



Second Quarter Report

June 30, 2007

Notice to Readers

The interim unaudited consolidated financial statements of Augusta Resource Corporation (the "Company") for the three and six months ended June 30, 2007 ("Financial Statements") have been prepared by management and have not been reviewed by the Company's auditors. The Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006 which are available at the SEDAR website at www.sedar.com.

Director's Report to Our Shareholders

Augusta Resource Corporation ("Augusta" or the "Company") is pleased to report significant advancement on its growth objectives in the second quarter of 2007. After completing the 2007 Rosemont Deposit Mineral Resource Estimate in the first quarter of the year, the NI 43-101 compliant technical report on the Rosemont property was filed on SEDAR on April 26, 2007. The estimate increased copper equivalent resources by 20% from our previous resource statement to stand at 10.3 billion pounds of copper equivalent.

Financing – On June 19, 2007, the Company secured financing by raising \$37,519,394 in a non-brokered private placement (the "Placement") 71% (7,600,000) subscribed by Sumitomo Corporation and Sumitomo Corporation of America ("Sumitomo"), and 29% (3,119,827) subscribed by two funds managed by US private investment firm Harbinger Capital Partners ("Harbinger"). The Placement was for 10,719,827 common shares at \$3.50 per share, representing an approximate \$0.90 premium to the market price at the time of issue. The closing of the placement resulted in Sumitomo holding an 8.7% interest and Harbinger holding 19.9% (up from 18.6%) in Augusta.

The Company looks forward to cultivating a long-term business relationship with both Sumitomo and Harbinger. For both parties to invest at this level speaks to the great potential of the Rosemont Copper project. This financing arrangement will enable Augusta to meet immediate project requirements for long-lead capital equipment, and fund working capital needs through to project financing at the end of our permitting process.

Permitting – The Company was pleased to formally file the proposed Mine Plan of Operations with the United States ("U.S.") Forest Service on July 12, 2007. This detailed plan for Augusta's Rosemont Copper project ("Rosemont Copper") includes progressive design, conservation and sustainability initiatives.

Augusta has consistently promised a mine development that combines innovation, conservation and economic opportunity – and the Company is delivering on that promise. In addition to adding water to Southern Arizona, the Plan of Operations commits to water recycling, reclamation starting in the first year of production, and a multi-million dollar endowment to support community projects within the region.

Rosemont Copper's detailed submittal outlines the plan to construct, operate and reclaim the Rosemont Copper mine. Once approved, the Rosemont Mine Plan of Operations becomes a binding document that assures the plan's commitments, including reclamation and closure funding guarantees. Highlights of the plan include:

- **Significant Economic Benefits** – The Rosemont Copper project will produce more than 230 million pounds of copper per year, along with significant amounts of molybdenum and silver. Rosemont Copper alone will produce 10 percent of the entire U.S. copper production for 20 years. About 500 high-paying direct jobs, as well as at least 1,000 indirect jobs will be created, adding over \$500 million in local payroll over the mine life and \$1.4 billion in goods and services, in addition to local, state, and federal tax revenue.
- **Water Conservation** – The Rosemont design avoids impacts to the Davidson Canyon and Cienega Creek watershed. Central Arizona Project water is already being purchased and stored in advance. Rosemont will add to the local aquifer more water than it will use, leaving a five-percent net water gain in the community. By the end of this year, a supply of water will have been stored sufficient to sustain the operation for three years. In addition, new water conservation and recycling techniques at Rosemont will save 50 to 60 percent of the total water used in traditional mining.
- **Concurrent Reclamation** – Reclamation will begin within the first year of mine operation and will feature state-of-the-art practices. They include greenhouse studies for optimum revegetation, cattle use to prepare the seedbed for replanting, and construction of perimeter buttresses to stabilize soil and shield visual impact from state highway SH 83. Only a small portion of the final pit configuration will be visible from the highway.
- **Community Conservation** – At the end of the estimated 20 years of production, Rosemont Copper will leave open space and conservation easements to the community in perpetuity. In addition, the project will endow funds to support local projects for generations to come.

Now that Rosemont's Plan of Operations has been submitted to the U.S. Forest Service, the Company will move to the next step for environmental permitting in Arizona. Based on their review of the plan, the U.S. Forest Service is expected to initiate the Environmental Impact Statement, a process that takes 12 to 18 months to complete.

Feasibility Study – M3 Engineering of Tucson is now integrating final study components and completing the technical details of the feasibility study. Publication is anticipated by mid third quarter.

Marketing - Augusta was pleased to present at the American Stock Exchange's fourth annual Precious and Base Metals Conference in early April. While in New York, management took the opportunity to conduct several one-on-one meetings with investors and analysts. In addition, the Company has been targeting the US retail investor group by participating in weekly live interviews on radio programs, television spots, and quarterly webcast forums. The Company is also pleased to report that J Giordano Securities Group, a financial firm out of Connecticut, initiated analyst research coverage on the Company in June 2007.

Project Update – Nevada Properties

On May 1, 2007, the Company reported it had entered into a Letter of Intent (“LOI”) with Ivana Ventures Inc. (“Ivana”). The LOI outlined the terms of Augusta’s proposed sale of the Company’s interest in the Mt. Hamilton, Shell and Monte Cristo properties, all of which are located in White Pine County, Nevada.

The LOI provides for the sale of 100% of the shares of DHI Minerals Ltd., which owns 100% of the shares of DHI Minerals (U.S.) Ltd. (the “Subsidiaries”) which in turn holds a 100% interest in the Mt. Hamilton, Shell and Monte Cristo properties. Each property is subject to a net smelter royalty. The consideration for the sale will be US\$6.5 million in cash, and warrants exercisable to purchase up to 3,000,000 shares of Ivana for eighteen months after closing at the price of \$0.50 per share. The cash portion of the purchase price will be payable in installments over five years, with US\$1,500,000 payable on closing and an additional US\$1,000,000 payable each 12 months thereafter. The shares of the Subsidiaries will be pledged to the Company as its sole recourse for non-payment of any portion of the purchase price.

The Augusta management team is committed to advancing the Rosemont Copper project as its cornerstone asset for growth in becoming a mid-tier copper producer within the next four years. The Company continues to look for opportunities to acquire exploration, development and production stage projects, in an effort to position the Company as a major copper producer in the longer term.

For further details please refer to our Financial Statements and Management Discussion and Analysis.

On behalf of the Board,

/S/ Gil Clausen

Gil Clausen
President & Chief Executive Officer

August 2, 2007

AUGUSTA RESOURCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
As at June 30, 2007 and December 31, 2006

(See Note 1 - Basis of presentation)

	Notes	June 30 2007	December 31 2006
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 37,402,860	\$ 9,686,886
Accounts receivable	(7)	335,876	370,270
Prepaid expenses		178,333	196,762
		<u>37,917,069</u>	<u>10,253,918</u>
CAPITAL ASSETS	(2)	1,346,715	198,131
MINERAL PROPERTIES AND DEFERRED DEVELOPMENT			
	(3)		
Land and mineral properties		33,333,391	32,047,699
Deferred development		23,414,813	16,038,783
		<u>56,748,204</u>	<u>48,086,482</u>
		<u>\$ 96,011,988</u>	<u>\$ 58,538,531</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	(7)	\$ 501,545	\$ 1,792,788
Current portion of notes and advances	(4)	23,288	1,700,209
		<u>524,833</u>	<u>3,492,997</u>
LONG-TERM			
Future income taxes		2,200,000	2,200,000
Notes, advances and other	(4)	13,963	16,369
		<u>2,738,796</u>	<u>5,709,366</u>
Commitments	(9)		
SHAREHOLDERS' EQUITY			
Share capital	(6[b])	103,566,749	60,332,348
Contributed surplus	(6[f])	14,607,761	14,764,927
Deficit		(24,901,318)	(22,268,110)
		<u>93,273,192</u>	<u>52,829,165</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 96,011,988</u>	<u>\$ 58,538,531</u>

On Behalf of the Board of Directors

/S/ Richard W. Warke

/S/ Gil Clausen

Richard W. Warke – Director

Gil Clausen - Director

See accompanying Notes to the Consolidated Financial Statements

AUGUSTA RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED)
For the Three and Six months ended June 30, 2007 and 2006

	Notes	Three months ending June 30		Six months ending June 30	
		2007	2006	2007	2006
EXPENSES					
Stock based compensation	(6[d])	\$ 539,381	\$ 787,510	\$ 986,451	\$ 1,018,056
Salaries, benefits and bonuses		467,242	650,176	973,619	891,643
Investor relations		113,302	67,776	156,303	138,288
Travel		93,676	97,920	146,171	146,019
Insurance		-	-	113,378	74,341
Filing and regulatory		17,679	29,771	90,182	48,936
Office and sundry		38,101	39,049	86,124	70,829
Accounting and audit		36,232	26,900	71,232	62,400
Legal fees		(29,110)	56,571	67,323	76,710
Rent		25,566	38,307	59,257	55,097
Consulting and communication		11,044	20,556	49,493	45,411
Amortization		6,799	681	13,429	1,526
Fiscal and advisory services		9,363	16,117	13,375	25,114
Administration	(7)	-	7,500	-	15,000
Write-off of mining assets		-	309,550	-	309,550
Foreign exchange gain		(249,636)	(105,937)	(259,594)	(115,197)
Other expenses		5,585	58,990	66,292	58,990
Loss from operations		(1,085,224)	(2,101,437)	(2,633,035)	(2,922,713)
Interest and other income		64,185	233,839	132,191	305,822
Debt issuance costs	(5)	-	(109,118)	-	(272,796)
Interest and finance charges		(46,285)	(460,167)	(107,364)	(1,073,677)
NET LOSS		(1,067,324)	(2,436,883)	(2,608,208)	(3,963,364)
Deficit, beginning of the period		(23,808,994)	(16,747,320)	(22,268,110)	(11,702,633)
Share issue costs		(25,000)	(253,123)	(25,000)	(3,771,329)
DEFICIT, END OF PERIOD		<u>\$ (24,901,318)</u>	<u>\$ (19,437,326)</u>	<u>\$ (24,901,318)</u>	<u>\$ (19,437,326)</u>
BASIC & DILUTED LOSS PER SHARE		<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		<u>76,990,194</u>	<u>57,210,694</u>	<u>74,881,346</u>	<u>48,660,225</u>

See accompanying Notes to the Consolidated Financial Statements

AUGUSTA RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
For the Three and Six months ended June 30, 2007 and 2006

	Notes	Three Months Ended June 30		Six Months Ended June 30,	
		2007	2006	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING:					
OPERATING					
Net loss for the period		\$ (1,067,324)	\$ (2,436,883)	\$ (2,608,208)	\$ (3,963,364)
Items not affecting cash:					
Stock based compensation	(6[d])	539,381	787,510	986,451	1,018,056
Accretion interest on debt		15,803	413,131	70,725	957,624
Amortization		6,799	681	13,429	1,526
Debt issuance costs	(5)	-	109,118	-	272,796
Unrealized foreign exchange gain		(127,075)	(65,148)	(145,796)	(80,232)
Write-off of mining assets		-	309,550	-	309,550
Other		(1,154)	(1,202)	(2,406)	(2,470)
		<u>(633,570)</u>	<u>(883,243)</u>	<u>(1,685,805)</u>	<u>(1,486,514)</u>
Net changes in non-cash working capital items:					
Accounts receivable		(59,459)	(221,775)	34,394	(249,598)
Prepays		4,957	(134,215)	18,429	(125,350)
Accounts payable & accrued liabilities		(320,068)	385,754	(321,464)	419,043
Net cash flows used in operating activities		<u>(1,008,140)</u>	<u>(853,479)</u>	<u>(1,954,446)</u>	<u>(1,442,419)</u>
FINANCING					
Issuance of common shares		37,541,644	1,765,025	37,541,644	2,410,259
Issuance of common shares - warrants exercised		4,549,140	-	4,549,140	-
Repayment of notes and advances		(1,601,850)	(1,165,420)	(1,601,850)	(1,165,420)
Repayment of convertible debt security		-	(3,000,000)	-	(3,000,000)
Issuance of special warrants	(6[c])	-	-	-	44,099,000
Share issue costs		(25,000)	(113,863)	(25,000)	(2,866,139)
Net cash flows (used in) from financing activities		<u>40,463,934</u>	<u>(2,514,258)</u>	<u>40,463,934</u>	<u>39,477,700</u>
INVESTING					
Investment in mineral properties, net of related payables	(3)	(113,005)	(81,021)	(1,304,249)	(16,333,132)
Deferred development , net of related payables	(3)	(5,010,125)	(2,606,896)	(8,327,252)	(3,407,563)
Investment in fixed assets	(2)	(707,679)	-	(1,162,013)	-
Net cash flows used in investing activities		<u>(5,830,809)</u>	<u>(2,687,917)</u>	<u>(10,793,514)</u>	<u>(19,740,695)</u>
NET CASH INFLOW (OUTFLOW)		<u>33,624,985</u>	<u>(6,055,654)</u>	<u>27,715,974</u>	<u>18,294,586</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>3,777,875</u>	<u>26,602,284</u>	<u>9,686,886</u>	<u>2,252,044</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 37,402,860</u>	<u>\$ 20,546,630</u>	<u>\$ 37,402,860</u>	<u>\$ 20,546,630</u>
SUPPLEMENTAL INFORMATION					
Interest Paid		\$ 24,658	\$ 135,000	\$ 24,658	\$ 135,000
Interest Received		\$ 10,290	\$ 61,699	\$ 366,388	\$ 109,201

See accompanying Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements of Augusta Resource Corporation (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements.

These interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company's annual consolidated financial statements for the year ended December 31, 2006 (the "Annual Financial Statements"). The interim consolidated financial statements should be read in conjunction with the Annual Financial Statements.

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the result that may be expected for the full fiscal year ending December 31, 2007.

2. CAPITAL ASSETS

	June 30, 2007			December 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Water rights ⁽¹⁾	\$ 1,132,298	\$ -	\$ 1,132,298	\$ -
Buildings	127,326	-	127,326	108,463
Computer Software	39,139	11,780	27,359	31,687
Furniture and Equipment	39,676	6,124	33,552	31,521
Computer Hardware	36,959	10,779	26,180	26,460
	\$ 1,375,398	\$ 28,683	\$ 1,346,715	\$ 198,131

⁽¹⁾ Water rights payments relate to the purchase of water from Central Arizona Project ("CAP"), water delivered from CAP is pumped into the local aquifer to be accessed at a later date during operations. The Company has received tradable water storage certificates for this water inventory.

3. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT

On March 31, 2006 the Company exercised its option to purchase the Rosemont property in Pima County Arizona. With this final payment Augusta now owns a 100% interest in the Rosemont property subject to a 3% NSR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

3. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT (continued)

The purchase price has been allocated based on the fair value of the consideration provided which equates the fair value of the Rosemont property land and mineral rights acquired based on management's best estimates.

	Mineral Properties Cost		Deferred Development Expenses	
	June 30 2007	December 31 2006	June 30 2007	December 31 2006
<u>Mineral Properties and Deferred Development</u>				
Rosemont, and Sanrita properties	\$ 26,167,456	\$ 25,017,429	\$ 22,224,513	\$ 15,471,679
Mount Hamilton property	6,801,978	6,801,978	396,246	378,670
Shell, and Monte Cristo properties	363,957	228,292	794,054	188,434
	<u>\$ 33,333,391</u>	<u>\$ 32,047,699</u>	<u>\$ 23,414,813</u>	<u>\$ 16,038,783</u>
<u>Mineral properties:</u>	<u>2007</u>	<u>2006</u>		
Balance, beginning of period	\$ 32,047,699	\$ 15,161,604		
Acquisition costs	1,285,692	17,157,330		
Lone Mountain cost adjustment	-	(24,993)		
Write-offs	-	(246,242)		
Balance, June 30, 2007 and December 31, 2006	<u>33,333,391</u>	<u>32,047,699</u>		
<u>Deferred development:</u>				
Balance, beginning of period	16,038,783	3,035,560		
Work program expenditures ⁽¹⁾	7,376,030	13,066,531		
Write-offs	-	(63,308)		
Balance, June 30, 2007 and December 31, 2006	<u>23,414,813</u>	<u>16,038,783</u>		
Total Mineral Properties and Deferred Development	<u>\$ 56,748,204</u>	<u>\$ 48,086,482</u>		

⁽¹⁾ Includes geological, engineering and environmental work programs designed to advance the development of the mineral properties.

On May 1, 2007 the Company announced the signing of a letter of intent ("LOI") for the sale of the Nevada properties, Mount Hamilton, Shell and Monte Cristo to Ivana Ventures Inc. ("Ivana"). The sale is subject to the completion of a definitive agreement and regulatory approvals. The LOI contemplates a sales price of US \$6,500,000 payable over a five-year period plus share purchase warrants for 3,000,000 common shares of Ivana at a price of \$0.50 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

4. LONG TERM NOTES AND ADVANCES

	June 30 2007	December 31 2006
Notes and advances	\$ 37,251	\$ 39,657
Long term notes	-	1,676,921
	<u>37,251</u>	<u>1,716,578</u>
Less: Current portion	(23,288)	(1,700,209)
Total long term notes and advances	<u>\$ 13,963</u>	<u>\$ 16,369</u>

The purchase of the Mount Hamilton property included cash consideration of US \$3,000,000 (net present value of \$3,103,438 discounted using an interest rate 15%). An initial installment payment of US \$500,000 (\$620,100) was paid in the second quarter of 2005 and the remaining consideration comprised two non-interest bearing US dollar notes totaling US \$2,500,000 which were discounted using an interest rate of 15%. On June 30, 2006 the US \$1,000,000 (\$1,165,400) note was repaid. The remaining note of US \$1,500,000 (\$1,601,850), initially due on April 20, 2007 and was extended for 2 months at an interest rate of 10% (\$24,658) was paid June 19, 2007.

Other notes and advances do not provide for specific terms of repayment and are unsecured.

5. CONVERTIBLE DEBENTURE

On June 1, 2005, in connection with the Rosemont acquisition, the Company issued a convertible debenture for \$6,000,000. The debenture had a one-year term, with half due within six-months, and was convertible at the option of the lender into 2,181,818 common shares of the Company at a price of \$2.75 per share. The convertible debenture bore an interest rate of 9% annually and the Company had the option to repay the convertible debenture on the specified repayment dates in cash or stock. The convertible debenture was issued with 363,363 common shares of the Company to the lender at a fair market value at the date of the transaction of \$2.805 per common share (after a discount of 15% to reflect a hold period that expired on October 2, 2005.).

In accordance with CICA Handbook Section 3860, and following the fair value allocation approach, the Company allocated the proceeds as follows:

Common shares	\$1,019,233
Convertible debenture	
Equity component	1,478,083
Debt component	<u>3,502,684</u>
	<u>\$6,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

5. CONVERTIBLE DEBENTURE (continued)

The difference between the debt allocation of \$3,502,684 and the repayment amount of \$6,000,000 is interest expense, which has been accrued over the term of the debenture.

On November 17, 2005 the Company renegotiated the terms of its convertible debenture to allow for repayment in the form of cash and stock, as opposed to cash or stock. As consideration, the Company agreed to issue 750,000 warrants with an exercise price of \$1.44 expiring in one year, for which regulatory approval was received on March 15, 2006. The fair value of the warrants issued was \$288,938, which was allocated to debt (\$203,193) and equity (\$85,745).

On December 1, 2005, the Company retired \$3,000,000 of the convertible debenture plus interest of \$270,000 through payment of \$1,620,000 in cash and the issuance of 1,500,000 common shares at a price of \$1.10 per share.

The remaining debenture was retired on June 1, 2006 with the payment of \$3 million cash.

6. SHARE CAPITAL

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

(b) Issued:

Changes in the Company's share capital were as follows:

	Number of Shares	Amount
Common shares, Balance at December 31, 2005	39,514,593	\$ 18,437,248
Issued for warrants exercised	9,828,807	4,430,223
Issued for options exercised	195,667	53,020
Issued for special warrants exercised	23,210,000	37,411,857
Common shares, Balance at December 31, 2006	72,749,067	\$ 60,332,348
Issued for cash	10,719,827	37,519,394
Issued for warrants exercised	5,045,000	5,692,632
Issued for options exercised	69,167	22,375
Common shares, Balance at June 30, 2007	88,583,061	\$ 103,566,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

6. SHARE CAPITAL (continued)

(c) Private Placement

On June 19, 2007 the Company closed a non-brokered private placement of 10,719,827 common shares at \$3.50 per share for total gross proceeds of \$37,519,394. Sumitomo Corporation and Sumitomo Corporation of America subscribed for the Placement of 7,600,000 common shares and two funds managed by US private investment firm Harbinger Capital Partners subscribed for 3,119,827 common shares.

On March 17, 2006 the Company closed a brokered private placement of 23,210,000 Special Warrants with gross proceeds of \$44,099,000. Each Special Warrant is convertible, without payment of additional consideration, into a unit consisting of one common share (23,210,000 shares) and one-half transferable common share purchase warrant (11,605,000 warrants). Each whole warrant will entitle the holder to acquire, at any time within two years, one common share of the Company at a price of \$3.10 expiring on March 17, 2007 and \$4.10 expiring on March 17, 2008. Fair value of the Special Warrants is \$6,687,143. The fair value of the warrants was calculated using the Black-Scholes option pricing model for warrant valuation, assuming an average volatility of 87% on the underlying shares, a risk free interest rate of 4.00%, a two year term to expiry and no annual dividends.

The Company filed and obtained a receipt for a short form prospectus, which qualified the distribution of the common shares and warrants underlying the Special Warrants effective April 28, 2006.

In consideration for their services, the agents received a cash commission equal to 6% of the gross proceeds, totaling \$2,645,940 from the offering and 1,392,600 agent's warrants exercisable into common shares which is equal to 6% of the number of Special Warrants sold. Each agent's warrant will entitle the holder to acquire one common share of the Company at a price of \$3.10 expiring March 17, 2007 and \$4.10 expiring March 17, 2008. Fair value of the agent's warrants is \$1,030,524 and has been accounted for as a share issue cost. The fair value of the warrants was calculated using the Black-Scholes option pricing model for warrant valuation, assuming an average volatility of 87% on the underlying shares, a risk free interest rate of 4.00%, a two year term to expiry and no annual dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

6. SHARE CAPITAL (continued)

(d) Options

On June 30, 2007, certain directors and officers of the Company held 5,305,000 stock options, and certain employees of the Company held 437,000 stock options to purchase common shares of the Company. The following table summarizes the status of the Company's stock option plans as at June 30, 2007:

	2007	
	Number of Shares	Average Exercise Price
Outstanding at beginning of year	4,801,167	\$ 1.76
Granted	1,035,000	\$ 2.12
Exercised	(69,167)	\$ 0.32
Cancelled	(25,000)	\$ 1.78
Outstanding at end of period	5,742,000	\$ 1.84
Options exercisable at June 30, 2007	2,170,748	\$ 1.81

The fair value of stock compensation was determined using the Black-Scholes option-pricing model. Under this method the expected term assumption takes into consideration assumed rates of employee turnover as well as expectations of when options would be exercised and represents the estimated average length of time stock options remain outstanding before they are exercised or forfeited. The expected volatility assumptions have been developed using the historical Canadian dollar share price. The risk-free rate is based on the Bank of Canada rate for zero interest bonds in effect at the time of the grant that corresponds to the expected term of the option.

	2007	2006
Valuation assumptions		
Expected term (years)	3	3
Expected volatility	69%	99 - 108%
Weighted average volatility	69%	103%
Expected dividend yield	-	-
Risk-free interest rate	3.93%	4.09 - 4.14%
Weighted average risk-free rate	3.93%	4.12%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

6. SHARE CAPITAL (continued)

(d) Options (continued)

The following table summarizes the status of the Company's stock option plans as at June 30, 2007:

Exercise Prices	Number Outstanding at June 30, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Prices	Number Exercisable at June 30, 2007	Weighted Average Exercise Prices
\$ 0.10	102,000	2.4 Years	\$ 0.10	102,000	\$ 0.10
\$ 2.05	450,000	2.8 Years	\$ 2.05	450,000	\$ 2.05
\$ 1.96	125,000	2.8 Years	\$ 1.96	125,000	\$ 1.96
\$ 2.30	100,000	3.0 Years	\$ 2.30	100,000	\$ 2.30
\$ 1.56	2,035,000	3.1 Years	\$ 1.56	696,250	\$ 1.56
\$ 1.55	150,000	3.2 Years	\$ 1.55	112,500	\$ 1.55
\$ 2.07	816,000	3.8 Years	\$ 2.07	271,998	\$ 2.07
\$ 2.20	539,000	3.9 Years	\$ 2.20	313,000	\$ 2.20
\$ 1.78	340,000	4.1 Years	\$ 1.78	-	\$ 1.78
\$ 1.90	50,000	4.1 Years	\$ 1.90	-	\$ 1.90
\$ 2.12	1,035,000	4.8 Years	\$ 2.12	-	\$ 2.12
	5,742,000		\$ 1.84	2,170,748	\$ 1.81

(e) Warrants

The following table summarizes information about warrants outstanding at June 30, 2007. Each warrant is exercisable into one common share.

Currency	Exercise Price	Expiry Dates	Outstanding at December 31, 2006	Issued	Exercised	Expired	Outstanding at June 30, 2007
USD	\$ 0.16	May 6, 2007	3,750,000	-	3,750,000	-	-
CDN	\$ 3.00	June 29, 2007	2,200,000	-	1,295,000	905,000	-
CDN	\$ 4.10	March 17, 2008	12,997,600	-	-	-	12,997,600
			18,947,600	-	5,045,000	905,000	12,997,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

6. SHARE CAPITAL (continued)

(f) Contributed Surplus

On June 30, 2007, the contributed surplus was as follows:

	<u>2007</u>
Balance - Beginning of period	\$ 14,764,927
Stock based compensation expense for the year	986,451
Transfer to share capital fair value of options exercised	(125)
Transfer to share capital fair value of warrants exercised	<u>(1,143,492)</u>
Balance - End of period	<u>\$ 14,607,761</u>

7. RELATED PARTY TRANSACTIONS

During the period ending June 30, 2007, the Company incurred expenses of \$Nil (2006 - \$15,000) for administrative services provided by a company in which a director of the Company has a 25% interest.

At June 30, 2007, \$257,299 of accounts receivable (2006 - \$1,467 of accounts payable) is due from related companies, which share office space, administrative services and certain common directors with the Company. Also, included in accounts receivable is an amount of \$57,098 (2006 - \$33,827) due from a company in which a director of the Company has a 25% interest. At June 30, 2007, \$50,000 (2006 - \$95,000) is due to the Vice President Administration of the Company for accrued salaries.

All related party transactions are recorded at fair value.

8. FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and notes, advances and other as reflected in the balance sheet approximate their fair values. The company has no significant concentrations of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2007 AND 2006

9. COMMITMENTS

(a) Option Agreement – Monte Cristo Property

On January 30, 2007 the Company entered into an option agreement to explore and possibly acquire property adjacent to the Shell Deposit (the Monte Cristo Property). The agreement required the payment of US \$25,000 for the option to acquire the property for the price of US \$240,000 plus the granting of a 1.5% net smelter royalty. To maintain the option in good standing, the Company must pay US \$25,000 on each anniversary until the termination of the option, provided that if the option is exercised, the option payments shall be credited against the purchase price.

(b) Operating Leases

The Company leases building premises recorded as operating leases. The terms of the leases extend through to June 30, 2009. The future minimum lease payments are as follows:

<u>Year</u>		
2007	\$	46,800
2008		89,900
2009		<u>46,000</u>
Total	\$	<u>182,700</u>

10. SUBSEQUENT EVENTS

On July 12, 2007 the Company's formally filed the proposed Mine Plan of Operations (the "plan") with the United States Forest Service. This detailed plan for Augusta's Rosemont Copper project includes progressive design, conservation and sustainability initiatives. Once approved, the final Plan of Operations becomes a binding document that assures the plan's commitments, including reclamation and closure funding guarantees. Based on their review of the plan, the United States Forest Service is expected to initiate the Environmental Impact Statement, a process that takes 12 to 18 months to complete.

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Frankfurt Stock Exchange
Trading Symbol – A5R