AUGUSTUS MINERALS LIMITED

7 December 2010

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

ACQUISITION OF HASTINGS RARE METALS AND HEAVY RARE EARTHS PROJECT

The Directors of Augustus Minerals Limited (ASX: AUJ, "Augustus" or the "Company") are pleased to advise 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% ZrO_2, 0.31% Nb_2O_5, 0.023% Ta_2O_5, 0.10% Y_2O_3) 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.

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

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).

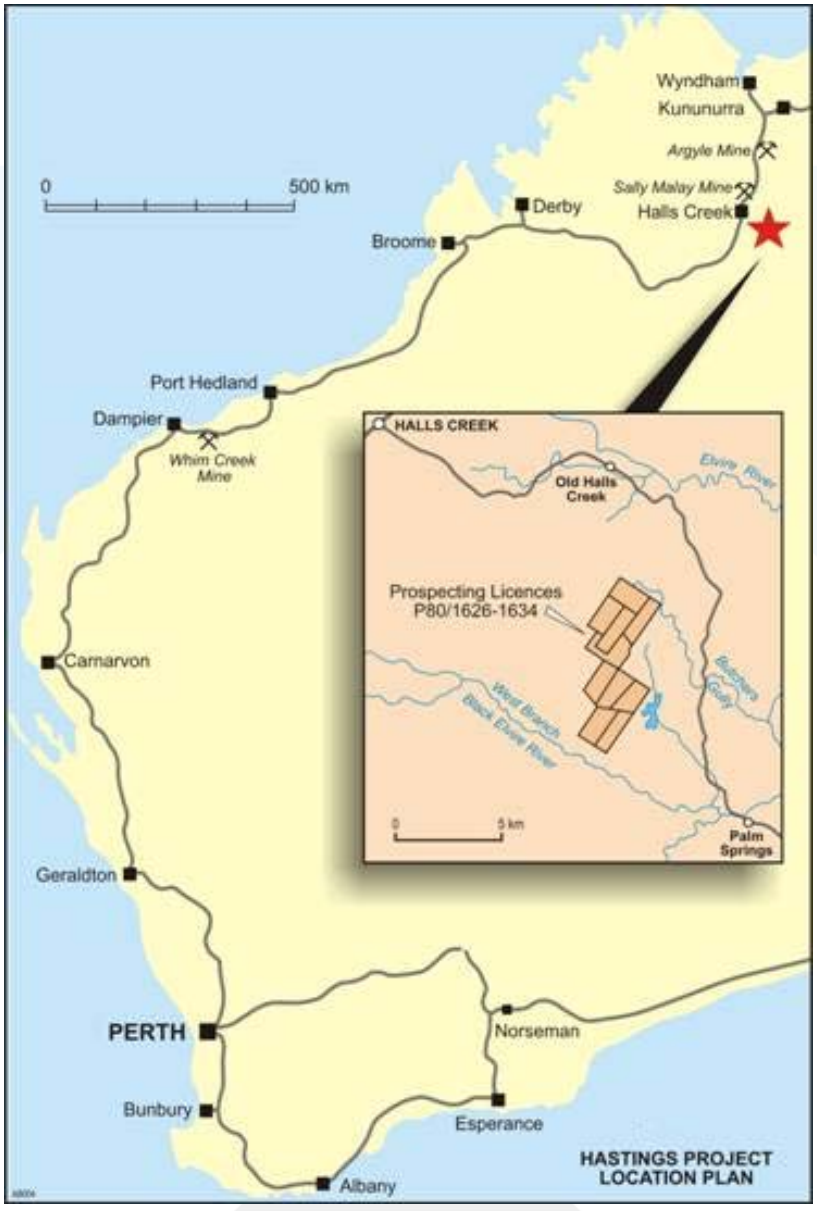

Figure 1 - Location

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

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% ZrO_2, 0.09% Y_2O_3, 0.31% Nb_2O_5 and 0.022% Ta_2O_5 from surface to 100m depth, and inferred resources of 13.25 million tonnes grading 0.81% ZrO_2, 0.10% Y_2O_3, 0.32% Nb_2O_5 and 0.024% Ta_2O_5 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_2O_5%	Ta_2O_5%	Y_2O_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 volcaniclastic unit informally termed the Niobium Tuff (the"Niobium Tuff"). This volcaniclastic unit is the lowermost unit of a sequence of trachyte-to-rhyolite lavas, trachyandesite subvolcanic rocks, and volcaniclastic 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.

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

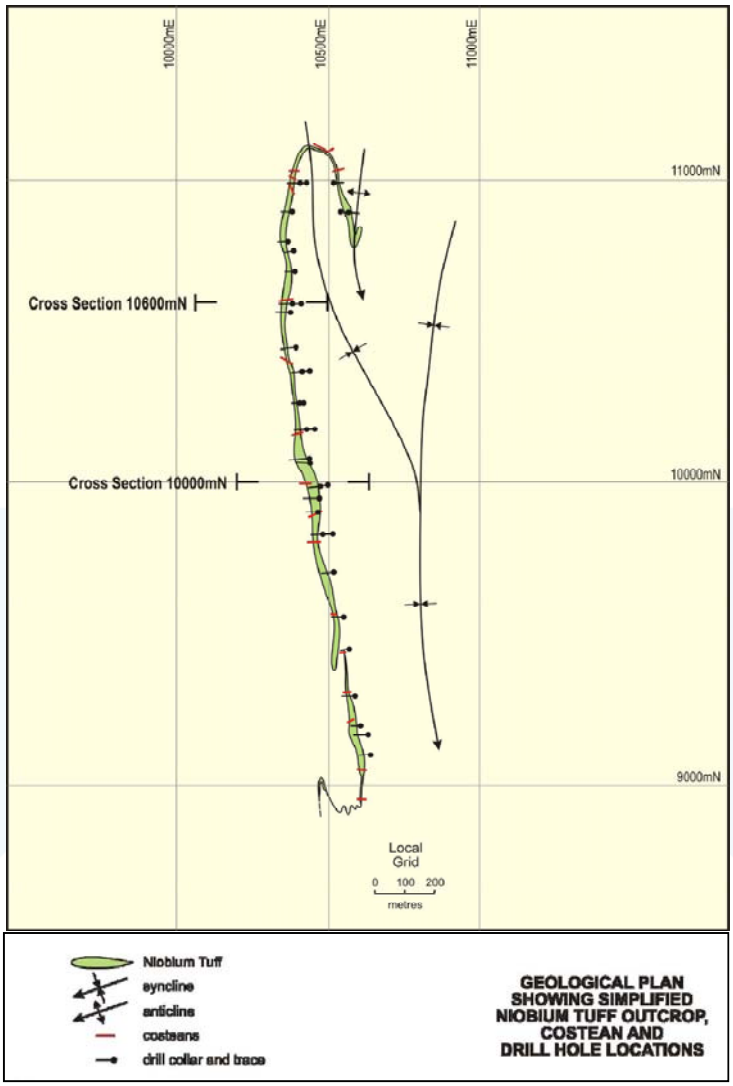

Figure 2 – Geological Plan

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 Y_2O_3, 830ppm La_2O_3, and 1,040ppm Ce_2O_3 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, $700,000 upon settlement of the transaction, $500,000 upon the attainment of Performance Milestone One and $250,000 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.

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Placement

The Company has agreed to a placement to sophisticated investors of 4,849,093 shares at $0.25 to raise approximately $1,212,273 (before costs) pursuant to the Company's 15% capacity. The Company also intends to seek shareholder approval to place 22,500,000 company options to sophisticated investors and issue 2,000,000 ordinary shares to third party advisers. These options are proposed to have an exercise price of $0.25 and expire 31 December 2013.

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

	Shares	**Options**	**Consideration Cash**	**Director Options**
Current	41,150,907			
Placement Shares	4,849,093			
Proposed Placement Options		22,500,000		
On Signing			$50,000	
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 Nb_2O_5 at a 1500ppm cut-off within 3 years of completion
Performance Milestone 2 - JORC resource of 35Mt of Nb_2O_5 at a 1500ppm cut-off within 3 years of completion

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Indicative Timetable

Despatch of Notice of Meeting	14 January 2011
General Meeting	14 February 2011
Settlement of acquisition	17 February 2011

Yours faithfully,

Mathew Walker
Executive Director

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).

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Appendix 1 - Further Information on Rare Earth Elements (REE)

Australia currently hosts a limited number of significant REE deposits including the Hastings Rare Metals and Heavy Rare Earths Project and by 2012 Australia is expected to become one of the major REE producers outside China.

Rare earth metals and rare earth elements refer to a combination of 17 elements in the periodic table; namely the 15 lanthanides plus yttrium and scandium.

Rare earth elements possess unique physical, magnetic, fluorescent and chemical properties. Such properties result in abundant and varied uses for rare earth elements across many industries. Electric and hybrid cars/bikes, electrical goods, Hi-fi stereo, MP3 players, mobile phones, wind turbines, television/video, fluorescent lamps, glass, mirrors and Satnav, GPS devices all use rare earth elements in their manufacture. For today and tomorrow, demand for REE and rare earth metals is increasing significantly as critical components in new technology products and science innovation.

The use of rare earth metals in the application of hybrid vehicles is gaining significant market share in the car market. Vehicles with low carbon emissions utilise approximately 30kg (65lbs) of REE per vehicle. Such vehicles require rare earths in the motors, batteries, glass, auto catalysts and the electronics components of the vehicle and accounts for a significant consumption of rare earths.

Applications and Uses of Rare Earth Elements

Table of Rare Earth Elements showing common uses (not all uses are shown)		
Element	**Name**	**Uses**
Ce	Cerium	Glass, polishing powders, ceramics, phosphors, catalysts
Dy	Dysprosium	Ceramics, phosphors (colour screens), nuclear applications
Er	Erbium	Coloured glass, optical fibres, lasers, ceramics, nuclear applications (medical)
Eu	Europium	Phosphors (colour screens)
Gd	Gadolinium	Glass, medical imaging, ceramics
Ho	Holmium	Lasers, nuclear applications (medical), ceramics
La	Lanthanum	Phosphors (colour screens), glass, catalysts, ceramics
Lu	Lutetium	Single crystal scintillators (baggage scanners, oil exploration)
Nd	Neodymium	Permanent magnets, lasers, catalysts
Pr	Praseodymium	Ceramics, glass
Pm	Promethium	Phosphors (colour screens), miniature nuclear batteries
Sm	Samarium	Microwave ovens, permanent magnets, nuclear applications (medical)
Sc	Scandium	Baseball bats, lights, semiconductors, lightweight aerospace construction
Tb	Terbium	Phosphors (colour screens)
Tm	Thulium	Medical imaging, electron beam tubes (televisions)
Yb	Ytterbium	Radiography, stainless steel, disk lasers, glass, siesmometers
Y	Yttrium	Phosphors (CRT and lamp), radar, superconductors

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Appendix 2 - Notes on the Hastings Rare Metals and Heavy Rare Earths Project Resource Estimate

Simon Coxhell, principal consultant of CoxsRocks Pty Ltd has completed the JORC compliant resource estimate for the Hastings Rare Metals and Heavy Rare Earths Project.

Hastings Rare Metals Pty Limited holds a significant tenement package comprising ten granted Prospecting Licences totalling 1,990 hectares covering the Hastings rare metals deposit located near Halls Creek in the East Kimberley region of Western Australia. The Hastings deposit hosts significant resources of zircon, niobium, tantalum, yttrium, gallium, hafnium, and rare earth elements.

The deposit has been well defined by previous explorers. Based on this historical database Coxsrocks Pty Limited has undertaken a resource estimation for Hastings Resources and has estimated the following JORC-compliant resources:

Resources	**Mt**	**ZrO_2%**	**Nb_2O_5%**	**Ta_2O_5%**	**Y_2O_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

The resources remain open along strike in both directions and at depth.

Interpretation and Resource Polygons

Interpretation based on a nominal 2000 ppm niobium threshold was undertaken based on the supplied data. Micromine Mining Software was used for all interpretation, wireframing and interpolation. Based on the drill hole data, cross sections were generated and interpreted with one polygon per section produced. These individual polygons were then wireframed to produce a coherent and regular shaped wireframe. The wireframe was assigned into the database to subset those values used in the interpolation. Interestingly in general only the mineralised unit appears to have been analysed suggesting a good visual control to the mineralisation and geology. The wireframe was closed off to a point 100 metres north and south of the final polygons.

For the interpolation, inverse distance squared (ID2) was used with a 355 degree azimuth, -75 degree search to the east and no plunge component was used. A search of 300 metres along strike, 100 metres down dip and 5 metres down hole was used. A number of checks using alternative searches were used, with little differences observed in the final numbers.

No upper cuts for the grades were used as statistical evaluation suggested a normal distribution of the values effectively confined within one geological stratigraphic unit. Block sizes of 50 metres in the northing, 5 metres in the eastings and 10 metre in the RLs were adopted. Blocks were subcelled to half their original sizes to approximate the wireframe boundaries.

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Once the interpolation had been competed the wireframe was assigned back into the block model to trim any blocks lying outside of the wireframe and the results reported. The wireframe volume and tonnes and grade was checked with the block model to confirm the values adopted. An insitu bulk density (ISBD) of 2.6t/bcm was adopted based on historical work.

The indicated resource extends from the surface to 100 metres vertical depth and the inferred resource from 100-250 vertical metres. The indicated resource grade/s are estimated based on interpolation of all the drill hole assays lying within the wireframed mineralised unit and the tonnes are calculated from the trimmed block model with an arbitrary RL cut off based on 315 RL corresponding to approximately 100 metres vertical depth.

The inferred tonnes have been extrapolated down to 250 metres vertical depth (100-250 m) with the grades adjusted for diamond drill hole BR001 which reported an intercept of 21 metres @ 239 TaO_2, 3264 Nb_2O_5, 1003 Y_2O_3 and 7980 ZrO_2 from 222-243 metres.

Drilling at depth confirms the depth extensions of the unit with additional drilling likely to increase the confidence of the resource both along strike and at depth. Further drilling may be expected to lead to an increase in the JORC compliance of the resource and is likely to elevate the indicated to measured and the inferred to indicated. Detailed analysis of all major and minor rare earth elements is recommended and should include Lanthanum, Praeseodymium, Samarium, Neodymium, Europium, Gadolinium and Dysprosium. Elevated values of these rare earth elements may lead to an increase in the insitu value of the resource.

This resource estimate 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).

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399

Appendix 3 - Hastings Tenements Status

Tenement Number	Registered Holder	Holder (%)	Granted	Application Date	Area (Ha)
P80/1626	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1627	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1628	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1629	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1630	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1631	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	190.00
P80/1632	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1633	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1634	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00
P80/1635	Hastings Rare Metals Pty Ltd	100%	20/03/2009	8/02/2007	200.00

Address Suite 9, 1200 Hay St, West Perth WA 6005 Postal Address PO Box 281, West Perth WA 6872
Telephone + 61 (8) 6460 4960 Facsimile + 61 (8) 9324 3045
Email admin@augustusminerals.com.au Website www.augustusminerals.com.au
ABN 43 122 911 399