

AUGUSTA INDUSTRIES INC.

Management's Discussion and Analysis March 31, 2016

Marcon
International Inc.

A wholly owned subsidiary of
Augusta Industries Inc.

FOX*TEK

A wholly owned subsidiary of
Augusta Industries Inc.

Augusta Industries Inc.

Management's Discussion and Analysis

March 31, 2016

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Augusta Industries Inc. for three months ended March 31, 2016 and 2015. It should be read in conjunction with the interim condensed consolidated financial statements as at and for the three months ended March 31, 2016. 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 PRESENTATION

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

The interim condensed consolidated financial statements ("interim consolidated statements") include the accounts of the Company and its wholly-owned subsidiaries, Fiber Optic System Technology (Canada) Inc., PinPoint Fox-Tek 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 May 24, 2016.

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. ("Augusta") 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. Augusta's significant shareholder is Knoxbridge who owns 37.7% (2014 – 45.5%) of the voting shares of the Company.

The Company has offices in Mississauga, Ontario and Calgary, Alberta; Augusta is traded on the TSX Venture Exchange under the symbol "AAO".

GOING CONCERN

The interim consolidated 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 income of \$185 for three months ended March 31, 2016 (three months ended March 31, 2015 – net loss of \$200), but has an accumulated deficit of \$7,451 (December 31, 2015 – \$7,636) from inception and working capital of \$222 as at March 31, 2016 (December 31, 2015 – \$45).

Management estimates that the funds available as at March 31, 2016 along with an increase in sales in Fox-Tek and the upturn in Marcon's sales pipeline in the first quarter of 2016, the Company will be able to meet its expenditures through March 31, 2017. However, the challenges of securing requisite funding beyond March 31, 2017 and the cumulative operating losses indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The 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 buy and operate systems and Fox-Tek handles the installation and reporting of information on an outsourcing basis. 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 2016, the Company continues to focus on 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) Sales of EFM Corrosion Monitoring Systems

5 EFM systems shipped to an oil and gas exploration and production company with assets and operations in North America, Africa, Europe and South America for \$420 were in transit at the end of 2015. These systems have now been delivered to the client. We expect these systems will be installed by end of quarter 3 of this fiscal year. When installed, the data management and monitoring on these units will add \$16 annually to revenue.

The Company has been working closely with engineering firms and major oil and gas companies in the Middle East, England, Europe and South America in addition to all the major Canadian companies. There has been increased interest the Company's products both in Canada and overseas.

The Company has been working on a large project in India since 2015 and have made strategic alliance with a local engineering firm.

In 2015, the Company and Mitsubishi entered into the Agreement in an attempt to better understand how the Company and Mitsubishi can work together to support the efforts of Mitsubishi. In April 2016, the Company and Mitsubishi have identified a specific application for the use of the Corporation's technology and will commence on the development of a monitoring system to be deployed and used by Mitsubishi in their exclusive markets.

2) 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. For DMAT, the revenue stream is guaranteed when a customer acquires the hardware. Revenue from these services is expected to exceed \$350 in 2016.

3) FBG Systems

Fox-Tek has seen increased interests for number of FBG systems both internationally and in Canada and we are working on a number of bids.

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

Statement of Financial Position

As of March 31, 2016, the Company has a working capital of \$222 (December 31, 2015 – \$45). As of March 31, 2016, the Company had total assets of \$1,216 (2015 – \$967). Total assets increased by \$249 during three months ended March 31, 2016 as trade and accounts receivable increased by \$540 and inventory decreased by \$78 mainly due to the shipment of the 5 EFM systems in this quarter. We have also started to invoice DMAT customers in advance to improve our cash flow and this has impacted on the increase in trade and accounts receivable. Cash and cash equivalents decreased by \$229 to finance the operating activities.

As of March 31, 2016, the Company had total liabilities of \$987 (2015 – \$916), an increase of \$71 during the three months ended March 31, 2016. This was largely due to an increase in deferred revenue of \$91 as we have started to invoice DMAT customers in advance to improve our cash flow as noted above. Accounts payable and accrued liabilities decreased by \$17.

Shareholders' equity increased by \$178 to \$229 during three months ended March 31, 2016.

Summary of Consolidated Quarterly Results

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

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Sales	\$ 454	\$ 867	\$ 588	\$ 532	\$ 492	\$ 675	\$ 419	\$ 1,011
Cost of sales	(397)	(673)	(477)	(343)	(371)	(547)	(315)	(550)
Grossprofit	\$ 57	\$ 194	\$ 111	\$ 189	\$ 121	\$ 128	\$ 104	\$ 461
	12.6%	22.3%	18.9%	35.5%	24.6%	19.0%	24.8%	45.6%
Expenses								
Research and development	(25)	(34)	(117)	(42)	(64)	(49)	(44)	(36)
Selling	(18)	(10)	(10)	(20)	(1)	(10)	(17)	(8)
General and administrative	(259)	(260)	(332)	(237)	(253)	(261)	(246)	(235)
Total operating expenses	(302)	(303)	(459)	(299)	(318)	(320)	(307)	(279)
Income/(loss) from operations	(245)	(109)	(348)	(110)	(197)	(192)	(203)	191
Finance costs	(43)	(57)	(27)	(19)	(41)	(12)	(8)	(4)
Goodwill impairment	-	-	(1,013)	-	-	-	-	-
Intangible asset impairment	-	-	(163)	-	-	-	-	-
Unrealized (loss)gain on investment	71	(608)	(108)	-	-	-	90	-
Gain(loss) on sale of investment	13	169	(42)	(43)	-	-	(90)	-
Foreign exchange gain(loss)	4	(11)	(7)	(28)	(35)	(23)	(14)	13
Net income/(loss) for the period before tax	(199)	(616)	(1,708)	(200)	(273)	(227)	(225)	191
Income tax expense	-	-	27	-	-	-	-	(6)
Deferred tax	2	2	17	-	-	-	-	-
Net income/(loss) for the period	(198)	(614)	(1,663)	(200)	(273)	(227)	(225)	185
Other comprehensive income (loss)	6	-	(1)	4	(4)	(6)	15	(7)
Total comprehensive income/(loss) for the period	(192)	(614)	(1,664)	(196)	(277)	(233)	(210)	178
Basic and diluted income/(loss) per share	\$ (0.001)	\$ (0.003)	\$ (0.002)	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ 0.001
Basic and diluted weighted average number of common shares outstanding	202,928	202,928	204,285	214,035	214,035	231,161	237,058	254,115

Results of Operations

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Sales	\$ 1,011	\$ 532
Cost of sales	(550)	(343)
Gross profit	461	189
Expenses		
Research and development	(36)	(42)
Selling	(8)	(20)
General and administrative	(235)	(237)
Total operating expenses	(279)	(299)
Income/(loss) from operations	182	(110)
Finance costs	(4)	(19)
Loss on sale of investments	-	(43)
Foreign exchange gain/(loss)	13	(28)
Net income/(loss) for the period before tax	191	(200)
Income tax expense	(6)	-
Net income/(loss) for the period	185	(200)
Other comprehensive (loss)/income	(7)	4
Total comprehensive income/(loss) for the period	\$ 178	\$ (196)
Earnings (loss) per common share based on		
Net income/(loss) for the period		
Basic and diluted	\$ 0.001	\$ (0.003)
Basic and diluted weighted average number		
of common shares outstanding (000'S)	254,115	202,928

Sales and cost of sales were \$1,011 and \$550 respectively for the three months ended March 31, 2016 (2015 - \$532 and \$343). The sales in the three months ended March 31, 2016 were \$479 higher than the corresponding period of 2015. The gross margin was also much higher, 45.6% in 2016 compared to 35.5% in 2015. Fox-Tek and Marcon sales are \$286 and \$199 respectively higher than last year's level. Change in the mix of sales between Fox-Tek and Marcon during the three months ended March 31, 2016 is reflected in the higher gross margin in 2016. The increase in Fox-Tek sales is due to delivery of 5 units of EFM worth \$420 that were in transit in end of December, 2015. Marcon also has seen a very significant increase in its volume of orders to date – the increased sales are a reflection of that.

Additionally, we have seen increased interest for EFM corrosion monitoring systems and FBG systems and our bidding activity has gone up significantly in recent months. If some of these translate into orders, Fox-Tek will

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see a large growth in revenue in 2016. Marcon also has seen a very significant jump in its volume of orders to date – the backlog order as of the date of this MD&A is \$1,659.

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 three months ended March 31, 2016 were \$279 compared to \$299 in the previous year period- a decrease of \$20. The research and development ("R&D") expenses were down by \$7 as we have seen reduction in the number of employees. Selling expenses saw a reduction of \$12 as the Company reduced the number of trade shows in 2016 and due to reduced number of employees. General and administration ("G&A") expenses were about same as last year in all categories of expenses. Finance costs of \$4 (2014 - \$169) include accrued interest and accretion expense of \$2 (2015 - \$2) for convertible debentures, and interest of \$2 on long term loans (2015 - \$17 on bank indebtedness, long term loans and advances).

During the three months ended March 31, 2016, the Company recognized \$7 (2014 - \$9) 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 received the 2015 claim as yet.

During the three months ended March 31, 2016, the Company had no investments but during the three months ended March 31, 2015, the Company sold the remaining investments (at fair value) for \$111 resulting in a net loss of \$43 on sale of investment which is included in the consolidated statement of loss.

Gross profit analysis

For the eight quarters, the gross profit margin for the two cash generating units fluctuated within a range of 9.81% to 78.49%, which was mainly due to the fluctuation of the sales mix between Fox-Tek and Marcon - Fox-Tek has an average of about 60% gross profit margins and Marcon has an average of 13% gross profit margins. See following tables for gross profit margins in the two divisions.

Gross profit for Marcon

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2014	2014	2014	2015	2015	2015	2015	2016
Sales	\$418	\$703	\$415	\$310	\$372	\$597	\$329	\$509
Cost of sales	377	615	365	260	325	524	279	442
Gross profit	\$41	\$88	\$50	\$50	\$47	\$73	\$50	\$67
Gross profit %	9.81%	12.52%	12.05%	16.13%	12.63%	12.23%	15.20%	13.16%

Gross profit for Fox-Tek

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2014	2014	2014	2015	2015	2015	2015	2016
Sales	\$36	\$164	\$172	\$216	\$120	\$78	\$96	\$502
Cost of sales	20	58	114	82	46	23	37	108
Gross profit	\$16	\$106	\$58	\$134	\$74	\$55	\$59	\$394
Gross profit %	44.44%	64.63%	33.72%	62.04%	61.67%	70.51%	61.46%	78.49%

Marcon revenue for the first quarter of 2016 was higher than the corresponding quarter of 2015 by \$199 but the margin of 13.16% was lower than 16.13% in the first quarter of 2015.

Fox-Tek recorded sales of \$502 in the first quarter of 2016 compared to \$216 in the corresponding period of 2015. The gross margin for Fox-Tek this quarter of 78.49% was much higher than 62.04% in the first quarter of 2015 largely due to the product mix of the sales in the respective quarters.

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.

Since 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 not been 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 as disclosed in the consolidated financial statements for the year ended December 31, 2015 and 2016. The Company carries out its operations through wholly-owned entities. These entities are located in Canada and the United States.

FOR THREE MONTHS ENDED MARCH 31, 2016

	Marcon Operations	Fox-Tek Operations	Corporate Operations	Total Company
Sales	\$ 509	\$ 502	\$ -	\$ 1,011
Cost of sales	(442)	(108)	-	(550)
Gross profit	67	394	-	461
Expenses				
Research and development	-	(36)	-	(36)
Selling	-	(8)	-	(8)
General and administrative	(93)	(51)	(91)	(235)
Total operating expenses	(93)	(95)	(91)	(279)
Income/(loss) from operations	(26)	299	(91)	182
Finance costs	-	-	(4)	(4)
Foreign exchange (loss)gain	30	(23)	6	13
Income/(loss) before income tax	4	276	(89)	191
Income tax expense	(6)	-	-	(6)
Segment income/(loss) for the period	(2)	276	(89)	185
Other comprehensive income	\$ (7)	\$ -	\$ -	\$ (7)
Comprehensive income/(loss)	\$ (9)	\$ 276	\$ (89)	\$ 178

As of March 31, 2016

Total assets	\$ 296	\$ 892	\$ 28	\$ 1,216
Equipment	\$ 10	\$ 42	\$ -	\$ 52

All of the Company's equipment is located in Canada. The Marcon sales revenue of \$509 excludes intercompany sales of \$13 to Fox-Tek for the three months ended March 31, 2016. The intercompany sales have been eliminated in the interim consolidated statements.

FOR THREE MONTHS ENDED MARCH 31, 2015

	Marcon	Fox-Tek	Corporate	Total
	Operations	Operations	Operations	Company
Sales	\$ 310	\$ 222	\$ -	\$ 532
Cost of sales	(260)	(83)	-	(343)
Gross profit	50	139	-	189
Expenses				
Research and development	-	(42)	-	(42)
Selling	-	(20)	-	(20)
General and administrative	(87)	(42)	(108)	(237)
Total operating expenses	(87)	(103)	(108)	(299)
Income/(loss) from operations	(37)	36	(108)	(110)
Finance costs	(3)	-	(16)	(19)
Loss on sale of investments	-	-	(43)	(43)
Foreign exchange (loss)/gain	(59)	38	(6)	(28)
Income/(loss) before income tax	(99)	74	(173)	(200)
Segment income/(loss)	\$ (99)	\$ 74	\$ (173)	\$ (200)
Other comprehensive income	\$ -	\$ -	\$ 4	\$ 4
Comprehensive income/(loss)	\$ (99)	\$ 74	\$ (169)	\$ (196)

As of December 31, 2015

Total assets	\$ 255	\$ 434	\$ 278	\$ 967
Equipment	\$ 11	\$ 45	\$ -	\$ 56

All of the Company's equipment is located in Canada. The Marcon sales revenue of \$310 excludes intercompany sales of \$18 to Fox-Tek for the three months ended March 31, 2015. The intercompany sales have been eliminated in the interim consolidated statements.

Revenue by Geographic Region

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
USA	\$ 493	\$ 305
Canada	441	94
Middle East	74	99
Others	3	34
Total	\$ 1,011	\$ 532

LIQUIDITY AND CASH RESOURCES

Net cash used in operating activities was \$217 during the three months ended March 31, 2016 compared to \$79 during 2015. Accrued interest and accretion expenses totalling \$2 and amortization of \$4 do not involve cash – therefore, adding these and other items not involving cash resulted in a net cash gain of \$191 (2015 – loss of \$137). Accounts receivable went up by \$540, accounts payable and accrued liabilities went down by \$17. Deferred revenue went up by \$91 and inventory went down by \$78.

Cash used in financing activities was \$5 during the three months ended March 31, 2016 (2015 – \$43) to pay down long term debt. The net proceeds from sale of investments were \$nil (in the three months ended March 31, 2015 - \$111 and these were used to pay down bank indebtedness by \$150 and long term debt by \$5).

For the three months ended March 31, 2016, the Company had a net decrease in cash and cash equivalents of \$229 (three months ended March 31, 2015 - \$100). As a result, as at March 31, 2016, the Company had a cash and cash equivalents balance of \$142.

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
2016	\$ 51
2017	59
2018	59
2019	17
	\$ 186

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 a 12% convertible debentures with a carrying amount of \$38 maturing on December 31, 2016 and long term debt of \$65 with an interest rate of 8.5%,

repayable in monthly instalments of \$1.7 plus interest, maturing on June 15, 2019. The convertible debentures are convertible at \$0.10 per share.

SHARE CAPITAL, WARRANTS, AND OPTIONS

(a) Share Capital

254,115 shares of voting common stocks were issued and outstanding as at March 31, 2016 and as at the date of this MD&A.

Authorized: 400,000 shares of voting common stock, par value of US\$0.01 per share.

Issued and outstanding common shares

Balance, December 31, 2014	214,035	\$	4,127
Shares issued pursuant to private placements, net (i)	20,200		594
Shares issued pursuant to private placements, net (ii)	19,880		726
Balance, March 31, 2016 and December 31, 2015	254,115	\$	5,447

- (i) In July 2015, the Company raised gross proceeds of \$1,010 through a non-brokered private placement of 20,200 units (the "Units") of the Company at a price of \$0.05 per Unit. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles 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.

The value of the warrants issued as part of this financing was \$409 net of costs of issuance of \$3. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected term of 3 years, a risk-free rate of 0.43%, expected dividend yield of 0% and an expected volatility of 144%. The expected volatility is based on the historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued.

- (ii) In December 2015, the Company raised gross proceeds of \$994 through a non-brokered private placement of 19,880 units (the "Units #2") of the Company at a price of \$0.04 per Unit #2. Each Unit #2 consisted of one common share and one half common share purchase warrant ("Warrant #2"). Each Warrant #2 entitles the holder to purchase one common share at a price of \$0.10 per share for a period until December 18, 2016 and then is exercisable at \$0.15 per warrant until December 18, 2018. The share issuance costs were \$4.

The value of the warrants issued as part of this financing was \$262 net of costs of issuance of \$1. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected term of 3 years, a risk-free rate of 0.53%, expected dividend yield of 0% and an expected volatility of 149%. The expected volatility is based on the historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued.

(b) Common Stock Purchase Warrants

As at March 31, 2016 and as at the date of this MD&A, the Company had the following warrants issued and outstanding:

	No. of Warrants ('000)	Value \$	Weighted Average Exercise Price
Balance, December 31, 2014	10,223	\$ 162	\$ 0.05
Warrants expired	(6,667)	(146)	0.10
Warrants issued in June 2015 (16(a)(i))	20,200	409	0.07
Warrants issued in December 2015 (16(a)(ii))	9,940	262	0.13
Balance, March 31, 2016 and December 31, 2015	33,696	\$ 687	0.09

Additional information about the Company's share capital can be found in note 8 of the notes to the interim consolidated statements for three months ended March 31, 2016 and 2015.

OFF-BALANCE SHEET ARRANGEMENTS

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. Related party transactions not disclosed elsewhere in these interim consolidated statements are as follows:

- (a) During the three months ended March 31, 2016, interest expense of \$nil (three months ended March 31, 2015 - \$5) was recognized in relation to the loans that were owed to the CEO of the Company and to a Company controlled by him.
- (b) Included in accounts payable and accrued liabilities as at March 31, 2016 is \$nil (December 31, 2015 - \$15) owing to a law firm in which a director, Jay Vieira, was a former partner.
- (c) Included in accounts payable and accrued liabilities is \$50 (December 31, 2015 - \$43) owing to the CEO and a company controlled by the CEO.
- (d) A director subscribed for 1,000 units for gross proceeds of \$50 pursuant to the private placement in July 2015.
- (e) Included in the interim consolidated statement of income/(loss) is \$41 (for three months ended March 31, 2015 - \$41) paid to a company controlled by the CEO for services rendered by the CEO in lieu of his salaries.
- (f) As at March 31, 2016, \$13 (December 31, 2015, \$12) is owing to officers of the Company.

KEY MANAGEMENT PERSONNEL COMPENSATION

During three months ended March 31, 2016, the Company recognized salaries and short term benefit expenses of \$120 (three months ended March 31, 2015 - 2015 - \$120) for its key management personnel, including the CEO of the Company, CEO of Marcon, VP of Software Solutions, VP of Operations, and CFO of the Company.

CHANGES IN ACCOUNTING POLICIES

The interim consolidated statements used to prepare this MD&A follow the same accounting policies and methods of computation as those described in Note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2015, except as follows:

- (a) IAS 1, *Presentation of Financial Statements* ("IAS 1") - On January 1, 2016, the Company implemented certain amendments to IAS 1, which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Company's interim consolidated statements for the three months ended March 31, 2016.
- (b) IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures (2011)* ("IAS 28") - the Company implemented certain amendments to IFRS 10 and IAS 28 on January 1, 2016. These amendments relate to the sale or contribution of assets between an investor and its associate or joint venture and require the recognition of a full gain or loss when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The implementation of amendments to IFRS 10 and IAS 28 had no impact to the Company's interim consolidated Statements for the three months ended March 31, 2016.
- (c) IFRS 11, *Joint Arrangements* ("IFRS 11") - Amendments to IFRS 11 address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business and requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The Company implemented the amendments to IFRS 11 effective January 1, 2016. The implementation of amendments to IFRS 11 had no impact to the Company's interim consolidated Statements for the three months ended March 31, 2016.
- (d) IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") - On January 1, 2016, the Company implemented amendments to IAS 16 and IAS 38, which eliminated the use of a revenue-based depreciation method for items of property, plant and equipment and eliminated the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The implementation of amendments to IAS 16 and IAS 38 had no impact to the Company's interim consolidated Statements for the three months ended March 31, 2016.

Future accounting pronouncements

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2015, are described in Note 4 to the annual consolidated financial statements as at and for the year ended December 31, 2015. There have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2015 that are expected to have a material effect on the Company's interim consolidated statements.

CRITICAL ACCOUNTING 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.

Critical accounting estimates used in the preparation of the Company's interim financial statements include the Company's allowances for impairments of trade and other accounts receivables, impairment of inventory, valuation of convertible debenture conversion options and warrants, the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"). 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 March 31, 2016 was approximately \$798 (December 31, 2015 – \$258), net of allowances for doubtful accounts of \$Nil (December 31, 2015 – \$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 March 31, 2016, the carrying amount of inventory was \$122 (December 31, 2015 – \$200).

Valuation of convertible debenture conversion options and warrants

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 and warrants issued upon private placement financings 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.

In July 2015, the Company raised gross proceeds of \$1,010 through a non-brokered private placement of 20,200 Units which comprised of one common share and one common share purchase warrant. The value of the warrants issued as part of this financing was \$906. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected term of 3 years, a risk-free rate of 0.91%, expected dividend yield of 0% and an expected volatility of 119%. The expected volatility is based on the historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free

interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued.

In December 2015, the Company raised gross proceeds of \$994 through a non-brokered private placement of 19,880 units of the Company at a price of \$0.04 per Unit which comprised of one common share and 1/2 common share purchase warrant. The value of the warrants issued as part of this financing was \$262 net of costs of issuance of \$1. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected term of 3 years, a risk-free rate of 0.53%, expected dividend yield of 0% and an expected volatility of 149%. The expected volatility is based on the historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued.

Deferred tax assets

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income, that it believes that it is not more likely than not it will realize the tax benefits of the DTA during the next several years.

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 unfavorably 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, investments 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.
- Long term debt is carried at amortized cost. It has a fixed interest rate which is paid monthly.

The classification and measurement base of financial instruments

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

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 March 31, 2016, the Company held cash and bank balances of \$142 (December 31, 2015 - \$371).

Trade and Other Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable from the 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 is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of loss in 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 general and administrative expenses in the statement of loss. 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 of \$222 (December 31, 2015 - \$45).

The following items are the contractual maturities of financial liabilities:

March 31, 2016	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	\$ 729	\$ 729	\$ 729	\$ -
Convertible debentures	38	43	43	-
Long term debt	65	65	20	45
	\$ 832	\$ 837	\$ 792	\$ 45

December 31, 2015	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	\$ 746	\$ 746	\$ 746	\$ -
Convertible debentures	36	43	43	-
Long term debt	70	70	20	50
	\$ 852	\$ 859	\$ 809	\$ 50

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

Augusta Industries Inc.

Management's Discussion and Analysis

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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 and therefore limiting exposure to foreign exchange rates.

Foreign Exchange

The Company operates primarily in Canada and the United States.

The presentation currency is Canadian dollars and the functional currency of the parent company is the Canadian dollars. As at March 31, 2016, the Company's US dollar net monetary assets totalled \$321 (December 31, 2015 – net monetary liabilities of \$91). Accordingly a 5% change in the US dollar exchange rate as at March 31, 2016 on this amount would have resulted in an exchange gain or loss and therefore net income would have increased (decreased) by \$16 (December 31, 2015 - \$5).

Capital Management

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or debt. The Company considers its capital to include shareholders' equity which amounts to \$229 (December 31, 2015 –\$51).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2016, the Company is in compliant with the policies of the TSXV.

The Company has no commitments, other than options and warrants, to sell or otherwise issue common shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company has not changed its approach to capital management during the period ended March 31, 2016.

Investor Relations

During the three months ended March 31, 2016, the Company performed its own investor relations. The Company will continue to perform its own investor relations for the foreseeable future.