AUGUSTA
INDUSTRIES INC.

Management's Discussion and Analysis
Three And Six Months Ended
June 30, 2015

Marcon International Inc.

A wholly owned subsidiary of
Augusta Industries Inc.

FOX TEK

A wholly owned subsidiary of
Augusta Industries Inc.

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Augusta Industries Inc. for the three and six months ended June 30, 2015 and 2014. It should be read in conjunction with the interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014. Additional information relating to the Company is available on SEDAR at **www.sedar.com**, or on TSX Venture Exchange website at **www.tmx.com**, and on our website at **www.fox-tek.com**. Information contained in or otherwise accessible through our website doesn't form a part of this MD&A, and is not incorporated into this MD&A by references.

References to "we", "our", "Augusta", or "the Company" means Augusta Industries Inc. and its subsidiaries, unless the context requires otherwise.

BASIS OF PRSENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Fiber Optic System Technology (Canada) Inc., Fox-Tek PinPoint Inc., Fox-Tek Canada Inc. ("Fox-Tek"), Marcon International Inc. ("Marcon"), Marcon International (USA) Inc. and Marcon International (UK) Ltd. All inter-company accounts and transactions have been eliminated.

All financial information is reported in Canadian dollars and is expressed in thousands except for per share amounts which are expressed in dollars.

The MD&A was approved for issue by the Board of Directors on August 31, 2015.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements, except for historical information, and reflect the Company's present assumptions regarding future events. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements.

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable securities legislation, regulations or policies.

OVERVIEW OF BUSINESS

Corporate Overview

Augusta Industries Inc. was incorporated on October 13, 1999 under the laws of the State of Delaware.

Marcon International Inc. (“Marcon”) was incorporated under the laws of the Province of Ontario on April 28, 2010. On August 1, 2010, Marcon entered into an asset purchase agreement with Knoxbridge Corp (“Knoxbridge”), whereby Knoxbridge transferred certain net assets, to Marcon in exchange for shares and debt. The asset purchase agreement also resulted in the transfer of all the shares of Marcon International (USA), Inc. and Marcon International (UK) Ltd. to Marcon. The net assets and transactions within these two entities were not material.

On September 24, 2010, the Company completed a reverse take-over transaction (“RTO”) with Marcon. The Company issued 91,815 common shares from treasury to Marcon’s sole shareholder, Knoxbridge, in exchange for all of Marcon’s outstanding shares.

Although legally the Company is regarded as the parent or the continuing Company, Marcon, whose shareholders holds approximately 41.4% of the voting shares of the Company after the reverse takeover, is treated as the acquirer. Consequently, the Company is deemed a continuation of Marcon and control of the net assets and business of the Company is deemed to have been acquired by Marcon in consideration for the issuance of the shares of the Company.

The RTO enables Fox-Tek to expand its products into the well established distribution channels developed by Marcon since 1991.

The Company have offices in Oakville, Ontario and Calgary, Alberta; Augusta is traded on the TSX Venture Exchange under the symbol "AAO". As a result of its acquisition of Marcon in 2010, the Company continues to merge its business with that of Marcon.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company has incurred a net loss of $478 for six months ended June 30, 2015 (2014 – income of $82), has an accumulated deficit of $7,189 (December 31, 2014 – $6,711) from inception and working capital deficit of $1,472 (December 31, 2014 – $1,000).

In July 2015, the Company raised gross proceeds of $1,000 through a non-brokered private placement of up to 20,000 units (the "Units") of the Company at a price of $0.05 per Unit. Each Unit consisted of one (1) common share and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one common share at a price of $0.07 per share for a period of three years from date of issuance. This raise will meet the company's medium term working capital requirements. However, the challenges of securing further funding and the continued estimated operating losses indicate the existence of uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These interim consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Principal Business

Fox-Tek is engaged in the development, design, manufacture and supply of systems using fiber optic sensors, related monitoring instruments, and software. Clients either buy systems or operate them, or Fox-Tek handles the installation and reporting of information on an outsourcing basis. For either choice, Fox-Tek provides support engineering services related to planning, training, on-site installation, and data interpretation and reporting. Fox-Tek's target market includes the monitoring, communication, alarming and prediction of safe/unsafe conditions in structures and facilities. Fox-Tek's main products are patented non-intrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels due to corrosion/erosion, strain due to bending/buckling, and process pressure and temperature.

Fox-Tek's FT fiber optic sensor monitoring systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks.

The FT system uses non-intrusive fiber optic sensors to monitor strain due to settling, movement or buckling of a variety of civil structures, such as bending, buckling, elongation or compression of pipelines. Movement of soil or foundation footing can also be monitored. Measurements can be made at multiple locations up to 2,000 meters apart.

FT systems are highly sensitive and easy to operate: portable or dedicated FT monitors make continuous or periodic measurements by interrogating multiple permanently mounted sensors. Digital data facilitates semi-automated analysis and prompt reporting. Remote telemetry, long robust lead cables, and maintenance-free sensors enable early warning, or confirmation of effective mitigation solutions such as rebuilding slopes or grades. The non-electrical sensors are very robust and inherently immune to electromagnetic interference.

FT sensors can be field-bonded to steel, concrete, composite / FRP structures located underwater, below grade or imbedded during a pour. They safely and efficiently monitor:

- Steel structure degradation due to corrosion;
- Concrete column compression and swelling due to corrosion;
- Composite girder / deck bending strains;
- Frame stability / buckling;
- Piling & anchor movement caused by ground heaving or seismic activity;
- Foundation settling;
- Dam subsidence;
- Tunnel wall and building fascia buckling;
- Storage tank floor / wall integrity

FT systems can be used in a wide array of engineered structures, and for any root cause of stress or degradation. FT sensor measurements combined with standard structural modeling and finite element analysis provide information to optimize maintenance, or institute prevention measures such as load control.

Fox-Tek's Electric Field Mapping ("EFM") System is a continuous, non-intrusive wall thickness monitoring system for pipelines and process piping with a number of breakthrough features:

1. Welded-on or spring-loaded sensor array
2. Rated for direct burial applications
3. Remote telemetry
4. Immediate reporting of alarms
5. Streamlined, objective data processing

Fox-Tek's Data Management and Analysis Tool ("DMAT") platform which was launched in 2011 is the database management and analysis tool for providing analysis and interpretation of the collected data. Data from all channels of FT Monitors, or EFM Monitors is collected and processed into easily understood tabular or graphical formats. It is anticipated that the DMAT Platform will provide additional value to pipeline operators and other stakeholders by allowing such users to easily manage multiple Fox-Tek ("FT") systems.

Fox-Tek has been able to enhance the DMAT Platform user interface to facilitate the consistent presentation of data across multiple sites and improve the tools for location comparison and data reporting. In addition, the DMAT Platform now contains an alarm-on-event capability which the customer can customize according to their specific needs and thresholds.

Fox-Tek's Fiber Bragg Grating ("FBG") sensor system is an advanced fiber optic system consisting of many point strain sensors on one sensor string with high dynamic bandwidth. The FBG sensors measure the average local strain using Fox-Tek's FTG-3500 instrument. The system is suitable for static or low to medium frequency monitoring applications such as continuous in-situ structural health monitoring.

As an all-fiber optic sensor, FBG sensors possess some unique advantages, compared to conventional electrical sensors. They are immune to electromagnetic interference, and being light powered, they are intrinsically safe, making them ideal for deployment in hazardous or flammable environments.

The sensor itself is made from conventional single-mode optical fiber, with a diameter of 250 microns. This small diameter allows the sensor to be embedded inside the structure being monitored with minimal intrusive effect. The sensors are also available in various ruggedized packaged configurations, for easy installations.

Marcon is involved in the industrial supply of equipment and parts procuring for its clients, including the sale and distribution of Electrical, Mechanical and Instrumentation equipment. The equipment is purchased from various suppliers in Canada, the United States and Europe. Its clients are principally clients in the oil and gas industry, United States government agencies such as the Department of Defence, Department of the Interior, Department of Homeland Security and Department of Agriculture and in the Middle East. In addition to departments and agencies of the U.S. Government, Marcon's major clients include Saudi Arabia-Sabic Services (Refining and Petrochemical), Bahrain National Gas Co, Bahrain Petroleum, Qatar Petroleum, Qatar Gas, Qatar Petrochemical, Gulf of Suez Petroleum, Agiba Petroleum and Burullus Gas Co.

BUSINESS DEVELOPMENT

The Company is constantly working to improve its position in terms of intellectual property and what it offers to its customers. In fiscal 2015 the Company has focused on continuous improvements to its technology in markets with the highest perceived potential payoff, particularly oil and gas sectors.

Notable events include the following:

Fox-Tek Segment

Fox-Tek continues to support its independent sales agents and distributors primarily outside of North America with the intent of utilizing their local contacts and established relationships within the oil and gas industry to expedite the distribution of Fox-Tek's products in the local jurisdictions. Fox-Tek has also streamlined its production process to meet the higher demand of our systems. In addition, we have an ongoing goal of significant reductions in overhead expenses, to provide greater potential towards corporate profitability.

The Company will continue to work closely with its existing clients to ensure their needs are met in order to strengthen and preserve the relationship in addition to developing new relationships with new clients.

1) South America
The Company has actively pursued opportunities in South America and is currently bidding in a number of projects there. In July 2014 Fox-Tek entered into its first contract in South America with the highly respected oil and gas company Equion Energy Limited, ("Equion") for the sale of two EFM systems. Equion is using the EFM systems in its field operations located in Colombia, South America in order to validate the effectiveness of its existing mitigation programs at two separate key locations. These two systems were installed in February 2015. The Company looks forward to other projects such as these, as the market is large in South America to monitor both wall loss in various pipes and vessels and pipeline bending already.

2) Sales of EFM Corrosion Monitoring Systems
Prior to the current quarter, Fox-Tek was awarded contracts for 20 Electric Field Mapping ("EFM") Corrosion monitoring systems by Enbridge Pipelines, one of North America's largest liquid pipeline companies, for corrosion monitoring at several locations of interest on some of its key US pipeline assets. All the 20 systems have been delivered and 18 have been installed in 2014 or earlier periods. One of the two remaining uninstalled units is expected to be installed in quarter 4 of 2015. One other unit was sold and shipped to Enbridge in the 4th quarter of 2014 and its installation was completed in the 2nd quarter of 2015.

3) Sales of EFM system to Zamil
Zamil Group Holding Company (“Zamil”) is located in Saudi Arabia and is our strategic Middle East distributor for our EFM system. Zamil is a global holding company with diverse interests and capabilities. It provides innovative, high quality and price competitive products and services as well as investment opportunities for investors, partners and stakeholders in the industrial, petrochemical and service sectors. Zamil's range of products and services is expansive and spans air-conditioning manufacturing to architectural glass processing, plastics to steel fabrication and paints and cranes to heavy process equipment. It is also engaged in shipbuilding and repair, port operations and maintenance, petrochemicals and chemicals, industrial investment and general construction.

Fox-Tek shipped five EFM systems to Zamil during the year ended December 31, 2011. The Company successfully completed the installation of two of these five systems in previous years and two more units were sold in the 1st quarter of 2015 and these have already been installed. The Company is extremely hopeful that the remaining unit with Zamil will be sold in 2015.

4) DMAT Platform
Fox-Tek continues to enhance the DMAT platform (Data Management and Analysis Tool). Response from customers utilizing the DMAT service has been very good and currently the Company has service contracts for 43 sites. For DMAT, the revenue stream is guaranteed when a customer

acquires the hardware. Revenue from these services is expected to exceed $350 in 2015 (2014 - $266).

5) FBG systems

Fox-Tek has seen increased interests from South America for number of FBG systems and we have already quoted on a number of bids and we expect to see some contracts in 2015.

Marcon Segment

Marcon provides procurement and support services to existing and new projects worldwide in the energy sector. Initially Marcon had focused on providing services in the energy sector but moved on to government contracts and government services. Marcon has two subsidiaries, Marcon USA and Marcon UK, to help enhance and support its logistic and sales operations. Over the years it has established a good reputation and has been a consistent performer for its clients in the government as well as the international oil and gas industry.

SELECTED FINANCIAL AND OPERATING RESULTS

Balance Sheet

As of June 30, 2015, the Company's working capital deficit was $1,472 (December 31, 2014 – deficit of $1,000). As of June 30, 2015, the Company had total assets of $745 (December 31, 2014 – $942). Total assets decreased by $197 during the six months ended June 30, 2015 as all the investments were sold (investments at December 31, 2015 - $154). Cash and cash equivalents decreased by $103 from $156 at December 31, 2014 to $53 as of June 30, 2015 and inventory decreased by $ 43 during this period offset by an increase in trade and other accounts receivables by $128. The proceeds from sale of investments and the decrease in the cash and cash equivalents were used in part to repay bank indebtedness by $150.

As of June 30, 2015, the Company had total liabilities of $2,244 (2014 – $1,966), an increase of $278 during the six months ended June 30, 2015. There were increases in advances by $235 and deferred revenue by $73 and accounts payable and accrued liabilities by $128. Bank indebtedness however decreased by $150 and long term loans by $10.

Shareholders' deficit increased by $475 to $1,499 reflecting the operational results of the period.

Results of Operations

CONSOLIDATED INCOME STATEMENT: 2015

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six Months Ended June 31, 2015	Six Months Ended June 31, 2014
Sales	$ 492	$ 454	$ 1,018	$ 903
Cost of sales	(371)	(397)	(713)	(735)
Gross Profit	**121**	**57**	**305**	**168**
Expenses				
Research and development	(64)	(25)	(106)	(56)
Selling	(1)	(18)	(22)	(42)
General and administrative	(253)	(259)	(489)	(516)
Total Operating Expenses	(318)	(302)	(617)	(614)
Loss from Operations	(197)	(245)	(312)	(446)
Finance costs	(41)	(43)	(61)	(85)
Unrealized gain on investment	0	71	0	446
Gain(loss) on sale of investment	0	13	(43)	175
Foreign exchange loss	(35)	4	(62)	(12)
(Loss)income before income taxes	(274)	(200)	(478)	78
Deferred tax	0	2	0	4
Net (loss)/income	$ (274)	$ (198)	$ (478)	$ 82
Other comprehensive income (loss)	$ (4)	$ 6	$ 3	$ 2
Total Comprehensive (loss)income	$ (278)	$ (192)	$ (475)	$ 84

Sales and cost of sales were $1,018 and $713 respectively for the six months ended June 30, 2015 (2014 - $903 and $735). The sales in the six months ended June 30, 2015 were $115 higher than 2014. Fox-Tek sales are higher than last year's level by $193 while Marcon sales are lower by $78. The mix of sales between Fox-Tek and Marcon during the six months ended June 30, 2015 is reflected in the higher margin of 30.0% compared to 18.6% during 2014. Fox-Tek margins are higher than Marcon and with Fox-Tek sales increasing, the overall margin has improved.

In 2015, Fox-Tek has installed the 2 units that were sold to Colombia in 2014 and has sold and installed a new unit to Enbridge and 2 units to Saudi Arabia. Marcon has a backlog of $418 on June 30, 2015.

Results of operations for the six months ended June 30, 2015

The Company is continually making efforts to reduce expenses in order to become cash flow positive over the next year. Total operating expenses for the six months ended June 30, 2015 were $617 compared to $614 in the previous year - an increase of $3. The research and development ("R&D") expenses went up by $50 in the six months ended June 30, 2015 – this was due to the fact that in the six months ended June 30, 2014, $40 of R&D expenses were capitalized as internally generated intangible while in 2015 no R&D expenses were capitalized. Selling expenses saw a reduction of $20 as the Company reduced the number of trade shows in 2015. General and administration ("G&A") expenses decreased by $27 as salaries and short term benefits came down by $19 and professional fees by $8. The finance costs of $61 (2014 - $85) include accrued interest and accretion expense of $2 (2014 - $45) for convertible debentures, accrued interest on advances of $28 (2014 - $24) and interest of $31 (2014 - $16) on bank indebtedness and long term loans.

During the six months ended June 30, 2015, the Company recognized $19 (2014 - $16) Ontario Investment Tax Credit, which has been deducted from research and development expenses. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by CRA. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have largely been assessed as filed. The Company has not yet received the 2014 claim as yet.

During the six months ended June 30, 2015, the Company sold the remaining investments (at fair value) for $111 resulting in a loss of $43 on sale of investment which is included in the consolidated statement of comprehensive loss.

The Second Quarter Results

Sales and cost of sales in the three months ended June 30, 2015 were $492 and $371 (2014 - $454 and $397).
Marcon sales for the 2nd quarter of 2015 were $372 compared to $418 in the corresponding quarter of 2014. Fox-Tek's sales on the other hand increased from $36 in the 2nd quarter of 2014 to $120 in the 2nd quarter this financial year. Marcon has a backlog of $418 on June 30, 2015. Fox-Tek has completed install of 2 units sold in Saudi Arabia and 1 unit for Enbridge. Fox-Tek has also bid on a number of projects and are very hopeful that few of these will translate into sales in the next quarter. The margin of 24.6% during the three months ended June 30, 2015 is almost double of the corresponding period of 2014 (12.6%). Fox-Tek margins are higher than Marcon and with Fox-Tek sales increasing, the overall margin ahs improved.

Total operating expenses for the three months ended June 30, 2015 were $318 compared to $302 for the same period of the 2014 an increase of $16. The research and development ("R&D") expenses went up by $39 in the three months ended June 30, 2015 – this was partly due to the fact that in the three months ended June 30, 2014, $20 of R&D expenses were capitalized as internally generated intangible

while in 2015 no R&D expenses were capitalized. There was also one additional engineer working for part of the 2nd quarter of 2015. Selling
expenses went down by $17 because of reduced participation in trade shows. General and administration ("G&A") expenses at $253 was slightly lower than $259 in 2014.

During the three months ended June 30, 2015, the Company recognized $9 (2014 - $8) Ontario Investment Tax Credit, which has been deducted from research and development expenses. Investment tax credits for the fiscal year are dependent upon qualification of each individual project under stringent technical criteria and amounts may vary upon further review by CRA. Adjustments to the claim, if any, will be accounted for in the year of assessment. Historically, the investment tax credits have largely been assessed as filed.

Summary of Consolidated Quarterly Results

The following is a summary of results on a quarterly basis.

	Q3 2013	Q4 2013 Restated	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Sales	$ 858	$ 944	$ 449	$ 454	$ 867	$ 588	$ 526	$ 492
Cost of Sales	(666)	(700)	(337)	(397)	(673)	(477)	(342)	(371)
Gross Profit	$ 192	$ 244	$ 112	$ 57	$ 194	$ 111	$ 184	$ 121
	22.4%	25.8%	24.9%	12.6%	22.3%	18.9%	35.0%	24.6%
Expenses								
Research and development	(75)	104	(31)	(25)	(34)	(117)	(42)	(64)
Selling	(17)	(16)	(24)	(18)	(10)	(10)	(20)	(1)
General and administrative	(283)	(394)	(258)	(259)	(260)	(331)	(236)	(253)
Total Operating Expenses	(375)	(306)	(313)	(302)	(303)	(458)	(299)	(318)
Profit/(Loss) from Operations	(183)	(62)	(201)	(245)	(109)	(347)	(115)	(197)
Finance costs	(30)	(43)	(42)	(43)	(57)	(27)	(20)	(41)
Goodwill impairment	0	(550)	0	0	0	(1,013)	0	0
Intangible asset impairment	0	0	0	0	0	(163)	0	0
Unrealized (loss)gain on iinvestment	0	180	374	71	(608)	(108)	0	0
Gain(loss) on sale of investment	(47)	130	162	13	169	(42)	(43)	0
Foreign exchange gain(loss)	9	(29)	(15)	4	(11)	(8)	(27)	(35)
Profit/(Loss) before income tax	(251)	(374)	278	(199)	(616)	(1,708)	(204)	(274)
Current income tax	0	(27)	0	0	0	27	0	0
Deferred tax	2	0	2	2	2	17	0	0
Net (loss)/income	(249)	(401)	280	(198)	(614)	(1,663)	(204)	(274)
Other comprehensive income (loss)	1	(4)	1	6	0	(1)	7	(4)
Total comprehensive loss	(248)	(405)	281	(192)	(614)	(1,664)	(197)	(278)
Net income(loss) per share - basic and diluted	$ (0.001)	$ (0.002)	$ 0.001	$ (0.001)	$ (0.003)	$ (0.002)	$ (0.001)	$ (0.001)
Basic weighted average number common shares outstanding	184,928	187,895	202,928	202,928	202,928	214,035	214,035	214,035

In Q4 2013, the Company had restated sales which were recognized by the Company during the year ended December 31, 2011 that did not meet the revenue recognition criteria in IAS 18 until subsequent years. The Company had restated the financial statements to reverse the impact of these past sales, the trade receivables associated with this adjustment and to recognize inventory.

Gross profit analysis

For the eight quarters, the gross profit margin for the two cash generating units fluctuated within a range of 8.84% to 67.29%, which was mainly due to the fluctuation of the sales mix between Fox-Tek and Marcon - Fox-Tek has an average of about 58% gross profit margins and Marcon has an average of 12% gross profit margins. See following tables for gross profit margins in the two divisions.

Gross profit for Marcon

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Sales	$690	$679	$342	$418	$703	$415	$310	$372
Cost of sales	605	613	302	377	615	365	260	325
Gross profit	**$85**	**$60**	**$40**	**$41**	**$88**	**$50**	**$50**	**$47**
Gross profit %	**12.32%**	**8.84%**	**11.70%**	**9.81%**	**12.52%**	**12.05%**	**16.13%**	**12.63%**

Gross profit for Fox-Tek

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
		Restated						
Sales	$168	$265	$107	$36	$164	$172	$216	$120
Cost of sales	61	87	35	20	58	114	82	46
Gross profit	**$107**	**$178**	**$72**	**$16**	**$106**	**$58**	**$134**	**$74**
Gross profit %	**63.69%**	**67.17%**	**67.29%**	**44.44%**	**64.63%**	**33.72%**	**62.04%**	**61.67%**

Marcon revenue for the second quarter of 2015 was the lower than the corresponding quarter of 2014 by $46 but the margin of 12.63% was much better than 9.81% in the second quarter of 2014.

Fox-Tek recorded sales of $120 in the second quarter of 2014 compared to $36 in the corresponding period of 2014. The gross margin this quarter 61.67% was much higher than 44.44% in the first quarter of 2014.

The Company's revenue continues to be difficult to forecast and is likely to fluctuate significantly from period to period. In addition, the Company's operating results do not follow any past trends. The factors affecting the Company's revenue and results of operations include:

- competitive conditions in the industrial sensing industry, including new products, product announcements and special pricing offered by competitors of the Company;
- market acceptance of the Company's products;
- ability to hire, train and retain sufficient sales and professional services staff;
- ability to complete its service obligations related to product sales in a timely manner;
- varying size, timing and contractual terms of product orders, which may delay the recognition of revenue;
- ability to maintain existing relationships and to create new relationships to assist with sales and marketing efforts;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the oil and gas industry resulting in a decrease in the overall demand for the products and services offered by the Company or otherwise affecting its customers' capital investment levels in workforce management software;
- changes in the Company's pricing policies and the pricing policies of its competitors;
- timing of product development and new product initiatives; and
- changes in the mix of revenue attributable to substantially lower-margin service revenue as opposed to higher-margin product license revenue.

Because the Company's revenue will be dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of sales prospects into revenue could cause the Company to plan or budget inaccurately. Such variations could adversely affect the Company's financial results. Delays and reductions in the amount of, or cancellations of, customers' purchases would adversely affect the Company's revenue, results of operations and financial condition.

Historically, the Company's revenues and net results have been little affected by seasons. Seasonal fluctuations will become more significant as the weighting of sales to the oil and gas field increases, since business activity is generally greater in the winter for this sector.

Performance Indicators

In order to evaluate the Company's performance and generate long-term value for its shareholders, the Company has identified the following financial and non-financial performance indicators:

- Distribution, sales, and long-term recurring revenues;
- Products and innovation;
- Short-term financial performance and cash flows;
- Strategic acquisitions and development of new projects.

SEGMENTED INFORMATION

The Company's reportable segments are strategic business units that offer different services and/or products. They are managed separately because each segment requires different strategies and involves different aspects of management expertise. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company carries out its operations through wholly-owned entities. These entities are located in Canada and the United States.

FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Sales	$ 682	$ 336	$ -	$ 1,018
Cost of Sales	(585)	(128)	0	(713)
Gross Profit	**97**	**208**	**0**	**305**
Expenses				
Research and development	0	(106)	0	(106)
Selling	0	(22)	-	(22)
General and administrative	(180)	(89)	(220)	(489)
Total Operating Expenses	(180)	(217)	(220)	(617)
Loss from Operations	(83)	(9)	(220)	(312)
Finance costs	(67)	0	7	(61)
Change in fair value of investment	0	0	0	0
Loss on disposal of investment	0	0	(43)	(43)
Foreign exchange (loss)gain	(55)	4	(11)	(62)
Loss before income tax	(204)	(5)	(267)	(478)
Deferred tax	0	0	0	0
Segment profit(loss)	$ (204)	$ (5)	$ (267)	$ (478)
Other comprehensive income	$ -	$ -	$ 3	$ 3
Comprehensive loss	$ (204)	$ (5)	$ (264)	$ (475)

As of June 30, 2015

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Total assets	$ 315	$ 430	$ -	$ 745
Equipment	$ 12	$ 53	$ -	$ 65

All of the Company's equipment is located in Canada. The Marcon sales revenue of $682 excludes intercompany sales of $22 to Fox-Tek for the six months ended June 30, 2015. The intercompany sales have been eliminated in the consolidated financial statements.

FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Sales	$ 760	$ 143	$ -	$ 903
Cost of Sales	(680)	(55)	0	(735)
Gross Profit	**80**	**88**	**0**	**168**
Expenses				
Research and development	0	(56)	0	(56)
Selling	0	(42)	-	(42)
General and administrative	(210)	(94)	(212)	(516)
Total Operating Expenses	(210)	(192)	(212)	(614)
Loss from Operations	(130)	(104)	(212)	(446)
Finance costs	(2)	0	(83)	(85)
Change in fair value of investment	0	0	446	446
Profit on disposal of investment	0	0	175	175
Foreign exchange (loss)gain	(8)	(0)	(4)	(12)
Loss before income tax	(140)	(104)	322	78
Deferred tax	0	0	4	4
Segment profit(loss)	$ (140)	$ (104)	$ 326	$ 82
Other comprehensive income	$ 2	$ (0)	$ (0)	$ 2
Comprehensive loss	$ (138)	$ (104)	$ 326	$ 84
As of December 31, 2014				
Total assets	$ 178	$ 764	$ -	$ 942
Capital and intangible assets	$ 14	$ 62	$ -	$ 76

All of the Company's equipment is located in Canada. The Marcon sales revenue of $760 excluded intercompany sales of $7 to Fox-Tek for six months ended June 30, 2014. The intercompany sales have been eliminated in the consolidated financial statements.

FOR THE THREE MONTHS ENDED JUNE 30, 2015

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Sales	$ 372	$ 120	$ -	$ 492
Cost of Sales	(325)	(46)	0	(371)
Gross Profit	**47**	**74**	**0**	**121**
Expenses				
Research and development	0	(64)	0	(64)
Selling	0	(1)	-	(1)
General and administrative	(94)	(47)	(112)	(253)
Total Operating Expenses	(94)	(112)	(112)	(318)
Loss from Operations	(47)	(38)	(112)	(197)
Finance costs	(64)	0	23	(41)
Change in fair value of investment	0	0	0	0
Loss on disposal of investment	0	0	0	0
Foreign exchange (loss)gain	5	(34)	(6)	(35)
Loss before income tax	(107)	(72)	(95)	(274)
Deferred tax	0	0	0	0
Segment profit(loss)	$ (107)	$ (72)	$ (95)	$ (274)
Other comprehensive income	$ -	$ -	$ (4)	$ (4)
Comprehensive loss	$ (107)	$ (72)	$ (99)	$ (278)

As of June 30, 2015

Total assets	$ 315	$ 430	$ -	$ 745
Equipment	$ 12	$ 53	$ -	$ 65

All of the Company's equipment is located in Canada. The Marcon sales revenue of $372 excludes intercompany sales of $4 to Fox-Tek for the three months ended June 30, 2015. The intercompany sales have been eliminated in the consolidated financial statements.

FOR THE THREE MONTHS ENDED JUNE 30, 2014

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Sales	$ 418	$ 36	$ -	$ 454
Cost of Sales	(377)	(20)	0	(397)
Gross Profit	**41**	**16**	**0**	**57**
Expenses				
Research and development	0	(25)	0	(25)
Selling	0	(18)	-	(18)
General and administrative	(106)	(47)	(106)	(259)
Total Operating Expenses	(106)	(90)	(106)	(302)
Loss from Operations	(65)	(74)	(106)	(245)
Finance costs	(2)	0	(41)	(43)
Change in fair value of investment	0	0	71	71
Profit on disposal of investment	0	0	13	13
Foreign exchange (loss)gain	17	(10)	(3)	4
Loss before income tax	(50)	(84)	(66)	(200)
Deferred tax	0	0	2	2
Segment profit(loss)	$ (50)	$ (84)	$ (64)	$ (198)
Other comprehensive income	$ 6	$ (0)	$ (0)	$ 6
Comprehensive loss	$ (44)	$ (84)	$ (64)	$ (192)

As of December 31, 2014

Total assets	$ 178	$ 764	$ -	$ 942
Capital and intangible assets	$ 14	$ 62	$ -	$ 76

All of the Company's equipment is located in Canada. The Marcon sales revenue of $418 excluded intercompany sales of $8 to Fox-Tek for six months ended June 30, 2014. The intercompany sales have been eliminated in the consolidated financial statements.

Revenue by Geographic Region

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
USA	$305	$326	$638	$707
Canada	96	75	149	114
Middle East	99	48	199	82
Others	32	0	32	0
Total	$532	$449	$1,018	$903

LIQUIDITY AND CASH RESOURCES

Cash used in operating activities was $261 during the six months ended June 30, 2015 compared to $511 during the corresponding period of 2014. Accrued interest and accretion expenses totalling $30 and gain on sale of investment $43 do not involve cash – therefore, adding these and other items not involving cash resulted in a net cash loss of $391 (2014 - $462). Trade and other account receivables increased by $128 using up cash. While inventory were reduced by $43 and prepaid expenses by $34 meaning that cash was released to finance the operations. Accounts payable went up by $128 and deferred revenue by $73 and this meant that cash was released to finance the operations.

Cash provided by financing activities was $109 during the six months ended June 30, 2015 (2014 – $444). The proceeds from sale of investments generated $111 and an increase in net advances of $158 were used to pay down bank indebtedness by $150 and long term debt by $10. The remaining balance of cash provided by financing activities was used in operating activities.

For the six months ended June 30, 2015, the Company had a net decrease in cash and cash equivalents of $104 as compared to $116 for the six months ended June 30, 2014. As a result, as at June 30, 2015, the Company had a cash and cash equivalents balance of $53 as compared to $36 as at June 30, 2014.

The Company has a line of credit with a capacity of $250, of which $250 was drawn as at June 30, 2015.

As previously discussed, subsequent to June 30, 2015, the Company raised gross proceeds of $1,000 through a non-brokered private placement at a price of $0.05 per Unit. Each Unit consisted of one (1) common share and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one common share at a price of $0.07 per share for a period of three years from date of issuance.

During the six months ended June 30, 2015 the company recognized interest expense of $61 (2014 - $85) including accrued interest and accretion expense of $2 (2014 - $45) for convertible debentures, accrued interest on advances of $28 (2014 - $24) and interest of $31 (2014 - $16) on bank indebtedness and long term loans.

The Company is committed under operating lease agreements for the rental of its premises and a car lease. Minimum annual future lease payments are approximately as follows:

Year	Lease Commitments
2015	$30
2016	$6
	$36

Management will continue to work on maintaining an optimal inventory level and the timely collection of accounts receivable to minimize its working capital requirements.

The Company uses its capital to finance marketing expense, research and development activities, administrative charges, working capital and capital assets. Historically, the Company has financed activities through rounds of public and private financing and debt financing. The Company has used $250 of its line of credit capacity, and has advances of $636, long term debt of $65 and convertible debentures of $32 with maturity in 1.5 years.

INVESTMENTS AT FAIR VALUE

As at December 31, 2014, all of the Company's investments were classified as Level 1.

On December 23, 2013, the Company had completed the purchase of 3,000 common shares of Pinetree Capital Ltd. ("Pinetree"), a publicly-traded investment company (TSX: "PNP"). The Company had issued an aggregate of 18,000 common shares to Pinetree in exchange for the Pinetree shares. The Company had valued the Pinetree shares based on the market price of the Pinetree shares on December 23, 2013 for a total value of $688. During the year ended December 31, 2014, the Company sold 1,940 Pinetree shares which resulted in a gain of $302 on disposal of investment which was included in the consolidated statement of comprehensive loss for the year ended December 31, 2014. The fair value of the remaining 1,060 Pinetree shares at December 31, 2014 was $154. During the six months ended June 30, 2015, the Company sold the remaining 1,060 shares for $111 resulting in a loss of $43 on disposal of investment which is included in the consolidated statement of comprehensive loss.

SHARE CAPITAL, WARRANTS, AND OPTIONS

a) **Share capital**

214,035 shares of voting common stocks were issued and outstanding as at December 31, 2014 and on June 30, 2015. As at August 31, 2015, 234,035 shares of voting common stocks are issued and outstanding.

In July 2015, the Company raised gross proceeds of $1,000 through a non-brokered private placement of up to 20,000 (the "Units") of the Company at a price of $0.05 per Unit. Each Unit consisted of one (1) common share and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one common share at a price of $0.07 per share for a period of three years from date of issuance.

As at August 31, 2015, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities are as follows:

	No. of shares ('000)
Common shares outstanding	234,035
Stock options outstanding to purchase common shares	-
Warrants outstanding to purchase common shares	23,556
Debentures convertible to common shares (i)	300
Fully diluted common shares outstanding	**257,891**

(i) Based on the conversion price of $0.10 per share (10 common shares per $1 principal amount).

b) **Common stock purchase warrants:**

As at June 30, 2015, the Company has 3,556 warrants outstanding (December 31, 2014 - 10,223) with an estimated value of $16 (December 31, 2014 - $162). Each warrant entitles the holder to acquire one common share of the Company at $0.05. 6,667 warrants with value of $146 expired on January 30, 2015,.

As noted above, in July 2015, the Company raised gross proceeds of $1,000 through a non-brokered private placement of 20,000 units (the "Units") of the Company at a price of $0.05 per Unit. Each Unit consisted of one (1) common share and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one common share at a price of $0.07 per share for a period of three years from date of issuance.

As at August 31, 2015, the Company has 23,556 warrants outstanding.

Additional information about the Company's share capital can be found in note 13 of the notes to the consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

OFF-BALANCE SHEET ARANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The transactions with related parties were in the normal course of operations and were measured at fair value. See also note 17. Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

(a) Amount owing to the CEO of the Company and to a Company controlled by him:

i. During the year ended December 31, 2012, the CEO and director of the Company loaned US$99.5 to Marcon. The loan bear interest at 12% per annum, and is secured against a first charge on the equity of Marcon International (USA) Inc. During the six months ended June 30, 2015, the loans except US$15 were converted to Canadian dollars and as at June 30, 2015, Canadian $132 and US$20 was outstanding.

ii. During the year ended December 31, 2014, the CEO and a company controlled by an officer of the Company advanced $147 to the Company. The advances bear interest at 15% per annum, are secured against a first charge on the equity of Marcon International (USA) Inc., and had a maturity date of December 31, 2014. As of June 30, 2015, $12 including accrued interest of $8 is outstanding.

iii. Included in accounts payable and accrued liabilities on December 31, 2014 was $165 December 31, 2014 owing to a company controlled by the CEO for services rendered by the CEO. During the six months ended June 30, 2015, this amount was converted into a promissory note with no fixed repayment schedule carrying an interest of 12% per annum. During the six months ended June 30, 2015, $7 has been repaid and interest accrued for the six months ended June 30, 2015 is $10.

	June 30, 2015	December 31, 2014
Loan payable - 12% per annum, due on demand, owing to the CEO of the Company, secured against a first charge on equity of Marcon International (USA) Inc.	$157	$135
Loan payable - 15% per annum, due on demand, owing to the CEO of the Company and to a Company controlled by the CEO, secured against a first charge on equity of Marcon International (USA) Inc.	12	4
Promisory note payable - 12% per annum, due on demand, owing to a Company controlled by the CEO of the Company (2014 - accrued liability of $165)	174	-
	$343	**$139**

(b) Included in professional fees for the three months ended June 30, 2015 is $nil (for the year ended December 31, 2014 - $57) for legal fees and disbursements owing to a law firm in which an officer and a director, Jay Vieira, is a partner. Included in accounts payable and accrued liabilities on June 30, 2015 and December 31, 2014 is $43 owing to this law firm.

(c) A former director of the Company, Gerry Feldman, was an officer of Pinetree at the time of the Company's acquisition of the common shares of Pinetree.

(d) Officers and directors participated in the convertible debenture issuance during the year ended December 31, 2013 in the amount of $239 and converted their debentures into shares of the Company during the year ended December 31, 2014 in exchange for 5,371 common shares of the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company is required to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", ("NI 52-109") issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer ("CEO") and a Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining DC&P for the issuer, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's DC&P, and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

The CEO and CFO have evaluated the design of the Company's DC&P as at June 30, 2015 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, the Company's DC&P are effective in providing reasonable, not absolute, assurance that the objectives of our disclosure control system have been met.

Internal Controls over Financial Reporting

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for the issuer, that the ICFR have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

The design and operating effectiveness of the Company's ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at June 30, 2015. The CEO and CFO have evaluated the ICFR as at June 30, 2015. The CEO and CFO have not identified in their review any weaknesses that have materially affected or are reasonably likely to materially affect the Company's ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the six months ended June 30, 2015, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

RISKS AND UNCERTAINTIES

High Degree of Product Concentration

Substantially all of the Company's currently anticipated revenues will be derived from a limited number of products and services. Consequently, the Company's performance will depend on establishing market acceptance of these products and services in a single market, as well as enhancing the performance of such products and services to meet the evolving needs of customers. The Company, like other entities involved in a rapidly evolving new industry, faces the risk that the Company's products and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances that the Company will establish and maintain a position at the forefront of emerging technological trends. Any reduction in anticipated future demand or anticipated future sales of these products or any increase in competition could have a material adverse effect on the Company's business prospects, operating results or financial condition.

Competition

The Company has experienced, and expects to continue to experience, competition from a number of companies. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Many of the competitors and potential competitors of the Company have significantly greater financial, technical, marketing and/or service resources than does the Company. Many of these companies also have a larger installed base of users, longer operating histories or greater name recognition than the

Company. Customers of the Company are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's smaller size and short operating history may be considered negatively by prospective customers. Even if competitors of the Company provide products with more limited system functionality than those of the Company, these products may incorporate other capabilities of interest to some customers and may be appealing due to a reduction in the number of different types of systems used to operate such customers' businesses. Further, competitors of the Company may be able to respond more quickly than the Company to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products.

Market Uncertainty

The Company's success depends to a significant degree on its ability to develop the market and gain acceptance for its products and services. There is no assurance that a significant market will develop for the Company's principal products and services. Implementation and adoption of its products have been slow to develop and may continue to be subject to delays. There can be no assurances that the additional commercial applications and markets for the Company's products will develop as currently contemplated.

The market for the Company's products is just beginning to develop and the Company's business plan will continue to require significant marketing efforts and working capital. To manage such development, the Company must continue to expand its existing resources and management information systems and must attract, train, and motivate qualified marketing, management, technical and administrative personnel. There can be no assurance that the Company will be able to achieve these goals.

The Company's success in the Marcon segment depends on and is exposed to the Middle East oil & gas market. The region has gone through some tremendous changes in the last year that have a slight impact on future sales and services in the region, and the United States Government Departments spending patterns in the operating expenditure side of procurement and contracting rather than the CAPEX side of the business and therefore most contracts signed with the Company fall under the maintenance repair and operations ("MRO").

Labour and Key Personnel

The Company depends on the services of its engineers, technical employees, and key management personnel. The loss of one of these people could have a significant unfavorable impact on the Company, its operating results, and its financial position. The success of the Company is largely dependent upon its ability to identify, hire train, motivate, and retain highly skilled management employees, engineers, technical employees, and sales and marketing personnel. Competition for its employees can be intense, and the Company cannot ensure that it will be able to bring in and retain highly skilled technical and management personnel in the future. Its ability to bring in and retain management and technical personnel and the necessary sales and marketing employees could have unfavorable impact on its growth and future profitability. The company may be obligated to increase the compensation paid to current or new employees, which could substantially increase operating expenses.

Growth Management and Market Development

There is no guarantee that the Company can develop its market significantly, thus affecting its profitability. The Company expected growth might create significant pressure on management, operations, and technical resources. In order to manage its growth, Augusta may need to increase the size of its technical and operational staff and manage its personnel while maintaining many effective relationships with third parties.

Pricing Policies

The competitive market in which Augusta operates could force it to reduce its prices. If its competitors offer large discounts on certain products and services in order to gain market shares or sell products and services, the Company may need to lower its prices and offer other favorable terms in order to compete successfully. Such changes could reduce profit margins and have an unfavorable impact on its operating results. Some of Augusta's competitors could offer products and services that compete with theirs for promotional purposes or as part of a long-term pricing strategy or offer price guarantees or product implementation. With time, these practices could limit the prices Augusta may charge for its products and services. If Augusta cannot offset these price reductions with a corresponding increase in sales volume or decreased expense, the decreased revenues from products and services could unfavorable affect its profit margins and operating results.

Product Failures and Mistakes

Augusta products are complex and therefore may contain failures and mistakes that could be detected at any time in a product's life cycle. Failures and mistakes in its products could have a significant unfavorable impact on its reputation, open it up to significant costs, delay product launch dates, and harm its ability to sell its products in the future. The costs of correcting a failure or mistake in one of these products could be significant and could negatively affect its operating margins. Although Augusta expects to continue to test products to detect failure and mistakes and to work with its customers through its support and maintenance services in order to find and correct failure and mistakes, they could appear in its products in the future. Augusta is exposed to warranty expenses, product recalls and other claims, particularly if the products prove to be defective, which would harm business development and the Company's reputation. Augusta provides one year warranty for its products.

Technological Obsolescence

Competitors and new companies could launch new products. In order to remain on the cutting edge of technology, Augusta may need to launch a new generation of fiber optic sensors and develop its related products and services. Whether it is competition from development companies and /or marketing of fiber optic sensors or a merger or acquisition of existing companies, competition within certain fiber optic sensor industry sectors offering solutions similar to what Augusta offers is vigorous and could increase. Some of Augusta's competitors have significantly greater financial, technical, distribution, and marketing resources than Augusta. Technological progress and product development could make Augusta products obsolete or reduce their value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, investment at fair value through profit or loss, trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities, advances, long-term debt, and convertible debentures.

The Company doesn't have any other instruments that will be settled by the delivery of non-financial assets.

The fair value of financial instruments

The Company has estimated the fair value of its financial instruments as follows:

- Cash is carried at its stated value;
- The share prices quoted in the market approximates the fair value of the investments;
- The carrying value of trade and other accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and advances approximate their fair values due to the short-term nature of these instruments;
- The convertible debentures include liability component, conversion option, and warrants. Both conversion option and warrants meet all the criteria for recognition as equity instruments under IAS 32, financial instruments presentation, and have been recognized as equity components. Management estimated the fair value of a similar liability that doesn't have associated equity components by using a discount rate of 18% at initial recognition and each extension date. The residual amount has been allocated to equity components. Management used the Black-Scholes option pricing model to estimate the fair value of conversion option and warrants, and the residual equity amount is then allocated to based on their relative fair values. At initial recognition date and each extension date, the convertible debentures have been segregated into conversion option, warrants and liability components. The equity components decreased the carry amount of convertible debenture liability and will be accreted into profit and loss using the effective interest method over the each extension terms of convertible debentures, and bring the carry amount of convertible debenture to their face amounts at maturity dates.

The classification and measurement base of financial instruments

The classification and measurement base for the Company's financial instruments as following:

Financial Instrument	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Cash equivalents	Loans and receivables	Amortized cost
Trade and other accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Advances	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost

FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, and sound business practices.

Cash

Cash consists of bank balances and petty cash. Credit risk associated with cash and bank is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at June 30, 2015, the Company held cash and bank balances of $53 (December 31, 2014 - $156).

Trade and Other Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable from sale of equipment, installation and reporting services. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. This risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits.

The carrying amount of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the interim statement of operations in other expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce other expenses in the interim statement of operations. Historically, trade credit losses have been minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has working capital deficit of $1,472 as at June 30, 2015 ($1,000 - December 31, 2014), and the Company reports $636 (December 31, 2014 - $401) advances from related and other parties that are due on demand but that the Company does not expect to be repaid in the next twelve months. In addition, the Company has been successful in renegotiating the terms of convertible debentures to extend the principal repayment dates. There is no assurance that the Company will continue to be successful with these repayment negotiations in the future.

The following items are the contractual maturities of financial liabilities:

June 30, 2015	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Bank indebtedness	$250	$250	$250	$0
Accounts payable and accrued liabilities	1,095	1,095	1,095	0
Advances	636	636	636	0
Convertible debentures	32	37	37	0
Long term debt	80	80	20	60
	$2,013	**$2,018**	**$2,018**	**$60**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations. To contend with changes in market prices, the Company constantly reviews its current and planned expenditures to ensure it has adequate resources to continue operations. The Company primarily sells goods in Canada and the United States and attempts to limit its exposure by transacting in the local currency, therefore limiting exposure to foreign exchange rates. Sales to the Middle East and South America are transacted in US Dollars limiting exposure to just US Dollars. There were no changes in the way the Company manages market risk during the six months ended June 30, 2015.

Foreign Exchange

The Company operates primarily in Canada and the United States. There were no changes in the way the Company foreign exchange risk during the six months ended June 30, 2015.

The presentation currency is Canadian dollars and the functional currency of the parent company is the Canadian dollars. As at June 30, 2015, the Company's US dollar net monetary liabilities totalled $425. Accordingly a 5% change in the US dollar exchange rate as at June 30, 2015 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $21.

Interest Rate

The Company has cash and bank indebtedness balances which are exposed to interest rate fluctuations. The interest rate on convertible debentures and long-term debt is fixed. As at June 30, 2015, cash net of bank indebtedness, convertible debentures and long-term debt totals $(289). An increase of 100 basis points in the market interest rate would have on average, increased net loss by approximately $3, (a 100 basis point decrease would have had the equal but opposite effect) for the six months ended June 30, 2015. There were no changes in the way the Company manages interest rate risk during the six months ended June 30, 2015

INVESTOR RELATIONS

During the six months ended June 30, 2015 and since inception the Company performed its own investor relations. The Company will continue to perform its own investor relations for the foreseeable future.

USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and
assumptions that affect the reported amounts that are reported in the financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management’s best knowledge of current events, actual results may be different from the estimates.

The key sources of estimation uncertainty at the financial reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below.

Allowances for impairment of trade and other accounts receivables

The Company's carrying value of trade and other receivables as at June 30, 2015 was approximately $384 (December 31, 2014 – $256), net of allowances for doubtful accounts of $Nil (December 31, 2014 – $Nil). The policy for allowances for impairment on accounts receivable of the Company is based on the evaluation of collectability and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history. If the financial conditions of the debtors of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of inventory

Inventory is recorded at the lower of cost and net realizable value. The cost of inventory may not be recoverable if their selling prices have declined. The estimate of net realizable value is based on the most reliable information available at the time the estimates are made, of the amount the inventory is expected to realize. As at June 30, 2015, the carrying amount of inventory is $156 (December 31, 2014 – $199), net of provision for slow moving and obsolete inventory of $28 (December 31, 2014 – $28).

Valuation of convertible debenture conversion options and derivatives

The conversion options require an estimation of the fair value of a similar liability that doesn’t have an associated equity component by using a suitable discount rate at initial recognition and each extension date. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. The warrants attached with convertible debenture require an estimation of the fair value at initial recognition and each extension date. Management uses the Black-Scholes option pricing model to estimate the fair value of warrants and conversion options, and the residual equity amount is then allocated to them based on their relative fair values.