Named Executive Officers during the past fiscal year. The following table sets forth details of the value of the Named Executive Officers' unexercised options on an aggregated basis as at the year end.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money ⁽¹⁾ Options at December 31, 2007	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Richard W. Warke	Nil	Nil	381,666	578,334	1,027,032	1,466,968
Gil Clausen	Nil	Nil	808,333	591,667	1,984,166	1,475,834
Bruce B. Nicol	Nil	Nil	100,000	330,000	214,000	716,000
Michael Clarke	Nil	Nil	212,500	162,500	528,000	398,250
James A. Sturgess	Nil	Nil	208,333	191,667	550,915	431,334

- (1) In the money options are those where the market value of the underlying securities at the fiscal year-end exceeds the exercise price of the option. The aggregate dollar value of the in-the-money unexercised stock options is based on the closing price of the Corporation's shares on December 31, 2007 of \$4.34 per share and represents the difference between such closing price and the exercise price as if the stock options had been exercised on December 31, 2007.

Options and SARS Repricing

During the fiscal year ending December 31, 2007, the Corporation did not reprice downward stock options or SARS held by the Named Executive Officers or by any of the Directors, Officers and employees of the Corporation.

Pension Plans

The Corporation does not provide retirement benefits for its directors or executive officers.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation has entered into an employment agreement with each of the Named Executive Officers for an indefinite term. Each contract provides for a base salary (as may be adjusted annually by such amount as the Board of Directors determines upon recommendation by the Compensation Committee), grant of stock options, vacation time and various standard benefits including life, disability, medical, dental and reimbursement of reasonable expenses. In addition, Gil Clausen's employment agreement provides for a bonus of up to 100% and automobile expenses, Richard W. Warke's employment agreement provides for a bonus of up to 100%, automobile expenses and club membership fees and Bruce B. Nicol's employment agreement provides for an annual automobile allowance of up to Cdn\$10,000 and the payment of annual membership dues to a financial professional organization. The payment of a bonus and the grant of stock options is tied to corporate and individual performance and is at the discretion of the Compensation Committee upon the recommendation of the CEO. Details regarding the salary paid, bonus earned and stock options granted to each Named Executive Officer for fiscal 2007 is provided in the Summary Compensation Table under "Statement of Executive Compensation".

Further to a report completed by 3XCD Inc. for the Compensation Committee, and upon recommendation of the Compensation Committee, the Board approved the following for the Named Executive Officers effective January 1, 2008: (1) An annual base salary of US\$320,000 for Gil Clausen, Cdn\$210,000 for Richard W. Warke, Cdn\$220,000 for Bruce B. Nicol, US\$175,000, and US\$160,000 for each of Michael Clarke and James Sturgess; and (2) an opportunity for each Named Executive Officer to earn a bonus as follows: 45% - 100% for each of Gil Clausen and Richard W. Warke, 20% - 60% for Bruce B. Nicol and 15% - 45% for each of Michael Clarke and James Sturgess.

The following describes the arrangements in place with respect to remuneration payable to the Named Executive Officer or directors and officers of the Corporation in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$100,000 per officer or director. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the respective employment agreements:

- (1) In the event of termination by the Corporation without Cause or by the employee for Good Reason, the Corporation shall pay, at the time of such termination, a lump sum cash amount as follows:

Gil Clausen President & CEO	three (3) times the base salary and the target bonus in effect immediately preceding such termination;
Richard W. Warke Executive Chairman	two (2) times the base salary and the target bonus in effect immediately preceding such termination;
Bruce B. Nicol Sr. Vice President and CFO	two (2) times the base salary
Michael Clarke Vice President Exploration	one-half (1/2) times the base salary
Jamie Sturgess Vice President Projects & Environment	one-half (1/2) times the base salary

In addition, all non-vested stock options granted to the executive shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.

- (2) In the event that the executive should resign for Good Reason or the Corporation should terminate his employment without cause within six months after a Change of Control, the Corporation shall compensate the executive with a lump sum cash amount as follows:

Gil Clausen President & CEO	four (4) times the base salary
Richard W. Warke Executive Chairman	three (3) times the base salary
Bruce B. Nicol Sr. Vice President and CFO	three (3) times the base salary
Michael Clarke Vice President Exploration	one (1) times the base salary
Jamie Sturgess Vice President Projects & Environment	one (1) times the base salary

In addition, all non-vested stock options granted to the executive shall immediately and fully vest on the effective date of such termination and be exercisable for 90 days thereafter.

Compensation of Directors

During fiscal 2007, directors of the Corporation who are not employees of the Corporation (“Independent Director(s)”) were paid a quarterly retainer of \$2,000 and a meeting attendance fee of \$200 for each Board meeting attended in person or by telephone. An Independent Director who serves as Chair of any committee of the Board of Directors was paid an additional fee (\$300 per quarter to the Chair of the Audit Committee and \$200 per quarter to the Chair of the Corporate Governance Committee or the Compensation Committee). In addition, an Independent Director who was a member of any committee was paid \$150 per quarter per Committee. All reasonable expenses incurred by a director in attending Board meetings, committee meetings or shareholder meetings, together with all expenses properly and reasonably incurred by any director in the conduct of the Corporation’s business or in the discharge of his duties as a director are paid by the Corporation.

Effective January 1, 2008 each Independent Director will receive a quarterly retainer of \$3,750 and \$600 for each Board meeting attended in person or by telephone. An Independent Director who serves as Chair of the Audit Committee will be paid \$750 per quarter and each of the Chairs of the Nominating and Corporate Governance Committee and the Compensation Committee will receive \$625 per quarter. In addition, an Independent Director who is a member of any committee will be paid a quarterly retainer of \$250.

As at December 31, 2007, directors and officers who are not Named Executive Officers, held as a group, an aggregate of 760,000 stock options having an exercise price between \$0.10 and \$2.20 and expiring between November 15, 2009 and March 2, 2012. The following table sets forth particulars of stock options granted to the Corporation’s directors who are not Named Executive Officers during the fiscal year ended December 31, 2007:

Name of Optionee	Number of Options Granted	Exercise Price	Expiration Date
Robert P. Wares	40,000	\$2.12	March 2, 2012
Christopher M. H. Jennings	40,000	\$2.12	March 2, 2012
Michael A. Steeves	40,000	\$2.12	March 2, 2012
W. Durand Eppler	40,000	\$2.12	March 2, 2012

During the fiscal year ending December 31, 2007 an aggregate of 66,667 stock options having an exercise price of \$0.33 were exercised by a director who is not a Named Executive Officer.

Directors’ and Officers’ Liability Insurance

The Corporation has purchased, for the benefit of the Corporation, its subsidiaries and their directors and officers, insurance against liability incurred by the directors or officers in their capacity as directors or officers of the Corporation or its subsidiaries. The following are particulars of such insurance for the financial year ended December 31, 2007:

- (i) the total amount of insurance in 2007 was for US\$10,000,000, subject to the deductibles indicated below. In February 2008 excess insurance for US\$10,000,000 was purchased given the increase in exposure for the Corporation.
- (ii) the annual premium in 2007 was US\$87,000 (plus an agency fee of US\$10,875). The excess insurance was purchased at a premium of US\$70,796 (plus an agency fee of US\$8,849); and
- (iii) the policy provides for deductibles as follows:
 - (a) with respect to the directors and officers there is no deductible applicable; and
 - (b) with respect to reimbursement of the Corporation there is a deductible per claim of \$35,000 for non-securities related claims;
 - (c) with respect to Canadian or US securities claims there is a deductible of US\$100,000 per claim.

Composition of the Compensation Committee

The Compensation Committee is comprised of three Independent Directors, Christopher M. H. Jennings (Chairman), Michael A. Steeves, and W. Durand Eppler. The purpose of the Compensation Committee is to review and recommend compensation policies and programs to the Corporation as well as salary and benefit levels for its executives. The objective of the Committee is to assist in attracting, retaining and motivating executives and key personnel in view of the Corporation's goals.

Report on Executive Compensation

The compensation for the Corporation's executives is based on three components: base salary, short-term incentive (bonus) and long-term incentive (stock option grants). The Corporation's compensation structure is designed to reward performance and to be competitive with the compensation arrangements of other companies of similar size and scope in the industry.

Base Salary and Short Term Incentive (Bonuses)

To ensure that the Corporation will continue to attract and retain qualified and experienced executives, base salaries are reviewed and adjusted annually, in order to ensure that they remain at a level at or above the median for comparable companies. The Compensation Committee determines bonus payments based on a percentage of the executive's salary, and a combination of individual and the Corporation's performance. For each executive, targets and objectives are determined at the beginning of the year and the results of these efforts are reviewed at the end of the year to judge the executive's performance and bonus earned. The Compensation Committee also reviews the growth and development of the Corporation over the year and any specific initiatives taken during the period to promote the growth and progress of the Corporation and the enhancement of shareholder value. In addition, the Compensation Committee considers performance targets, quantitative and qualitative measures in determining an executive's total remuneration and may retain the services of independent compensation consultants to assist in the assessment. Compensation for the Corporation's CEO is established in the same manner as for other executive officers and is weighted more against the Corporation's performance as a whole.

During fiscal 2007 the Compensation Committee recommended to the Board of Directors a compensation package which included an increase in the annual base salary and the grant of stock options for the Corporation's Named Executive Officers and a bonus for Richard W. Warke and Gil Clausen based on results of the previous year (ending December 31, 2006). The Board of Directors approved and accepted this compensation package. Details of compensation paid to the Named Executive Officers for the fiscal year ending December 31, 2007 is provided under "*Statement of Executive Compensation*" above.

In late 2007 the Compensation Committee retained 3XCD Inc. as consultants to provide assistance in establishing the fairness and adequacy of the compensation for the Corporation's Board of Directors and senior executives including the CEO, CFO, Chairman, Vice President Exploration, Vice President Projects and Environment and Vice President Project Development. Upon review of a report completed by 3XCD Inc., the Compensation Committee recommended, and the Board approved, effective January 1, 2008, an increase in Board fees paid to Independent Directors and the base salary of its executive officers to be in line with the market. In addition, each executive officer would be allowed an opportunity to earn a bonus.

Stock Options

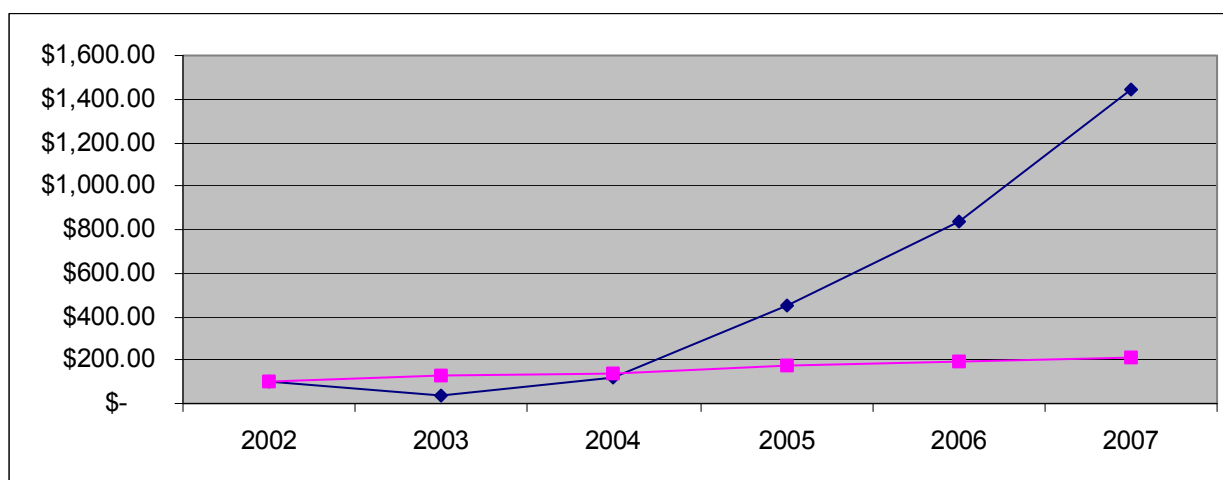
Another element to executive compensation is the granting of stock options. The Compensation Committee or the Board of Directors, subject to approval by regulatory authorities, may from time to time grant stock options to the directors, senior officers, employees and consultants of the Corporation pursuant to the Corporation's stock option plan (the "Option Plan"). The purpose of the Plan is to provide an incentive to the Corporation's directors, senior officers, employees and consultants to continue their involvement with the Corporation, to increase their efforts on the Corporation's behalf and to attract qualified new directors, senior officers and employees.

The Option Plan reflects the policies of the TSX and general securities laws and was approved by the shareholders of the Corporation at its last annual meeting held on June 1, 2007. Under the TSX policies the Corporation is not required to have its Option Plan approved annually unless there is an amendment requiring such shareholder approval. The Option Plan is a "rolling" stock option plan under which options may be granted to a maximum of 10% of the issued capital of the Corporation at the time of the grant of the stock option. A summary of the plan is provided under the heading entitled "Stock Option Plan" of this Management Proxy Circular.

On behalf of the Compensation Committee
Christopher M. H. Jennings

Performance Graph

The following graph compares the yearly percentage change in the Corporation's cumulative total shareholder return for Cdn\$100 invested in the Corporation's common shares against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



Figures in the chart above have been adjusted to reflect the Corporation's share consolidation of 3:1 which occurred on April 8, 2003.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Stock Option Plan

The Corporation has no equity compensation plans in place other than its Option Plan dated May 4, 2004, as amended and restated June 1, 2007 (the "Option Plan"). The following table sets forth information concerning the Stock Option Plan as of December 31, 2007:

Plan Category	Number of common shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Stock Option Plan (Approved by shareholders of the Corporation)	5,887,000 ⁽¹⁾	\$1.89	2,971,806 ⁽²⁾

(1) Of these 2,779,498 were exercisable at December 31, 2007.

(2) Based on 10% of the Corporation's issued and outstanding common shares at December 31, 2007 less options outstanding at December 31, 2007.

The purpose of the Option Plan is to attract and retain superior directors, officers, employees, consultants and other persons or companies engaged to provide ongoing services to the Corporation and to provide incentive for such persons to put forth maximum effort for the continued success and growth of the Corporation. The Option Plan is administered by the Corporation's Corporate Secretary. The Board of Directors of the Corporation has full and final discretion to interpret the provisions of the Option Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Option Plan.

Pursuant to the Option Plan, the number of authorized but unissued common shares that may be issued upon the exercise of options granted under the Option Plan ("Options") at any time plus the number of common shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding common shares on a nondiluted basis at any time, and such aggregate number of common shares shall increase or decrease as the number of issued and outstanding common shares changes. As of the date hereof 6,235,000 Options to purchase 6,235,000 common shares (representing approximately 7.04% of the issued and outstanding common shares as of the date hereof) are issued and outstanding under the Option Plan.

The Option Plan provides that the Board of Directors may from time to time grant Options to acquire common shares to directors, officers, employees and consultants of the Corporation or its subsidiaries. Options are non-assignable and non-transferable otherwise than by will or by laws governing the devolution of property in the event of death. Each Option granted under the Option Plan entitles the holder to one Common Share. The exercise price for Options granted pursuant to the Option Plan will be determined by the Board of Directors on the date of the grant, which price may not be less than the "Market Price" of the common shares. Market Price is defined under the Option Plan as the last closing price of the common shares on the Exchange before date of grant.

Pursuant to the Option Plan the expiry date of Options may not exceed the later of (i) a maximum of ten (10) years from the date of the grant, and (ii) if such expiry date falls during a time when a "blackout period" is in effect then the expiry date shall be ten (10) days following the lifting of the blackout period. The Board also has the authority to determine the vesting conditions of the Options, if any, and certain other terms and conditions of Options. The Option Plan does not contemplate that the Corporation will provide financial assistance to any optionee in connection with the exercise of options.

Also, under the Option Plan, subject to the policies of the TSX the number of common shares (i) issued to Insiders upon the exercise of Options in any 12 month period, and (ii) reserved for issuance upon the exercise of Options granted to Insiders at any time, or when combined with all other security based compensation arrangements of the Corporation, shall not exceed 10% of the issued and outstanding common shares.

An optionee whose employment with the Corporation is terminated for any reason other than cause or death will have between 30 and 90 days (as specified in the applicable Stock Option Agreement) from the date of termination to exercise any options that had vested as of the termination date. In the event of the death of an optionee, the optionee's legal representative will have one year from the date of the optionee's death to exercise any options that had vested on the date of the optionee's death. In the event that an optionee is terminated for cause, any options not exercised prior to the termination shall lapse.

In the event of a change of control, the Option Plan provides that:

- (a) all outstanding Options with an exercise price equal to or less than the Market Price (as defined therein) on the day immediately prior to the announcement of the event giving rise to the change in control shall

become immediately exercisable and the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee; and

- (b) all holders of outstanding Options with an exercise price greater than the Market Price on the day immediately prior to the announcement of the event giving rise to the change in control shall be entitled to receive and shall accept, immediately prior to or concurrently with the change in control, either of the following in consideration for the surrender of the Options, which consideration shall be determined by the Board of Directors in its sole discretion:
 - (i) the fair value thereof, if any, determined in accordance with the Black and Scholes Option Pricing Model; or
 - (ii) options of the acquiring person exercisable for the kind and amount of shares or other securities or property of the acquiring person that the Optionee would have been entitled to receive if such Optionee was the holder of the number of common shares to which such Optionee was entitled upon exercise of Options.

Under the Option Plan a “change in control” occurs when:

- (i) Any person (which includes an individual, partnership, company corporation, unincorporated association, syndicate or organization, trust, trustee, executor, administrator or other legal representative), alone or together with any other persons with whom it is acting jointly or in concert, becomes the beneficial owner of, or acquires the power to exercise control or direction over, directly or indirectly, securities (or securities convertible into, or exchangeable for, such securities) representing twenty percent (20%) or more of the votes exercisable by holders of the then-outstanding securities generally entitled to vote for the election of directors (“Voting Shares”) of the Corporation or any persons that previously were not acting jointly or in concert commence acting jointly or in concert and together beneficially own, or have the power to exercise control or direction over, such securities;
- (ii) the Corporation is merged, amalgamated, consolidated or reorganized into or with another person and, as a result of such business combination, securities representing more than twenty percent (20%) of the votes exercisable by holders of the Voting Shares of the Corporation or such person into which the Voting Shares of the Corporation is converted immediately after such transaction are held by a person alone or together with any other persons with whom it is acting jointly or in concert and such person, together with those with whom it is acting jointly or in concert, held securities representing less than twenty percent (20%) of the votes exercisable by the holders of the Voting Shares of the Corporation immediately prior to such transaction;
- (iii) the capital of the Corporation is reorganized and, as a result of such reorganization, securities representing more than twenty percent (20%) of the votes exercisable by the holders of the Voting Shares of the Corporation immediately after such reorganization are held by a person alone or together with any other persons with whom it is acting jointly or in concert and such person, together with those with whom it is acting jointly or in concert, held securities representing less than twenty percent (20%) of the votes exercisable by the holders of the Voting Shares of the Corporation immediately prior to such reorganization; or
- (iv) the Corporation sells or otherwise transfers all or substantially all of its assets to another person and following such sale or transfer securities representing more that twenty percent (20%) of the votes exercisable by the holders of the Voting Shares of the acquiring person immediately after such transactions are held in the aggregate by a person alone or together with any other persons with whom it is acting jointly or in concert, and such person, together with those with whom it is acting jointly or in concert, held securities representing less than twenty percent (20%) of the votes exercisable by holders of the Voting Shares of the Corporation immediately prior to such transaction.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities, the Board may, from time to time amend, suspend or terminate the Option Plan in whole or in part. Pursuant to TSX requirements, shareholder approval (excluding votes of insiders of the Corporation) will be required for am, among other things

amendments to the Option Plan that involve a reduction in the exercise price of Options or an extension of the expiry date of Options.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is important to the effective performance of the Corporation and pays a significant role in protecting shareholders' interests and maximizing shareholder value.

The Corporation's corporate governance practices are compared with the National Instrument 58-101 ("NI 58-101") guidelines for effective corporate governance below. Where a company's corporate governance system differs from the guidelines, each difference and the reason for the difference is required to be disclosed.

Board of Directors

The current Board is comprised of four "independent" directors as such term is defined in Multilateral Instrument 52-110 – *Audit Committees*. The Independent Directors of the Corporation are Messrs. Wares, Steeves, Jennings and Eppler. Messrs. Clausen, Warke and Clark are not independent as they form part of the Corporation's management team in their capacities as President and CEO, Executive Chairman and Vice President Administration respectively. Given that four of the seven directors are independent, the Board is considered to have a majority of members that are independent. In addition each of the Board's committees, the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee are comprised of the independent board members and the Chair to each committee is also independent.

Some of the Corporation's directors are directors of other reporting issuers as follows:

Donald B. Clark	Wildcat Silver Corporation and Ventana Gold Corp.
Gil Clausen	Jaguar Mining Inc.
W. Durand Eppler	Vista Gold Corp., Coal International, Plc, Northern Energy & Mining Inc. and Allied Nevada Gold Corporation
Michael A. Steeves	Wildcat Silver Corporation, Zazu Resource Corporation, Ventana Gold Corp. and Forum Uranium Corp.
Robert P. Wares	Osisko Exploration Ltd., Wildcat Silver Corporation and Peterborough Capital Corp.

The Independent Directors of the Corporation hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. The Compensation Committee and the Nominating and Corporate Governance Committee hold approximately two meetings per year.

During fiscal 2007 the Board held 12 Board meetings. Following is the attendance record of each director for Board Meetings held during fiscal 2007:

Donald B. Clark	attended 12 of 12 Board meetings
Gil Clausen	attended 12 of 12 Board meetings
W. Durand Eppler	attended 12 of 12 Board meetings
Christopher M. H. Jennings	attended 11 of 12 Board meetings
Michael A. Steeves	attended 10 of 12 Board meetings.
Robert P. Wares	attended 11 of 12 Board meetings
Richard. W. Warke	attended 10 of 12 Board meetings

Board Mandate

The Board adopted a formal written mandate on February 14, 2007 which defines its stewardship responsibilities. A copy of the Board of Directors Mandate is attached hereto as Exhibit "A".

Position Descriptions

The Board has not developed formal written position description for the Chairman, the Chairman of each committee or

the CEO. All members of the Board are also directors of other reporting issuers and are therefore knowledgeable and experienced in their capacity as such and the role designated for them. Informal discussions occur at the board level with respect to responsibilities of the Chairman, the Chairman of each committee and the CEO.

Orientation and Continuing Education

The Nominating and Corporate Governance Committee is responsible for ensuring that new directors are provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all scheduled Board and committee meetings either by telephone conference or in person when possible.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for the process. To facilitate ongoing education of the Corporation's directors the Corporation supports training or education in areas relating to their role as a director of the Corporation; the Corporation arranges visitation by directors to the Corporation's facilities and operations; and encourages presentations by outside experts to the Board or committees on matters of particular importance or emerging significance.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. The Nominating and Corporate Governance Committee has the responsibility for monitoring compliance with the Code by ensuring all directors, officers and employees receive and become thoroughly familiar with the Code and acknowledge their support and understanding of the Code. Any non-compliance with the Code is to be reported to Donald Clark the Ethics Officer, or Michael Steeves the Chairman of the Audit Committee or other designated person. A copy of the Code may be accessed under the Corporation's profile at www.sedar.com or on the Corporation's website at www.augustaresource.com.

The Board ensures that directors, officers and employees are familiar with the Code to ensure that they exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest. To encourage and promote a culture of ethical business conduct, the Board has adopted a Disclosure and Share Trading Policy and a Whistleblower Policy. Both of these policies are available on the Corporation's website at www.augustaresource.com. In addition, the Board requests from management periodic reports relating to any fraud or unethical behaviour.

Nominating of Directors

The process by which the Board anticipates that it will identify new candidates is by keeping itself informed of potential candidates in the industry. Any Board member may suggest a director nominee. The Nominating and Corporate Governance Committee must formally review and considers the background, expertise, qualifications and skill sets, to the needs of the Corporation and recommend the appointment of the potential candidate to the Board as a whole.

All members of the Nominating and Corporate Governance committee are outside, non-management and independent directors in accordance with Corporate Governance Disclosure Rules and AMEX rules. The Nominating and Corporate Governance Committee has been established by the Board to (a) identify individuals qualified to become Board members; (b) to assess and report on the effectiveness of the Board and any committees thereof; and (c) develop and recommend to the Board a set of corporate governance policies and principles applicable to the Corporation in light of the corporate governance guidelines published by regulatory bodies having jurisdiction.

Compensation

The process by which the Board determines the compensation for the Corporation's directors and officers is through the recommendation of the Compensation Committee. The Compensation Committee is entitled to consult with external experts on the adequacy of the compensation paid to the Corporation's directors and officers. The Compensation Committee is comprised entirely of Independent Directors in accordance with corporate governance rules of NI 58-101, TSX and AMEX. The Compensation Committee has been established by the Board to review and recommend compensation policies and programs to the Corporation as well as salary and benefit levels for its executives. The objective of the Committee is to assist in attracting, retaining and motivating executives and key personnel in view of the

Corporation's goals.

Other Board Committees

The Board currently has the following standing committees: the Audit Committee; the Compensation Committee; and the Nominating and Corporate Governance Committee. The Board may appoint an Environment, Health and Safety Committee and an Executive Committee when appropriate. All of the existing committees are independent of management and report directly to the Board. The purpose of the Audit Committee is to assist the Board's oversight of the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function. Further information regarding the Audit Committee is contained in the Corporation's annual information form (the "AIF") dated March 4, 2008 under the heading "Audit Committee Information" and a copy of the Audit Committee charter is attached to the AIF as Appendix I. The AIF is available under the Corporation's profile at www.sedar.com. The purpose of the Compensation Committee and the Nominating and Corporate Governance Committee have been described above.

Assessment

The Board currently does not have a formal process in place to assess its committees and individual directors with respect to their effectiveness and contribution. This matter has been discussed among the members of the Nominating and Corporate Governance Committee and it was felt that the current size and constitution of the Board is still relatively small allowing for informal discussions regarding contribution of each director. In addition, each individual director is significantly qualified through their current or previous professions to fulfill their duties as a Board member and serve on the designated committees. However, a formal process for evaluating the Board, its committees and individual directors may be implemented in the near future. The Chairman of the Board and the CEO of the Corporation are assessed annually on the basis of objectives set out by each for their respective positions, their individual performance throughout the year and their ability to execute and meet the corporate strategy. The Chairman and the CEO are assessed first by the Compensation Committee and then by the Board as a whole.

Each Board member makes an effort to fully participate in each Board meeting as is reflected by their attendance record and are canvassed for their input when making Board decisions.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the Corporation's past fiscal year, no director, executive officer or senior officer of the Corporation, proposed management nominee for election as a director of the Corporation or associate or affiliate of any such director, executive or senior officer or proposed nominee is or has been indebted to the Corporation or any of its subsidiaries or is or has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth above or elsewhere in this Management Proxy Circular and other than transactions carried out in the ordinary course of business of the Corporation or any of its subsidiaries, no informed person or proposed director of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which in either of such cases has materially affected or would materially affect the Corporation or any of its subsidiaries.

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix their remuneration. Ernst & Young LLP were first appointed auditors of the Corporation on January 5, 2006. Prior appointing Ernst & Young LLP, Deloitte & Touche LLP served as the auditors of the Corporation. Deloitte & Touche LLP were first appointed auditors of the Corporation in 1998.

OTHER MATTERS

Management of the Corporation knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying this Management Proxy Circular. However, if any other matters that are not known to management should properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Management Proxy Circular to vote upon such matters in accordance with their best judgement.

SHAREHOLDER PROPOSALS

Pursuant to Section 137 of the CBCA, any notice of a Shareholder proposal intended to be raised at the 2009 Annual Meeting of Shareholders of the Corporation must be submitted to the Corporation at its registered office, to the attention of the Secretary, on or before February 22, 2009, to be considered for inclusion in the management proxy circular for the 2009 Annual Meeting of the Shareholders.

It is our position that Shareholder proposals need be recognized only if made in accordance with the foregoing procedure and the provisions of the CBCA.

GENERAL

Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common shares.

ADDITIONAL INFORMATION

Additional information concerning the Corporation is available on SEDAR at www.sedar.com. Financial information concerning the Corporation is provided in the Corporation's comparative financial statements and Management Discussion and Analysis for the financial year ended December 31, 2007.

Shareholders wishing to obtain a copy of the Corporation's financial statements and Management's Discussion and Analysis may contact the Corporation as the following:

Augusta Resource Corporation
Suite 400 – 837 West Hastings Street
Vancouver, British Columbia V6C 3N6

Telephone: (604) 687-1717 Fax: (604) 687-1715
Email: info@augustaresource.com

Dated as of May 22, 2008

BY ORDER OF THE BOARD OF DIRECTORS

“Richard W. Warke”

RICHARD W. WARKE
Chairman

EXHIBIT A

AUGUSTA RESOURCE CORPORATION (the “Company”)

BOARD OF DIRECTORS MANDATE

1. ROLE AND RESPONSIBILITIES

1.1 The Board of Directors (the “Board”) is responsible for the stewardship of the Company. This requires the Board to oversee the conduct of the business and supervise management, which is responsible for the day-to-day conduct of the business.

1.2 The Board is responsible for the review of the Company’s strategic business plan proposed by management, and to adopt such a plan with such changes as the Board deems appropriate. The plan and discussion should take into account, among other things, the opportunities and risks of the business.

1.3 The Board shall review and measure corporate performance against strategic plans, senior management objectives, financial plans and quarterly budgets.

1.4 The Board is responsible for the identification of the principal risks of the Company’s business and overseeing the implementation of appropriate systems to manage these risks.

1.5 The Board is responsible for satisfying itself as to the integrity of the CEO and other senior officers and that the CEO and the other senior officers create a culture of integrity throughout the Company.

1.6 The Board is responsible for the Company’s communication policies, which:

- (a) address how the Company interacts with analysts, investors, other key stakeholders and the public,
- (b) contain measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure, and
- (c) are reviewed at least annually.

1.7 The Board is responsible for the integrity of the Company’s internal control and management information systems.

1.8 The Board is responsible for acting in accordance with all applicable laws, the Company’s constating documents and the Company’s Code of Business Conduct and Ethics for Directors, Officers and Employees.

1.9 The Board and each individual director is responsible for acting in accordance with the obligations imposed by the *Canada Business Corporations Act*. In exercising their powers and discharging their duties, each director shall:

- (a) act honestly and in good faith with a view to the best interests of the Company;

- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- (c) exercise independent judgment regardless of the existence of relationships or interests which could interfere with the exercise of independent judgment; and
- (d)
 - (i) disclose to the Company, in writing, the nature and extent of any interest that the director has in a material contract or material transaction (a “disclosable interest”), whether made or proposed, with the Company if the director is a party to the contract or transaction, is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction, or, has a material interest in a party to the contract or transaction; and
 - (ii) such director shall refrain from voting on any resolution to approve such contract or transaction unless all directors have a disclosable interest.

1.10 The Board has the authority to establish committees and appoint directors to be members of these committees. The Board may not delegate to such committees the power to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) issue securities, except as authorized by the directors;
- (d) issue shares of a series, except as authorized by the directors;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Company;
- (g) pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
- (h) approve a management proxy circular, take-over bid circular or directors’ circular;
- (i) approve financial statements to be put before an annual meeting of shareholders; or
- (j) adopt, amend or repeal articles.

1.11 The matters to be delegated to committees of the Board and the constitution of such committees are to be assessed annually or more frequently, as circumstances require. From time to time the Board may create an ad hoc committee to examine specific issues on behalf of the Board. The following are the current committees of the Board:

- (a) the Audit Committee, consisting of not less than three directors, each of whom must be an “unrelated or “independent” director under applicable securities laws and applicable stock exchange rules. The role of the Audit Committee is to provide oversight of the Company’s financial management and of the design and implementation of an effective

system of internal financial controls as well as to review and report to the Board on the integrity of the financial statements of the Company, its subsidiaries and associated companies.

- (b) the Nominating and Corporate Governance Committee, consisting of not less than three directors, each of whom must be an “unrelated or “independent” director under applicable securities laws and applicable stock exchange rules. The role of the Nominating and Corporate Governance Committee is to:
 - (i) develop and monitor the effectiveness of the Company’s system of corporate governance;
 - (ii) establish procedures for the identification of new nominees to the Board and lead the candidate selection process;
 - (iii) develop and implement orientation procedures for new directors;
 - (iv) assess the effectiveness of directors, the Board and the various committees of the Board;
 - (v) ensure appropriate corporate governance and the proper delineation of the roles, duties and responsibilities of management, the Board, and its committees; and
 - (vi) assist the Board in setting the objectives for the CEO and evaluating CEO performance.

- (c) the Compensation Committee, consisting of not less than three directors, each of whom must be an “unrelated or “independent” director under applicable securities laws and applicable stock exchange rules. The role of the Compensation Committee is to:
 - (i) establish a remuneration and benefits plan for directors, senior management and other key employees;
 - (ii) review the adequacy and form of compensation of directors and senior management;
 - (iii) establish a plan of succession;
 - (iv) undertake the performance evaluation of the CEO in consultation with the Chair of the Board, if not the CEO; and
 - (v) make recommendations to the Board.

2. COMPOSITION

2.1 From time to time the Board or an appropriate committee of the Board shall review the size of the Board to ensure that the size facilitates effective decision-making.

2.2 The Board shall be composed of a majority of directors who qualify as “unrelated” or “independent” directors under applicable securities laws and applicable stock exchange rules. The determination of whether an individual director is unrelated or independent is the responsibility of the Board.

2.3 If at any time the Company has a significant shareholder, meaning a shareholder with the ability to exercise a majority of the votes for the election of the Board, the Board will include at least one director who do not have interests in or relationships with either the Company or the significant shareholder and who fairly reflect the investment in the Company by shareholders other than the significant shareholder.

2.4 The Board should, as a whole, have the following competencies and skills:

- (a) technical and operating knowledge of the mining industry;
- (b) knowledge of current corporate governance guidelines; and
- (c) financial and accounting expertise.

3. PROCEDURES TO ENSURE EFFECTIVE OPERATION

3.1 The Board recognizes the importance of having procedures in place to ensure the effective and independent operation of the Board.

3.2 If the Chair of the Board is not a member of management, the Chair shall be responsible for overseeing that the Board discharges its responsibilities. If the Chair is a member of management, responsibility for overseeing that the Board discharges its responsibility shall be assigned to a non-management director.

3.3 The Board has complete access to the Company's management. The Board shall require timely and accurate reporting from management and shall regularly review the quality of management's reports.

3.4 An individual director may engage an external adviser at the expense of the Company in appropriate circumstances. Such engagement is subject to the approval of the Nominating and Corporate Governance Committee.

3.5 The Board shall provide an orientation and education program for new recruits to the Board as well as continuing education on topics relevant to all directors.

3.6 The Board shall institute procedures for receiving shareholder feedback.

3.7 The Board requires management to run the day-to-day operations of the Company, including internal controls and disclosure controls and procedures.

3.8 The non-management directors shall meet at least once yearly without any member of management being present.

3.9 The Board sets appropriate limits on management's authority and has in place an Authorization Policy. In addition, the following decisions require the approval of the Board or one of its committees:

- (a) the approval of the annual and quarterly (unless delegated to the Audit Committee) consolidated financial statements;
- (b) the approval of the consolidated annual budget;

- (c) any equity or debt financing of the Company, other than debt incurred in the ordinary course of business such as trade payables;
- (d) the creation of subsidiaries for the Company;
- (e) the creation of new Company bank accounts;
- (f) payment of dividends by the Company;
- (g) proxy solicitation material for the Company;
- (h) projected issuances of securities from treasury by the Company as well as any projected redemption of such securities;
- (i) the appointment of members on any committee of the Board of the Company;
- (j) the appointment or discharge of any senior officer of the Company;
- (k) entering into employment contracts with any senior officers of the Company;
- (l) entering into any license, strategic alliance, partnership or other agreement outside the ordinary course of business for the Company or its subsidiaries (the “Consolidated Group”);
- (m) the acquisition and assignment of material assets (including intellectual property and fixed assets) outside of the ordinary course of business within the Consolidated Group;
- (n) any material change to the business of the Consolidated Group; and
- (o) initiating or defending any law suits or other legal actions for the Consolidated Group.

3.10 The Board, together with the CEO and with the assistance of the Corporate Governance and Nominating Committee, shall develop position descriptions for the CEO. The Board, together with the CEO, shall also approve or develop the corporate objectives that the CEO is responsible for meeting and the Board shall assess the CEO against these objectives.

Adopted by the Board of Directors
on January 15, 2007