

24 January 2011

The Manager
Company Announcements Office
Australian Securities Exchange Ltd
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

DECEMBER QUARTER ACTIVITIES REPORT

The Directors of Augustus Minerals Limited ("Augustus" or the "Company") are pleased to report the following activities for the December quarter:

HASTINGS RARE METALS AND HEAVY RARE EARTHS PROJECT

During the quarter, the Company advised it has entered into a binding Share Sale Agreement (the "Agreement") to purchase all the issued share capital of Hastings Rare Metals Pty Limited ("Hastings"). Hastings is the owner of the Hastings Rare Metals and Heavy Rare Earths Project (the "Project"), comprising of ten (10) wholly owned prospecting licenses in the East Kimberley region of Western Australia covering approximately 1990 hectares.

The Project hosts significant JORC compliant resources of the rare metals zircon, niobium and tantalum, and the heavy rare earth yttrium, with significant potential to increase the overall resource tonnage and to add resources of other heavy rare earths in particular dysprosium, europium and terbium.

Project Highlights

- *A JORC compliant resource of over 22 Mt (0.79% ZrO₂, 0.31% Nb₂O₅, 0.023% Ta₂O₅, 0.10% Y₂O₃) comprising 8.83 Mt in the indicated category and 13.25 Mt in the inferred category.*
- *Historical analysis did not systematically assay for other rare earth elements including dysprosium, europium and terbium, which do not form part of the JORC compliant resource, though previous drill hole data and studies suggest potential exists to host significant quantities of these elements and increase the in-situ value of the resource.*
- *The deposit is readily accessible, from surface, and open along strike and down dip.*
- *An extensive drilling program is scheduled for March Quarter 2011.*

Completion of the Agreement is conditional upon all necessary shareholder, regulatory and third party approvals required in relation to the transaction contemplated by this agreement and the vendor receiving confirmation to its satisfaction (acting reasonably), that the Company has no material existing, future or potential liabilities or claims arising as a consequence of its ownership or rights and obligations in the Silverwood Project, other than as previously disclosed.

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Project Summary

The Project is located 18km south-east of the Great Northern Highway at Halls Creek and 180km south of the Argyle Diamond Mine in the East Kimberley Region of Western Australia. The project site is accessed from the Great Northern Highway, which links Broome and Derby (450km from site) to Wyndham (380km from site), at Halls Creek (Figure 1). It contains large resources of the rare metals zirconium (Zr), niobium (Nb), tantalum (Ta), hafnium (Hf) and gallium (Ga), and potential to host significant resources of the heavy rare earth elements yttrium (Y), dysprosium (Dy), europium (Eu) and terbium (Tb).

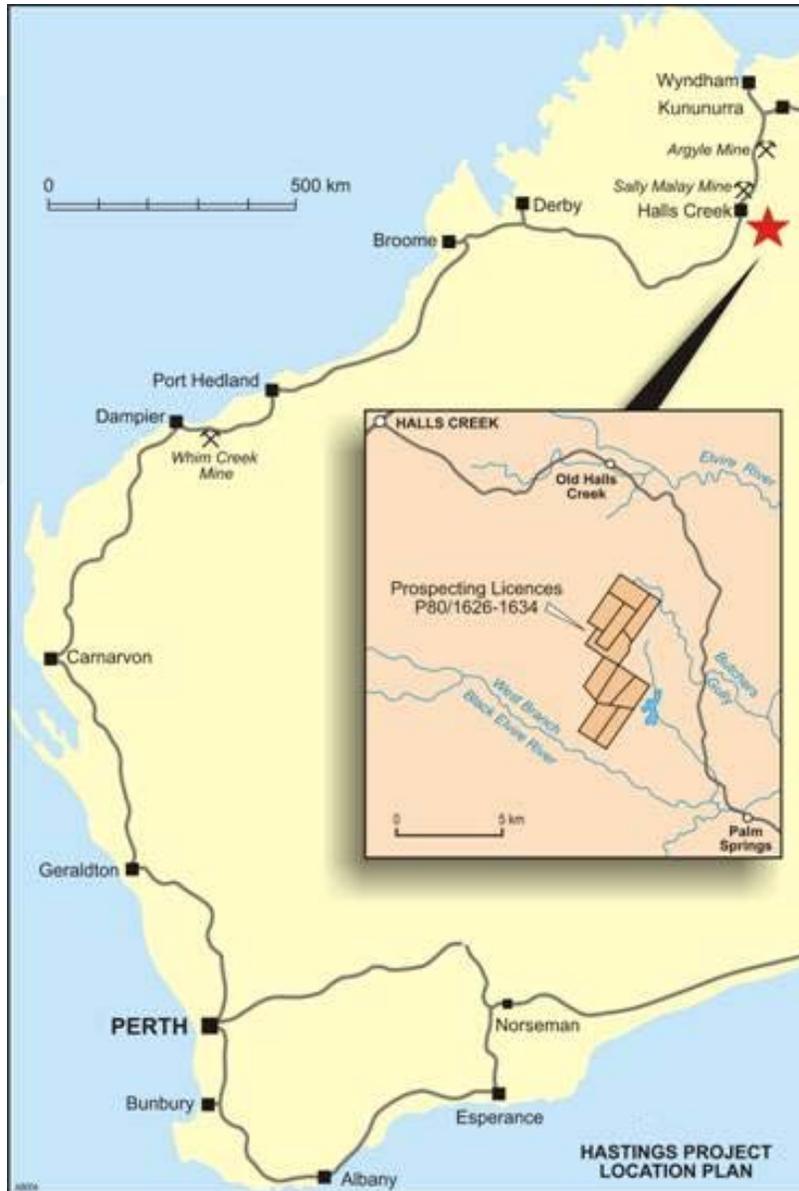


Figure 1 - Location

The Project has estimated JORC compliant resources comprising indicated resources of 8.83 million tonnes (previously explored by Union Oil Development Corporation – now MolyCorp Inc. (NYSE: MCP)) grading 0.76% ZrO₂, 0.09% Y₂O₃, 0.31% Nb₂O₅ and 0.022% Ta₂O₅ from surface to 100m depth, and inferred resources of 13.25 million tonnes grading 0.81% ZrO₂, 0.10% Y₂O₃, 0.32% Nb₂O₅ and 0.024% Ta₂O₅ from 100m to 250m depth. Systematic reverse circulation drilling and a number of diamond drill holes along the entire strike length of the deposit on 40-100 metre centres have been previously completed and provide a solid base on which the resource is estimated. Please refer Table 1 below.

	Mt	ZrO ₂ %	Nb ₂ O ₅ %	Ta ₂ O ₅ %	Y ₂ O ₃ %
Indicated	8.83	0.77	0.31	0.022	0.09
Inferred	13.25	0.81	0.32	0.024	0.10
TOTAL	22.08	0.79	0.31	0.023	0.10

Table 1 – JORC Compliant Resources

These resources are based on a 1500ppm Nb₂O₅ cut-off. Further explanation of the resource estimate may be found in Appendix 2.

Tenure over the project area consists of 10 Prospecting Licenses held by Hastings Rare Metals Pty Ltd. Please refer Appendix 3.

Project Geology

The Hastings rare metals and heavy rare earths deposit is hosted by a fine-grained silica-sericite, fluorite-bearing, tuffaceous rhyolitic volcanoclastic unit informally termed the Niobium Tuff (the "Niobium Tuff"). This volcanoclastic unit is the lowermost unit of a sequence of trachyte-to-rhyolite lavas, trachyandesite subvolcanic rocks, and volcanoclastic units of the Brockman Volcanics located within the Halls Creek Group, a thick early Proterozoic volcano-sedimentary sequence. The host volcanics were erupted from a small shield volcanic complex probably in an intraplate rift-related basin in a shallow-marine setting. The Niobium Tuff is interpreted to have been an extremely liquid fractionated differentiate of the magma chamber forming a volatile-enriched "cap". The lithophile-element enriched facies are characterized geochemically by elevated zirconium, niobium, tantalum and rare earth elements.

There is ample outcrop within the Project area, and the Niobium Tuff can be traced over a strike length of 3.5km. It occurs on the western flank and northern closure of a major south-west plunging synclinal structure. The Niobium Tuff varies in width to 35m, and has a vertical or steep easterly dip.

The Niobium Tuff can be split into two units, a lower, western crystal-rich tuff layer and an upper, eastern pumice-mica rich layer. Only minor faulting is evident, and diamond drilling has established continuity of the unit to a vertical depth of 250m. Weathering is limited, with oxidation observed down to depths of 20-30 metres below natural surface.

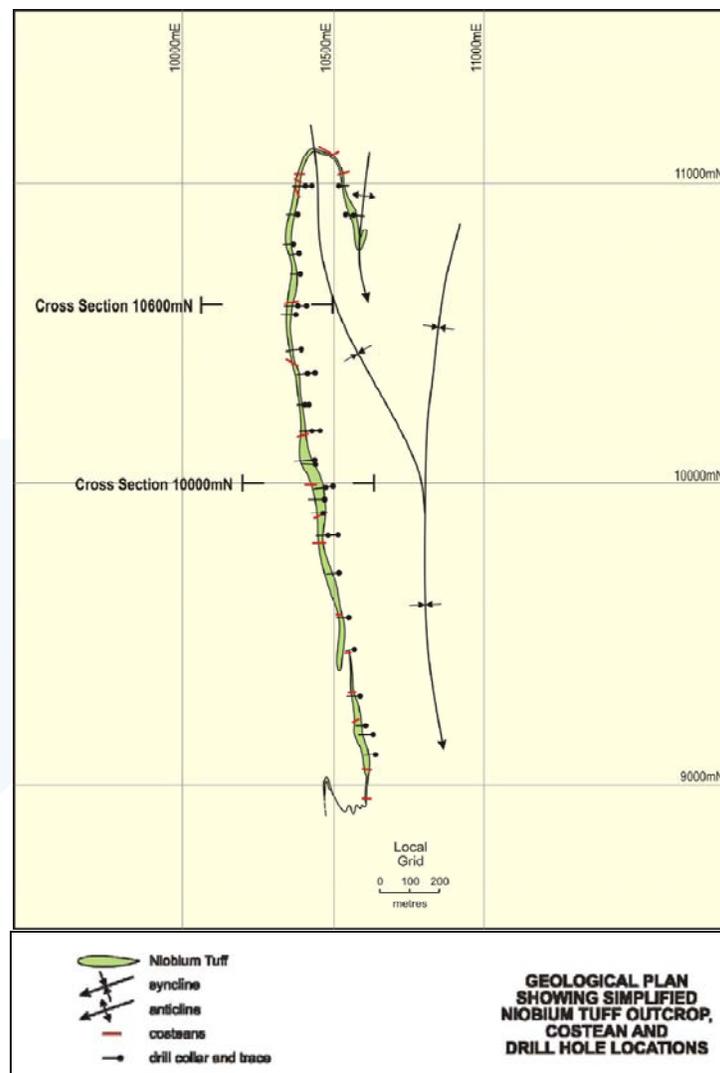


Figure 2 – Geological Plan

Previous Exploration

The earliest significant exploration of the Hastings area occurred in 1954 when Rio Tinto detected anomalous radiation in the area during regional radiometric surveys. In the 1960s the Geological Survey of Western Australia conducted geological mapping which fed into the publication of the Gordon Downs 1:250,000 Geological Sheet and a Bulletin on the Geology of the East Kimberley Region.

In 1973, Trend Exploration located an area of anomalous niobium during follow up of air-radiometric anomalies identified by the Bureau of Mineral Resources. Later in the 1970s to 1981, Mobil Oil flew aerial magnetics and radiometrics and carried out soil sampling and drilling in search for uranium mineralisation.

The main geological investigations on the Hastings rare metals deposit were undertaken during the period 1982-85 by Union Oil Development Corporation (“UODC”) (now MolyCorp Inc. (NYSE: MCP)). In 1983-84, UODC completed detailed geological mapping at 1:5000 scale, and reconnaissance stream sediment, soil and rock-chip geochemistry. Eighty eight (88) rock chip samples returned values up to 166,600ppm Zr, 6,400ppm Nb,

600ppm, Ta, 2,220ppm Y, 620ppm Sn, 920ppm Th, 2,840ppm Ba, 710ppm La and 890ppm Ce. Maximum rare earth oxide values were therefore 2,820ppm Y₂O₃, 830ppm La₂O₃, and 1,040ppm Ce₂O₃ indicating the potential grades that might be derived from the deposit. Nineteen (19) trenches (3,500m) were established across the outcrop of the Niobium Tuff, returning grades up to 0.45%Nb and 0.23%Ta.

Follow up drilling commenced with six (6) RC/DD holes (BR1-6) completed. Logs are not available for BR4, which failed to intersect the target horizon. Of the other holes, one was drilled to test for possible gold potential associated with a sulphidic shale unit. Total drilling was 282.5m of RC and 318.5m of NQ core.

In the next field season, 1984-85, UODC drilled 13 RC holes numbered from BR37 and BR50 excluding BR47. These holes totalled 957.5m, and the results were used to interpret the deposit and allow initial resource estimations to be undertaken. Drilling was 702m of RC and 255.5m of NQ core.

In 1985, UODC commissioned mineralogical studies at the CSIRO which identified the fine-grained nature of the mineralisation, with an average grain size of less than 10 microns.

Later in 1985, UODC passed management of the project to its joint venture partner, West Coast Holdings ("WCH"). WCH carried out further drilling in 1988, with an additional 23 RC/DD holes with numbers between BR51 and BR92 drilled totalling 1,281.9m, being 878m of RC and 409.3m of NQ core. The collar locations and traces of the drill holes are shown in Figure 3. Total metres drilled were 1,862.5m of RC and 977.9m of NQ core.

The exposed portion of the deposit has been drilled on sections ranging from 30m to 130m apart along the full strike of the deposit to an average depth of 70m. The deepest drill hole intersection is some 250m below surface. Only five holes intersect the Niobium Tuff at or below 100m from surface. Two cross sections are provided as examples of the costean and drill results through the mineralisation in Figure 4. Drilling results confirmed the findings of earlier trench sampling with the target minerals confined to the Niobium Tuff hence providing a strong control for evaluation of the deposit.

Previous Mineralogical Studies and Metallurgical Testwork and Pilot Plant

One metre samples have been analysed using pressed powder XRF for the potential ore elements Zr, Y, Nb, Ta, Hf and Ga, with results then converted to oxide equivalents using standard factors. Comprehensive analyses for the rare earth elements were only carried out on two holes. Mineralogical studies and metallurgical testwork were undertaken including the building of a pilot plant, but WCH fell into receivership in 1989 before work was completed.

Terms of Project Acquisition

The Agreement is subject to shareholder and regulatory approval on the following terms:

- The payment of \$50,000 upon execution of the Agreement was made during the quarter, with a further \$700,000 payable upon settlement of the transaction, \$500,000 payable upon the attainment of Performance Milestone One and \$250,000 payable upon the attainment of Performance Milestone Two.
- The issue of 10,500,000 ordinary shares upon settlement and 6,250,000 Performance Shares (convertible into ordinary shares on a one for one basis) and 7,500,000 Performance Options (exercisable @ \$0.25, expiring 3 years after the date of issue) vesting upon the attainment of each of Performance Milestones One and Two.

Proposed Board Changes

Upon settlement of the acquisition it is proposed that Mr David Nolan be appointed as non-executive Chairman. Mr Nolan is a corporate lawyer with over 13 years experience advising on corporate acquisitions, capital raisings and financing for mining companies. Mr Nolan is a partner in the Sydney corporate advisory practice of Mills Oakley Lawyers and was previously a senior adviser at the London Stock Exchange.

It is also proposed that Mr James Robinson, the currently Company Secretary, will be appointed as a non-executive Director. Mr Robinson gained extensive capital markets experience during 10 years with one of Western Australia's leading corporate advisory and stockbroking firms. He currently serves as Company Secretary of Tango Petroleum Limited (ASX: TNP) and is also a Director of corporate advisory firm Cicero Corporate Services. He is a member of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Western Australia.

Mr Garry Ralston and Mr Jon Wild intend to resign upon settlement.

At the proposed shareholder meeting the Company intends to seek shareholder approval to issue 10,000,000 Director options. These options are proposed to have an exercise price of \$0.40 and expire 31 December 2013.

Transaction Summary

	<u>Shares</u>	<u>Options</u>	<u>Consideration Cash</u>	<u>Director Options</u>
Current	46,000,000			
Proposed Placement Options		22,500,000		
Paid On Signing			\$50,000	
Payable On Settlement	10,500,000		\$700,000	
Corporate Adviser Fee	2,000,000			
Proposed Director Options				10,000,000
Performance Milestone 1	6,250,000	7,500,000	\$500,000	
Performance Milestone 2	6,250,000	7,500,000	\$250,000	
TOTAL	71,000,000	37,500,000	\$1,500,000	10,000,000

Placement Options Exercisable @ \$0.25 Expiring 31 December 2013

Performance Milestone Options Exercisable @ \$0.25 Expiring 3 years after the date of issue

Director Options Exercisable @ \$0.40 Expiring 31 December 2013

Performance Milestone 1 - JORC resource of 25Mt of Nb₂O₅ at a 1500ppm cut-off within 3 years of completion

Performance Milestone 2 - JORC resource of 35Mt of Nb₂O₅ at a 1500ppm cut-off within 3 years of completion

SILVERWOOD OIL AND GAS PROSPECT (Augustus 40% WI)

The Richardson #1 Well at Silverwood spudded on 19 July 2010 and reached total depth on 1 September 2010. The well was then completed and tested in the primary objective. It commenced commercial production on 24 September 2010. Production during the quarter has continued to decline and the Company has made a decision to dispose of its interest in this project. Following agreement with the project operator Augustus will have no ongoing obligations or liabilities in respect of this project.

REVIEW OF PROJECTS

During the quarter the Company reviewed several project opportunities in Australia, Asia and West Africa prior to settling on the Hastings acquisition.

CORPORATE

During the quarter, the Company completed the placement of 4,849,093 shares at \$0.25 to raise \$1,212,273.35 before the costs of the issue.

At the end of the quarter there were 46,000,000 shares on issue.

Cash and tradeable securities held by the Company at the end of the quarter was approximately \$6.655 million or 14.5 cents per share.

Yours faithfully,



Mathew Walker
Executive Director

For further information please contact:

James Robinson, Company Secretary, Augustus Minerals Limited, Tel: (08) 6460 4960

Competent Person Statement

The resource estimate contained within has been made by Simon Coxhell (Member Australasian Institute of Mining and Metallurgy) who is a consultant employed by Hastings Rare Metals Pty Limited. Mr Coxhell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as Competent Persons as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

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