Fox-Tek Canada, Inc.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

For Six Months Ended June 30, 2018

FOX-TEK CANADA INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(Expressed in Canadian dollars)

	Note	June 30, 2018	December 31, 2017
Assets			
Current Assets			
Cash and cash equivalents		34,721	8,739
Trade and other accounts receivable		77,460	46,299
Inventory	6	32,945	32,656
Tax credits receivable	8	30,996	20,489
Prepaid expenses and other assets		14,158	15,362
Total Current Assets		190,280	123,545
Non-Current Assets			
Equipment	7	2,018	2,496
Total non-current assets		2,018	2,496
Total Assets		192,298	126,041
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities		170,058	197,189
Advances from parent company	13	3,004,752	3,012,766
Deferred revenue		190,366	44,594
Total Current Liabilities		3,365,176	3,254,549
Total Liabilities		3,365,176	3,254,549
Shareholders' Deficiency			
Capital stock	10	1	1
Deficit		(3,172,879)	(3,128,509)
Total Deficiency		(3,172,878)	(3,128,508)
Total Liabilities and Equity		192,298	126,041

The accompanying notes are an integral part of these financial statements

FOX-TEK CANADA INC.
INTERIM CONDENSED STATEMENTS OF INCOME (LOSS)
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2018**	**2017**	**2018**	**2017**
Sales		89,717	100,542	174,942	290,509
Cost of sales	2 (d)(ii), 6	15,620	22,310	26,215	67,377
		74,097	78,232	148,727	223,132
Reseach and development		39,654	34,863	79,560	72,244
Selling		11,058	11,140	17,805	18,365
Salaries & short-term benefits		31,603	21,937	49,490	43,769
Professional Fees		2,000	750	2,000	1,500
Rent and occupancy costs		8,342	8,260	16,684	16,521
Office expenses		5,053	6,280	18,456	10,406
Amortization		224	360	477	766
Others		5,176	5,063	9,528	11,173
		103,110	88,655	194,000	174,745
(Loss) income before the undernoted		(29,013)	(10,423)	(45,273)	48,387
Interest and bank charges		(426)	(398)	(1,516)	(1,053)
Foreign exchange		3,743	(347)	2,419	3,694
(Loss) income for the period		(25,696)	(11,168)	(44,370)	51,028
(Loss) income per common share based on Net (loss) income for the period	10 (b)	(257)	(112)	(444)	510
Number of common shares outstanding		100	100	100	100

The accompanying notes are an integral part of these financial statements

(Expressed in Canadian dollars)

	Share Capital			
	Number	**Amount**	**Deficit**	**Total (Deficiency)**
Balance, December 31, 2016	100	$ 1	$ (3,051,096)	$ (3,051,095)
Net income for the period	-	-	51,028	51,028
Balance, June 30, 2017	100	$ 1	$ (2,988,900)	$ (3,000,067)
Balance, December 31, 2017	100	$ 1	$ (3,128,509)	$ (3,128,508)
Net loss for the period	-	-	(44,370)	(44,370)
Balance, June 30, 2018	100	$ 1	$ (3,172,879)	$ (3,172,878)

The accompanying notes are an integral part of these financial statements.

(All numbers are in Canadian dollars)

	Six months ended June 30	
	2018	**2017**
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net (loss) income for the period	$ (44,370)	$ 51,028
Items not involving cash		
Amortization	478	766
	(43,892)	51,794
Changes in non-cash working capital		
Trade and other accounts receivable	(31,161)	142,001
Inventory	(289)	(5,094)
Prepaid expenses and other assets	1,203	(68,564)
Tax credit receivable	(10,507)	(14,729)
Accounts payable and accrued liabilities	(27,131)	(17,332)
Deferred revenue	145,772	(125,048)
	77,888	(88,766)
Net cash generated from (used in) operating activities	33,996	(36,972)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Advances from parent company	-	61,020
Repayment of advances to parent company	(8,014)	-
Net cash generated from (used in) financing activities	(8,014)	61,020
NET INCREASE INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	25,982	24,048
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,739	8,323
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 34,721	$ 32,371

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Fox-Tek Canada, Inc. (the "Company" or "FOX-TEK") was incorporated on December 24, 2009 under the laws of the Province of Ontario with a registered office and a head-office at 2455 Cawthra Road, Unit 75, Mississauga, Ontario L5A 3P1. Canada. FOX-TEK is a wholly-owned subsidiary of Augusta Industries Inc. ("Augusta"), a company which is traded on the TSX Venture Exchange ("TSXV") under the symbol "AAO".

FOX-TEK was formed to develop, integrate and sell fiber optic sensing systems for the strain/temperature sensing market. The target market includes the monitoring, communication, alarming and prediction of safe/unsafe conditions in structures and facilities.

These financial statements were approved for issue by the Board of Directors on August 29, 2018.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") which includes International Financial Reporting Standards, International Accounting Standards ("IAS"), and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") in effect as of December 31, 2017. These standards are collectively referred to as "IFRS".

(b) Going Concern

The 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 net loss of $44,370 for the six months ended June 30, 2018 (2017 – income of $51,028), has an accumulated deficit of $3,172,879 (December 31, 2017 - $3,128,509) from inception and working capital deficiency of $3,174,896 (December 31, 2017 – $3,131,004). The challenges of securing requisite funding beyond December 31, 2018 and the cumulative operating losses indicate the existence of a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. These financial 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.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Changes in accounting policies

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included:

(i) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2017 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The implementation of amendments to IAS 7 had no impact to the Company's statements for the year ended December 31, 2017.

(ii) IAS 12 – Income Taxes ("IAS 12") was amended in January 2017 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. The implementation of amendments to IAS 12 had no impact to the Company's statements for the year ended December 31, 2017.

(e) Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2017 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

(Expressed in Canadian dollars)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2017 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

3. 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. There have been no material changes in the risks, objectives, policies and procedures during the three months ended March 31, 2018.

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.

The Company's financial instruments and the nature of the risks which these instruments may be subject to are set out in the following table.

	Risks			
	Credit	**Liquidity**	**Foreign exchange**	**Market Interest rate**
Cash and cash equivalents	Yes	Yes	Yes	Yes
Trade and other accounts receivable	Yes	Yes	Yes	
Advances from parent company		Yes		
Accounts payable and accrued liabilities		Yes	Yes	

(a) Credit risk

Trade and other accounts receivable

Trade and other 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.

(Expressed in Canadian dollars)

The carrying amounts of trade and other accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of loss in general and administrative 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 statement of loss. Historically, trade credit losses have been minimal.

Concentration of credit risk

Two customers represent approximately 77% of sales for the six months ended June 30, 2018 (2018 – four customers represent 85% The sales from major customers and their respective operational segments are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Apache	-	1,989	-	35,646
Enbridge Canada	38,115	48,236	70,515	88285
Enbridge USA	35,524	32,400	64,622	64800
Stork Technical Services	-	-	-	57,538
	$ 73,639	**$ 82,625**	**$ 135,137**	**$ 246,269**

Credit risk arises from cash and cash equivalents held with banks and credit exposure to customers, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. For many new international clients, the Company demands that equipment costs are prepaid prior to shipment.

Cash

Cash consist of bank balances and petty cash. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in debt instruments of highly rated financial institutions. As at June 30, 2018 the Company had a cash balance of $34,721 (December 31, 2017 - $8,739) and does not expect any counterparties to fail to meet their obligations.

(Expressed in Canadian dollars)

(b) 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's policy is to actively maintain credit facilities to ensure sufficient available funds to meet its obligations as they come due.

The following items are the contractual maturities of financial liabilities:

June 30, 2018	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 170,058	$ 170,058	$ 170,058	$ -
Advances from parent company	3,004,752	3,004,752	3,004,752	-
Non-cash liabilities	190,366	190,366	190,366	-
	$ 3,365,176	**$ 3,365,176**	**$ 3,365,176**	**$ -**

December 31, 2017	Carrying amount	Contractual cash flows	0 to 12 months	After 12 months
Accounts payable and accrued liabilities	$ 197,189	$ 197,189	$ 197,189	$ -
Advances from parent company	3,012,766	3,012,766	3,012,766	-
Non-cash liabilities	44,594	44,594	44,594	-
	$ 3,254,549	**$ 3,254,549**	**$ 3,254,549**	**$ -**

(c) 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.

(d) Foreign exchange

As at June 30, 2018, the Company's US dollar net monetary assets totalled $36,300 (December 31, 2017 – net monetary liabilities of $236). Accordingly, a 5% change in the US dollar exchange rate as at March 31, 2018 on this amount would have resulted in an exchange gain or loss and therefore net loss would have increased (decreased) by $1,815.

(Expressed in Canadian dollars)

4. INVENTORY

Inventory is valued at lower of cost or net realizable value. The breakdown of inventory is comprised as follows:

	June 30, 2018	December 31, 2017
Raw materials	$ 32,945	$ 32,656
	$ 32,945	**$ 32,656**

The total amount of inventory expensed at cost as cost of sales during the year ended June 30, 2018 was $6,264 (2017 - $11,160).

5. EQUIPMENT

	Computer Hardware	Office Equipment	Computer Software	Total
Cost				
Balance at December 31, 2017 and June 30, 2018	**$ 934**	**$ 2,448**	**$ 16,725**	**$ 20,107**
Accumulated amortization				
Balance at December 31, 2016	**$ (779)**	**$ (1,736)**	**$ (13,726)**	**$ (16,241)**
Amortization charge	(40)	(130)	(1,200)	(1,370)
Balance at December 31, 2017	**$ (819)**	**$ (1,866)**	**$ (14,926)**	**$ (17,611)**
Amortization charge	**$ (17)**	**$ (56)**	**$ (405)**	**$ (477)**
Balance at June 30, 2018	**$ (836)**	**$ (1,922)**	**$ (15,331)**	**$ (18,088)**
Net Book Value December 31, 2017	**$ 115**	**$ 582**	**$ 1,799**	**$ 2,496**
Net Book ValueJune 30, 2018	**$ 98**	**$ 526**	**$ 1,394**	**$ 2,018**

6. TAX CREDITS RECEIVABLE

The Company undertakes research and development activities, the costs of which are eligible for investment tax credits which may be refunded or applied to reduce the income tax payable in the current year and future years.

The claim for 2017 has been assessed by the Canada Revenue Agency ("CRA") and $20,602 has been credited to the Company. 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 been assessed as filed, accordingly the Company has accrued a refundable credit of $10,393 for the six months ended June 30, 2018 (2017 - $14,729). As at June 30, 2018 the tax credits receivable totaled $30,996 (December 31, 2017 - $20,489).

(Expressed in Canadian dollars)

7. SHAREHOLDERS' EQUITY

(a) Share Capital

The Company is authorized to issue and unlimited number common shares (par value of $0.01 per share) of which 100 are outstanding and issued to Augusta.

(b) Basic and diluted loss per common share based on net loss for the three and six months ended June 30, 2018 and 2017 are:

Numerator:	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net (loss) income for the period	$ (25,696)	$ (11,168)	$ (44,370)	$ 51,028

Denominator:	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Number of common shares outstanding	100	100	100	100

(Loss) income per common share based on (loss) income for the period:	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Basic	$ (257)	$ (112)	$ (444)	$ 510

8. REVENUE BY GEOGRAPIC REGION

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
USA	$ 31,992	$ 32,400	$ 64,623	$ 72,450
Canada	57,726	63,080	110,320	150,418
Others	-	5,062	-	67,641
Total	**$ 89,717**	**$ 100,542**	**$ 174,942**	**$ 290,509**

9. OPERATING LEASE COMMITMENTS

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
2018	27,243
2019	54,486
	$ 81,730

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers of the Company 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) Included in accounts payable and accrued liabilities as at June 30, 2018 is $26,812 (December 31, 2017 - $21,450) owing to the CEO and a company controlled by the CEO.

(b) As at June 30, 2018 $74 (December 31, 2017, $19,882) is owing to other officers of the Company.

(c) The Company's advances from the parent company, Augusta, are non-interest bearing and due on demand. As at June 30, 2018, the Company owed 3,004,752 (December 31, 2017 - $3,012,766) to Augusta.

11. KEY MANAGEMENT PERSONNEL COMPENSATION

During the year ended June 30, 2018, the Company recognized salaries and short term benefit expenses of $58,750 (2017 - $58,750) for its key management personnel, including VP of Operations, and CFO of the Company.

12. 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 advances from parent company and shareholders' deficiency which amounts to a deficit of $168,127 (December 31, 2017 - $115,742).

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 has no commitments 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 three months ended March 31, 2018.

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Company at its annual and special shareholders' meeting held on July 11, 2018, approved the proposed sale of FOX-TEK Canada Inc. by Augusta to Mooncor Oil & Gas Corp. ("Mooncor") for an aggregate purchase price of up to $21,000,000. Of the purchase price, $9,500,000 will be satisfied through the issuance of an aggregate of 47,500 post-consolidated common shares in the capital of Mooncor at a price of $0.20 per consideration share. The balance of the purchase price, being up to $12,000,000 will be satisfied through a royalty of 15% on all future sales of FOX-TEK's products and a 20% royalty on all future sales of FOX-TEK's services. The royalty shall be payable until the earlier of: (i) the 10-year anniversary of the closing of the acquisition of FOX-TEK; and (ii) the aggregate payment of $12,000,000.