



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010**

**THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND HAVE NOT  
BEEN REVIEWED BY THE COMPANY'S AUDITOR**



## Consolidated Balance Sheets

<i>As at,</i>	Unaudited March 31, 2010 \$	Audited December 31, 2009 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	808,659	1,003,243
Prepaid expenses and deposits	26,941	16,358
Receivables	57,793	36,161
Due from related parties (note 12)	39,603	131,894
Loan receivable from related party (note 8)	269,432	269,432
Income taxes recoverable	361	104,025
	<b>1,202,789</b>	<b>1,561,113</b>
<b>Investments</b>		
	<b>1,608,191</b>	<b>1,601,793</b>
<b>Investment in Augen Gold Corp. (note 4)</b>	<b>937,945</b>	<b>1,130,105</b>
<b>Mineral properties and deferred exploration costs (note 5)</b>	<b>751,162</b>	<b>751,162</b>
<b>Property, plant and equipment, net (note 6)</b>	<b>67,040</b>	<b>68,390</b>
<b>Total assets</b>	<b>4,567,127</b>	<b>5,112,563</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	48,092	21,731
Accrued and other liabilities	231,317	226,325
Due to related parties (note 12)	134,037	74,549
	<b>413,446</b>	<b>322,605</b>
<b>Deferred lease inducement</b>	<b>27,499</b>	<b>30,158</b>
<b>Total liabilities</b>	<b>440,945</b>	<b>352,763</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 9)	7,235,551	7,235,551
Contributed surplus (note 10)	945,243	929,223
Retained earnings (deficit)	(4,054,612)	(3,404,974)
	<b>4,126,182</b>	<b>4,759,800</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,567,127</b>	<b>5,112,563</b>
<b>Commitments and contingencies (note 7)</b>		
<b>Subsequent events (note 16)</b>		

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



**Consolidated Statements of Operations and Comprehensive Loss**  
**Unaudited**

<i>For the three months ended March 31,</i>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Fee income	52,253	77,529
Realized gains (losses) on sale of investments held for trading	18,159	-
	<b>70,412</b>	<b>77,529</b>
<b>Expenses</b>		
Management fee (notes 7 and 12)	287,880	95,960
General and administrative	161,515	340,944
Corporate development	52,262	154,330
Stock-based compensation (note 9)	16,020	9,634
Interest expense	73	6,072
	<b>517,750</b>	<b>606,940</b>
<b>Earnings (loss) before undernoted items</b>	<b>(447,338)</b>	<b>(529,411)</b>
Share of (earnings) loss and capital transactions from equity-accounted investment (note 4)	192,160	185,617
Unrealized (gain) loss on investments held for trading	(4,633)	(168,234)
Non-recurring charges	-	36,881
Amortization	4,436	5,149
<b>Earnings (loss) before income taxes</b>	<b>(639,301)</b>	<b>(588,824)</b>
<b>Income taxes (note 11)</b>		
Current	(328)	(14,066)
Future	10,665	(175,234)
	<b>10,337</b>	<b>(189,300)</b>
<b>Net earnings (loss) and comprehensive earnings (loss)</b>	<b>(649,638)</b>	<b>(399,524)</b>
<b>Earnings (loss) per share</b>		
Basic and diluted	(0.02)	(0.01)
Weighted average shares outstanding	36,615,614	36,615,614

**Consolidated Statements of Retained Earnings (Deficit)**  
**Unaudited**

<i>For the three months ended March 31,</i>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Retained earnings (deficit), beginning of period</b>	<b>(3,404,974)</b>	<b>(820,411)</b>
Net earnings (loss) and comprehensive earnings (loss) for the period	<b>(649,638)</b>	<b>(399,524)</b>
<b>Retained earnings (deficit), end of period</b>	<b>(4,054,612)</b>	<b>(1,219,935)</b>

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



**Consolidated Statements of Cash Flows**  
**Unaudited**

<i>For the three months ended March 31,</i>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from (used in) operating activities</b>		
Net earnings (loss) and comprehensive earnings (loss)	(649,638)	(399,524)
Amortization	4,436	5,149
Stock-based compensation	16,020	9,634
Realized and unrealized (gain) loss on investments held for trading	(22,792)	(168,234)
Share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment	192,160	185,617
Future income taxes	10,665	(175,234)
	(449,149)	(542,592)
Changes in non-cash working capital	151,469	476,849
<b>Cash flow from (used in) operating activities</b>	<b>(297,680)</b>	<b>(65,743)</b>
<b>Cash flow from (used in) investing activities</b>		
Purchase of investments	(112,224)	-
Proceeds from the sale of investments	128,618	-
Recovery of advances to related parties	150,320	35,366
Advances to related party	(60,532)	(43,286)
Purchase of property, plant and equipment	(3,086)	-
Expenditures on mineral properties and deferred exploration costs	-	(1,710)
<b>Cash flow from (used in) investing activities</b>	<b>103,096</b>	<b>(9,630)</b>
<b>Net increase (decrease) in cash</b>	<b>(194,584)</b>	<b>(75,373)</b>
<b>Cash, beginning of period</b>	<b>1,003,243</b>	<b>2,381,816</b>
<b>Cash, end of period</b>	<b>808,659</b>	<b>2,306,443</b>
<b>Interest paid during the period</b>	<b>5</b>	<b>5,670</b>
<b>Income taxes paid during the period</b>	<b>-</b>	<b>-</b>

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



## Notes to Consolidated Financial Statements

March 31, 2010

Unaudited

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### 1. Nature of operations

Based in Toronto, Augen Capital Corp. ("**Augen**" or "**Company**") is a merchant bank specializing in the financing of and investment in resource companies or projects. In addition, Augen acts as a consultant to issuers of mineral resource tax-advantaged flow-through shares in Canada. Effective January 1, 2009, the Company suspended its Limited Market Dealer activities and has since surrendered its Limited Market Dealer registration with the Ontario Securities Commission.

### 2. Adoption of new accounting policies

#### Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC Abstract 175 *Multiple Deliverable Revenue Arrangements* ("**EIC-175**") requiring a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the stand-alone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirements to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. EIC-175 may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the implementation of this standard on its consolidated financial statements.

#### Consolidated financial statements and non-controlling interests

In January 2009, the CICA released *Section 1601 Consolidated Financial Statements* and *Section 1602 Non-Controlling Interests*, which replace *Section 1600 Consolidated Financial Statements*. *Section 1601* establishes standards for the preparation of consolidated financial statements. *Section 1602* establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. *Section 1602* is equivalent to the corresponding provisions of *IAS 27 Consolidated and Separate Financial Statements*. *Sections 1601 and 1602* will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted but must be applied together with *Section 1582 Business Combinations*. The Company is assessing the impact, if any, that the adoption of these new sections will have on its consolidated financial statements.

#### Business combinations

In January 2009, the CICA released *Section 1582 Business Combinations*, which replaces *Section 1581 Business Combinations*. The new section provides the Canadian equivalent to *IFRS 3 Business Combinations*. *Section 1582* applies prospectively to business combinations for which the acquisition is on or after January 1, 2011. Earlier adoption is permitted but must be applied together with *Section 1601 Consolidated Financial Statements* and *Section 1602 Non-Controlling Interests*. As *Section 1582* will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

### 3. Summary of significant accounting policies

These interim consolidated financial statements have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual consolidated financial statements. Generally accepted accounting principles ("**GAAP**") for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements.



## Notes to Consolidated Financial Statements

March 31, 2010

Unaudited

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### 3. Summary of significant accounting policies (continued)

#### Principles of consolidation

The consolidated financial statements include the accounts of the Company together with all of its subsidiaries. All inter-company transactions have been eliminated. The Company's consolidated subsidiaries are as follows:

Entity	Ownership
Aumerco Limited	100%
Polar Bear Explorations Inc.	100%
Augen General Partner 2007 Inc.	100%
Augen General Partner 2006 Inc.	100%
Augen General Partner XII Inc.	100%
Augen General Partner XI Inc.	100%
Augen General Partner X Inc.	100%
Augen General Partner 2003 Inc.	100%

#### Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

The areas that involve significant use of management estimates and assumptions are: recognition of impairment of mineral properties, allowances for amounts and loan due from related parties, stock-based compensation, determination of fair values of certain investments held for trading, impairment of equity-accounted investment, the valuation of warrants, determination of income tax assets and loss carry-forwards, and determination of contingent liabilities.

#### Financial instruments

Financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as either held for trading or other liabilities. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to held for trading securities are expensed as incurred. Transaction costs related to financial assets available for sale, held to maturity, and loans and receivables are generally capitalized and are then amortized using the effective interest method over the expected life of the instrument. Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available for sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired.

The Company has classified receivables, loan and amounts due from related parties as loans and receivables, cash and investments (other than the investment in Augen Gold Corp.) as held for trading, and accounts payable as other liabilities.

Accumulated other comprehensive income is a component of shareholders' equity. Comprehensive earnings are composed of the Company's net earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

The Company does not have any other comprehensive income components and, as such, comprehensive income (loss) is equal to net earnings (loss).

**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**3. Summary of significant accounting policies (continued)**

**Valuation of investments**

Investments held for trading are recorded at fair value with the difference between fair value and cost being reported in earnings as unrealized appreciation or depreciation in the value of investments. In the case of securities listed on stock exchanges, the fair value means the latest bid price.

Fair value of investments in shares of private companies, for which market quotations or other benchmarks are not available, is determined by reviewing the most recent arms' length equity financing of the subject company and determining whether or not such financing is relevant for valuation purposes. In the absence of such financing, fair value is determined by applying the relative change in the quoted value of a peer group of listed companies having similar characteristics to the private company. A discount may be applied to the resulting fair value in order to reflect the liquidity risk associated with private company investments. Private company investments are not valued above original cost unless compelling evidence exists to support such an increase.

Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs.

Investments in shares of investee companies in which Augen's ownership and rights provide the ability to exercise significant influence are accounted for using the equity method. When there has been a loss in the value of an equity-accounted investment that is other than a temporary decline, the investment is written down to recognize the loss. The write-down is included in earnings (loss). The value of the investment is determined by considering the fair value which is generally equivalent to the latest market price.

The fair value of purchase warrants is calculated using the Black-Scholes valuation model, unless quoted values are available. The following weighted average assumptions are used when determining fair value using the Black-Scholes valuation model:

Risk free rate	2.5 – 3.0%
Expected life	Determined by the terms and conditions of each instrument.
Expected volatility	Determined by the closing sale price for the entity for a historical time interval equal to the expected life of the instrument or the period that the stock has been trading if less than the expected life, adjusted to reflect various factors including non-recurring price volatility, the Exchange hold periods on the instruments, and the liquidity of flow-through shares of Canadian resource companies.
Expected dividend yield	Determined by the terms and conditions of each instrument.

**Fair value hierarchy and liquidity risk disclosure**

In June 2009, the Canadian Accounting Standard Board issued an amendment to CICA *Section 3862 Financial Instruments – Disclosures* in an effort to make *Section 3862* consistent with *IFRS Section 7 Disclosures* ("**IFRS 7**"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements. Please refer to note 14 *Financial risk management*.



## Notes to Consolidated Financial Statements

March 31, 2010

Unaudited

### 3. Summary of significant accounting policies (continued)

#### Mineral properties and deferred exploration costs

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral property and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off.

The Company reviews its mineral properties and deferred exploration costs on an annual basis to determine if events or changes in circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on the mineral properties and deferred exploration costs is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value. In March 2009, the CICA issued Emerging Issues Committee Abstract 174 Mining Exploration Costs ("**EIC 174**"). EIC 174 discusses the analysis recommended to determine whether there has been an impairment of mineral properties and deferred exploration costs. The Company considered the recommendations discussed in EIC 174 when testing for impairment of mineral properties and deferred exploration costs and determined that impairment adjustments were not required in respect of its mineral properties and deferred exploration costs.

Consideration, in the form of cash and/or shares received under mineral property option agreements, is applied against the acquisition cost of the mineral property and related deferred exploration expenditures. Consideration, in excess of the acquisition cost and related deferred exploration expenditures on the mineral property, is reported as income for the period and is included under fee income in the consolidated statements of operations and comprehensive earnings (loss).

#### Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated amortization. Amortization is recorded over the estimated useful life of assets on the diminishing balance or straight-line basis using the following rates:

Furniture and equipment	20%
Computer hardware	30%
Computer software	100%
Leasehold improvements	5 years, straight-line

#### Stock-based compensation

The Company follows guidance in the CICA Handbook *Section 3870 Stock-Based Compensation and Other Stock-Based Payments*, which requires that a fair value based method of accounting be applied to all stock-based payments. The fair value of stock-based compensation is recorded as a charge to net earnings with a corresponding credit to contributed surplus.

The fair value of incentive stock options granted to directors, officers and consultants and the fair value of purchase warrants issued to shareholders on private placements are calculated using the Black-Scholes valuation model. The fair value for each instrument is estimated using the following weighted average assumptions:

Risk free rate	2.5% – 3.0%
Expected life	Determined by the terms and conditions of each instrument.
Expected volatility	Determined by the closing sale price for the Company for a historical time interval equal to the expected life of the stock options, adjusted to reflect various factors including non-recurring price volatility and Exchange hold periods.
Expected dividend yield	0%.

## Notes to Consolidated Financial Statements

March 31, 2010

Unaudited

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### 3. Summary of significant accounting policies (continued)

#### Future income taxes

The Company follows the asset and liability method of income tax allocation whereby future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of the assets and liabilities and measured using the substantively enacted income tax rates expected to apply when such differences are expected to reverse. Future income taxes arise from the recognition of those accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry. Future income taxes also arise as a result of timing differences related to the recognition of flow-through share tax deductions. Flow-through share tax deductions are recognized in the period in which the tax authorities are notified of expense renunciations.

#### Deferred lease inducements

Deferred lease inducements, which include free rent, are recorded as liabilities on the consolidated balance sheets and recognized as a reduction of rent expense on a straight-line basis over the term of the lease.

#### Revenue recognition

The Company recognizes revenue when all significant acts in relation to revenue have been completed or the Company has performed all engagement requirements in accordance with the relevant agreements, and at the time of recognition, the collection of revenue is reasonably assured. The Company recognizes revenue through each of its Merchant Banking and Managed Products segments.

##### *Merchant Banking*

In the Merchant Banking segment, the Company earns revenue primarily through securities transactions. These transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses due to the change in fair value of held-for-trading investments are reflected in the consolidated statements of operations and comprehensive earnings and are calculated on an average cost basis. The Merchant Banking segment also earns fees for consulting and due diligence services. Fee income also includes dividend income recorded on the ex-dividend date, and interest income, recorded on an accrual basis using the effective interest method.

##### *Managed Products*

In the Managed Products segment, the Company earns fees for services rendered, including consulting and due diligence fees. The Company, through incorporated general partners, manages the operations and affairs of the various limited partnerships and, as described in the respective limited partnership offering documents, is entitled to advisory fees which are accrued periodically based on the average net assets of the limited partnerships. Performance fees, if applicable, are earned on the rollover transaction asset transfer date of the limited partnerships into a mutual fund corporation. The reimbursement of set-up expenses from the limited partnerships offered during the period, if any, are recorded upon the initial and subsequent closings of the limited partnership.

#### Foreign currency translation

Balances of the Company denominated in foreign currencies are translated into Canadian dollars as follows:

- Monetary assets and liabilities at period-end rates;
- All other assets and liabilities at historical rates; and
- Revenue and expense transactions at the average rate of exchange prevailing during the period.

Exchange gains and losses arising on these transactions are reflected in earnings (loss) in the period incurred.

**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**4. Investment in Augen Gold Corp.**

Augen Capital Corp.'s investment in Augen Gold Corp. ("AGC") has been accounted for under CICA Handbook *Section 3051 Investments*, using the equity-accounting method, which requires Augen's investment in AGC to be recorded at cost, and adjusted for its proportionate share of earnings or loss and capital transactions from AGC. As at March 31, 2010, the investment in AGC was recorded at \$937,945 (December 31, 2009 – \$1,130,105), which has been adjusted by \$192,160 (March 31, 2009 – \$185,617), representing the Company's proportionate share of AGC's loss and capital transactions for the period. The fair market value of AGC as at March 31, 2010, based on the closing bid price per share, was \$2,188,612 (December 31, 2009 – \$1,439,876).

To assess impairment, the Company reviews the operations of AGC, consults with AGC's management and suppliers and reviews transactions of other companies that have occurred in the same geographic area in which the AGC property is located, and as such, believes that no further impairment provision of the carrying value at March 31, 2010 is required. Given the measurement uncertainty related to the carrying value of the investment in AGC, it is reasonably possible that the recognized amount could increase or decrease by a material amount, depending on a variety of factors including, but not limited to, exploration results and financial market conditions.

As described in note 16 *Subsequent events*, effective May 20, 2010, as a result of the private placement completed by AGC, the Company owns approximately 15% of the issued and outstanding common shares of AGC. The Company's investment in AGC will no longer be accounted for under CICA Handbook *Section 3051* and will instead be accounted for as an investment held for trading, as the Company no longer has significant influence over AGC. This change will be reflected in the Company's financial statements for the quarter ended June 30, 2010. Any variations between the current carrying value and fair value of the investment will be reported in earnings as unrealized appreciation or depreciation in the value of the investment.

**5. Mineral properties and deferred exploration costs**

	<b>3 months ended March 31, 2010</b>	Year ended December 31, 2009
	\$	\$
<b>Acquisition costs</b> <sup>(1)</sup>		
Balance, beginning of period	1	1
Acquisition costs	-	-
Option payments received	-	-
	<b>1</b>	<b>1</b>
<b>Deferred exploration expenditures</b>		
Balance, beginning of period	<b>751,161</b>	747,207
Exploration costs <sup>(2)</sup>	-	3,954
	<b>751,161</b>	751,161
<b>Balance, end of period</b>	<b>751,162</b>	751,162

<sup>(1)</sup> In January 2007, the Company staked the Roberts Property for \$25,000 consisting of 8 mineral claims located in Roberts Township in Ontario. In March 2007, the Company granted International Kirkland Minerals Inc. ("IKI") the option to acquire a 100% interest in the Roberts Property for cash consideration of \$55,000, 3,000,000 IKI common shares, and \$200,000 in work expenditures. In 2007, and pursuant to the terms of the option agreement, IKI made \$5,000 in option payments and issued 1,000,000 IKI shares at a value of \$170,000. The acquisition cost was reduced to \$1 on the consolidated balance sheet at December 31, 2007 and the Company reported \$150,001 in income on the consolidated statement of operations and comprehensive earnings for the year ended December 31, 2007. In March 2008, pursuant to the terms of the option agreement, IKI issued 1,000,000 shares to the Company at a value of \$40,000. The amount was reported in income during the year. In May 2008, pursuant to the terms of the option agreement, IKI made \$25,000 in option payments. The amount was reported in income during the year. In June 2009, IKI failed to make a \$25,000 payment within the prescribed time frame per the option agreement and as a result, the property has reverted back to Augen.

<sup>(2)</sup> Additional exploration costs of \$3,954 were incurred during the year ended December 31, 2009.

**Notes to Consolidated Financial Statements**  
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**Unaudited**

**5. Mineral properties and deferred exploration costs (continued)**

In 2006, Augen established Polar Bear Explorations Inc. ("PBE"), a mining company currently in the exploration stage, to acquire claims in the Hudson Bay / James Bay area of Northern Ontario, south-east of the community of Peawanuck and south-west of Polar Bear Provincial Park. Twenty-four claims (the "Property") have been staked and recorded in PBE. PBE owns 100% of the mineral rights on the Property. The Ministry of Northern Development and Mines has granted an Exclusion of Time to PBE until July 2010 which waives the annual expenditure requirements required by the Mining Act, pending the completion of an exploration agreement with the Weenusk First Nation.

**6. Property, plant and equipment**

	As at March 31, 2010			As at December 31, 2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture and equipment	99,052	72,340	26,712	99,052	70,934	28,118
Computer hardware	64,958	52,255	12,703	61,872	51,350	10,522
Computer software	4,116	4,116	-	4,116	4,116	-
Leasehold improvements	42,500	14,875	27,625	42,500	12,750	29,750
	<b>210,626</b>	<b>143,586</b>	<b>67,040</b>	207,540	139,150	68,390

**7. Commitments and contingencies**

The Company has entered into lease agreements for premises and other equipment. The future minimum lease commitments are as follows:

2010	\$ 175,052
2011	\$ 230,120
2012	\$ 227,021
2013	\$ 189,184

Under the terms of a management services agreement with OreReserve Asset Management Inc., the Company has a commitment to pay management fees of no less than \$1,151,520 per annum, paid in equal monthly instalments and until the initial term expires on December 31, 2012. The management fee shall be adjusted annually to reflect a percentage increase, if any, in the Consumer Price Index.

Certain legal actions against the Company are pending. Additionally, in the normal course of operations, certain contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, the outcome of such pending and potential legal actions will not have a material adverse effect on the Company's results of operations, liquidity or its financial position.

**8. Loan receivable from related party**

On November 10, 2009, the Company provided a non-revolving secured loan facility (the "Facility") of a maximum of \$1,100,000 to AGC (the "Borrower") at an interest rate of 12% per annum for 12 months from the date of the first advance. In exchange for providing the Facility, the Company has taken security over all the real and personal property of the Borrower including all the staked and patented mining claims held by the Borrower in the southern Swayze Greenstone Belt, Porcupine Mining Division, and District of Sudbury, Ontario. The Company is also entitled to appoint one director to the board of AGC. The funds were advanced by the Company primarily to pay for expenditures made by AGC that qualified as Canadian Exploration Expenditure ("CEE") pursuant to the Income Tax Act (Canada). The Facility was available until January 31, 2010. The Borrower did not draw additional funds beyond the principal balance of \$269,432 which was outstanding at the end of the period, and repaid subsequent to the end of the period. See note 16 *Subsequent events*.



**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**9. Capital stock**

**Authorized share capital**

The Company is authorized to issue an unlimited number of common shares.

**Issued share capital**

The issued and outstanding share capital consists of common shares as follows:

	3 months ended March 31, 2010		Year ended December 31, 2009	
	No. of Shares	\$	No. of Shares	\$
Balance, beginning of period	36,615,614	7,235,551	36,615,614	7,235,551
Issuance of shares for cash:				
Exercise of stock options	-	-	-	-
Balance, end of period	36,615,614	7,235,551	36,615,614	7,235,551

**Stock option plan**

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers, and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified.

	3 months ended March 31, 2010		Year ended December 31, 2009	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of period	\$0.21	2,300,000	\$0.35	2,250,000
Transactions during the period: <sup>(1)</sup>				
Granted	-	-	0.10	1,000,000
Options exercised	-	-	-	-
Expired	0.42	(250,000)	0.42	(950,000)
Outstanding, end of period	\$0.21	2,050,000	\$0.21	2,300,000
Exercisable, end of period	\$0.20	863,744	\$0.28	945,251

As at March 31, 2010, the 2,050,000 options had a weighted average remaining life of 3.74 years.

<sup>(1)</sup> During the current period, no stock options were issued or exercised. During the year ended December 31, 2009, 950,000 options expired and 1,000,000 new options were granted. The estimated fair value of options that vested during the current period is \$16,020 (2009 – \$9,634) using the Black-Scholes model. The estimated fair value of the vested options has been charged during the period to the statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity on a straight-line basis over any applicable vesting period. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes model are as follows:

Risk free rate:	2.5% - 3.0%
Expected life:	3 - 5 years (based on option term)
Expected volatility:	93%-98%
Expected dividend yield:	0%



**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**10. Contributed surplus**

	<b>3 months ended March 31, 2010</b>	Year ended December 31, 2009
	\$	\$
Balance, beginning of period	<b>929,223</b>	875,748
Value assigned to:		
Stock-based compensation on vested options	<b>16,020</b>	53,475
Balance, end of period	<b>945,243</b>	929,223

**11. Income taxes**

The Company's reported income taxes differ from the amounts obtained by applying statutory rates (2010 - 31%, 2009 - 33%) to the loss before income taxes as follows:

<i><b>For the three months ended March 31,</b></i>	<b>2010</b>	2009
	\$	\$
Income tax (recovery) provision at statutory rates	<b>(198,183)</b>	(194,312)
Increase (decrease) related to:		
Non-taxable components of investment income	<b>10,161</b>	-
Previously unrecorded tax expense (recovery)	-	(15,653)
Unrealized (gains) losses on held for trading investments	<b>4,540</b>	(27,759)
Share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment	<b>29,785</b>	30,627
Stock-based compensation	<b>4,966</b>	3,179
Reduction in future income taxes resulting from reduction in tax rate	<b>28,787</b>	24,717
Change in valuation allowance	<b>100,578</b>	-
Other	<b>29,703</b>	(10,099)
Provision for income taxes	<b>10,337</b>	(189,300)
Classified as:		
Current	<b>(328)</b>	(14,066)
Future	<b>10,665</b>	(175,234)
	<b>10,337</b>	(189,300)

The Company's future income tax assets (liabilities) are comprised of the following:

<i><b>As at,</b></i>	<b>March 31, 2010</b>	December 31, 2009
	\$	\$
Future income tax asset (liability):		
Net operating losses carried forward	<b>673,855</b>	603,693
Recoverable taxes paid	<b>59,758</b>	59,758
Investments	<b>336,237</b>	305,196
Accounting provisions not currently deductible	<b>1,875</b>	2,500
Less: valuation allowance	<b>(1,071,725)</b>	(971,147)
	-	-

**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**12. Related party transactions**

The amounts due from and to related parties are as follows:

<i>As at,</i>	<b>March 31, 2010</b>	December 31, 2009
	\$	\$
Due from investee company <sup>(1)</sup>	<b>31,420</b>	121,207
Due from Managed Products <sup>(2)</sup>	<b>8,183</b>	10,687
	<b>39,603</b>	131,894
Loan receivable from related party <sup>(1)</sup>	<b>269,432</b>	269,432
	<b>309,035</b>	401,326
Due to Managed Products and other related parties <sup>(2), (3)</sup>	<b>(134,037)</b>	(74,549)
<b>Net amount due from related parties, net</b>	<b>174,998</b>	326,777

The amounts which are receivable and payable at the end of the period are summarized in the table above. The following were related party transactions during the period, of which certain amounts have been collected or paid. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

<sup>(1)</sup> The Company holds an investment in AGC, accounted for using the equity-accounting method. Two directors of the Company are directors of AGC and two officers of the Company were officers of AGC until April 8, 2010, after which time only one officer remains as an officer of both the Company and AGC. The Company reported \$30,600 (2009 – \$16,500) in professional service fees earned through a services agreement with AGC for CEO and CFO services, premises and overhead charges. The Company reported interest of \$NIL (2009 – \$21,684) charged to AGC on unsecured loan advances at the rate of prime plus 5% per annum beginning January 1, 2008. The Company also reported interest of \$8,085 (2009 – \$NIL) charged to AGC on a secured loan facility at the rate of 12% per annum. The Company also charged AGC a consulting fee of \$19,350 (2009 – \$NIL) in connection with AGC's private placement equity financing. At the end of the period, \$31,420 remained outstanding and related to unpaid consulting and professional service fees, interest on the secured loan facility, and other operational costs paid by the Company on behalf of AGC. The outstanding principal balance on the secured loan facility was \$269,432 at the end of the period.

In 2009, the Company settled \$1,121,851 of debt due from AGC in exchange for 7,479,010 common shares of AGC at a price of \$0.15 per share; the exchange price was supported by independent evidence. The transaction was not in the normal course of operations. As the carrying amount of the debt was equal to the exchange amount, no gain or loss was reported on the transaction. As at March 31, 2010, the Company owned 11,519,010 shares of AGC, which was approximately 23% of the issued and outstanding common shares of AGC.

<sup>(2)</sup> The Company owns 100% of the general partners listed in note 3, which were established for the day to day management of Augen limited partnerships. The general partners were entitled to an advisory fee equal to 2.00% - 2.25% of the net assets of the respective limited partnerships. The general partners earned advisory fees of \$NIL (2009 – \$5,380) during the period. In 2009, Augen General Partner 2007 Inc. was the only general partner with an active Augen limited partnership outstanding. That limited partnership rolled its net assets into BluMont Augen Resource Strategy Fund ("RS Fund") effective April 30, 2009. In November 2009, the net assets of RS Fund were merged with Exemplar Portfolio Ltd. ("Exemplar Fund"), managed by BluMont Capital Corporation. The Company continues to earn an advisory fee on the net assets which were formerly the RS Fund.

Pursuant to the terms of an agreement entered into in 2007 between Augen and BluMont Capital Corporation ("BluMont"), the manager of RS Fund, which is now part of the Exemplar Fund, the Company earned a percentage of the advisory fees for consulting services, paid from the new BluMont Augen limited partnerships. The Company earned net consulting fees of \$NIL (2009 – \$19,038) during the period, as each of the Augen and new BluMont Augen limited partnerships had rolled into RS Fund in 2009. At the end of the period, a net amount of \$79,908 was due to BluMont, representing BluMont's share of certain gains realized by the Company, in respect of the new BluMont Augen limited partnerships. The Company also earned net advisory fees from the Exemplar Fund and the former RS Fund of \$3,458 (2009 – \$12,160) during the period. At the end of the period, an amount of \$8,183 was receivable from BluMont in respect of the former RS Fund.

<sup>(3)</sup> In 2009, the Company relied upon the services of a senior officer, who is also a Director, for investment analysis and due diligence services. The services were provided by a related company that is controlled by the officer. The Company secured these services through an annual contract which was terminated on February 28, 2009. Effective April 8, 2010, the senior officer is no longer an officer of the Company. During the current period, the Company paid fees of \$NIL (2009 – \$41,666) to the related company, and there was no balance outstanding at the end of the period.

On February 27, 2009, the Company announced that it had entered into a management agreement effective March 1, 2009 pursuant to which OreReserve Asset Management Inc. (the "Manager"), a newly formed subsidiary of Integrated Asset Management Corp. ("IAM") (TSX: IAM), would manage the Company's business. During the period, the Company paid to the Manager \$287,880 (2009 – \$95,960) in management fees, and offset certain fee revenue of the Company by \$14,236 (2009 – \$7,048) which represents the Manager's share of certain fee revenue earned by the Company, pursuant to the terms of the management agreement. At the end of the period, a net amount of \$54,129 remains payable to the Manager, which represents fees payable by the Company in respect of the terms of the management agreement.



**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**13. Segmented information**

Augen operates under two segments: *Merchant Banking* and *Managed Products*.

The Merchant Banking ("MB") segment consists primarily of a core investment portfolio of shares of mineral resource companies. The MB segment provides financing and strategic management support to certain resource investee companies with a goal of maximizing net gains realized on its investment portfolio and generating transactional fee income.

The Managed Products ("MP") segment earns fees related to the limited partnerships and the mutual fund. These fees include, where applicable, consulting fees, due diligence fees, and operating expense reimbursements.

Management periodically considers factors which may affect the revenues and net earnings of the Company and adjusts the basis of allocating certain indirect segment costs accordingly.

The segmented financial results and assets are as follows:

**Consolidated Statements of Operations and Comprehensive Earnings**

<i>For the three months ended March 31,</i>	<b>Merchant Banking</b>		<b>Managed Products</b>		<b>Total</b>	
	<b>2010</b>	2009	<b>2010</b>	2009	<b>2010</b>	2009
	\$	\$	\$	\$	\$	\$
<b>Income (loss)</b>	<b>66,941</b>	45,703	<b>3,471</b>	31,826	<b>70,412</b>	77,529
<b>Expenses</b>	<b>487,360</b>	431,718	<b>30,390</b>	175,222	<b>517,750</b>	606,940
<b>Earnings (loss) before undernoted items</b>	<b>(420,419)</b>	(386,015)	<b>(26,919)</b>	(143,396)	<b>(447,338)</b>	(529,411)
Share of (earnings) loss and capital transactions from equity-accounted investment	<b>192,160</b>	185,617	-	-	<b>192,160</b>	185,617
Unrealized (gain) loss on investments held for trading	<b>(4,633)</b>	(168,234)	-	-	<b>(4,633)</b>	(168,234)
Non-recurring charges	-	18,441	-	18,440	-	36,881
Amortization	<b>3,992</b>	2,575	<b>444</b>	2,574	<b>4,436</b>	5,149
<b>Earnings (loss) before income taxes</b>	<b>(611,938)</b>	(424,414)	<b>(27,363)</b>	(164,410)	<b>(639,301)</b>	(588,824)
<b>Income taxes</b>						
Current					<b>(328)</b>	(14,066)
Future					<b>10,665</b>	(175,234)
					<b>10,337</b>	(189,300)
<b>Net earnings (loss) and comprehensive earnings (loss)</b>					<b>(649,638)</b>	(399,524)

**Consolidated Assets**

<i>As at,</i>	<b>Merchant Banking</b>		<b>Managed Products</b>		<b>Total</b>	
	<b>March 31, 2010</b>	December 31, 2009	<b>March 31, 2010</b>	December 31, 2009	<b>March 31, 2010</b>	December 31, 2009
	\$	\$	\$	\$	\$	\$
<b>Total assets</b>	<b>4,506,299</b>	5,049,351	<b>60,828</b>	63,212	<b>4,567,127</b>	5,112,563
<b>Shareholders' equity per share (*)</b>					<b>0.11</b>	0.13

\* Defined as shareholders' equity per consolidated financial statements, divided by common shares outstanding

## **Notes to Consolidated Financial Statements**

**March 31, 2010**

**Unaudited**

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### **14. Financial risk management**

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's consolidated balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall business strategy, diversifying risk, pricing appropriately for risk, mitigation through preventive controls, and transferring risk to third parties.

The long-term investment objective and strategy for the direct holdings in the MB portfolio and the MP consulting assets remain unchanged. The short-term corporate objective and strategy may be modified to reflect global economic financial and general market conditions, which will inevitably have an impact on the overall risk assessment of the Company. Such modifications may include streamlining operational costs, preserving cash to the extent possible, and as a result of the softened markets, management had for the most part suspended the disposition of securities during the first half of 2009. Since then, the disposition of securities has resumed to create additional liquidity for opportunities that may become available. The Company invests primarily in the equity securities of Canadian resource issuers. Investors are exposed to the risks and rewards of the Canadian resource sector.

The Company's exposure to potential loss from financial instruments relates primarily to its investment activities, and in particular, fair value risk, credit risk, liquidity risk, and market risk including credit quality and equity market fluctuation risk as described below.

#### *Fair value risk*

The carrying value of receivables, loan and amounts due from related parties, accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument fails to discharge its obligations and thereby causes financial loss to another party. The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances, including receivables and the credit risk on loan and amounts due from related parties. The Company was exposed to credit risk with respect to the unsecured loan advances and the secured loan facility due from its equity-accounted investment in AGC, which earned interest at the prime lending rate plus 5% per annum on the unsecured advances and 12% per annum on the secured loan facility. The unsecured loan advances were converted into common shares of AGC on April 7, 2009.

The aggregate gross credit risk exposure at March 31, 2010 was \$1,175,487, and was comprised of \$57,793 in receivables, \$309,035 in amounts due from related parties, and \$808,659 of cash held with financial institutions with an "AA" credit rating and securities brokerage firms.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities. All financial liabilities, with the exception of deferred lease inducements, are current.

**Notes to Consolidated Financial Statements**  
**March 31, 2010**  
**Unaudited**

**14. Financial risk management (continued)**

The Company believes that its cash position, short-term investments, if any, and investments in marketable securities provide adequate liquidity to meet all of the Company's financial obligations for at least the next twelve months. The Company also expects to receive fee income on its flow-through consulting assets as well as investment income on its holdings of cash.

*Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company believes it is not significantly exposed to foreign exchange risk at this time as its business activities are primarily denominated in Canadian currency. The Company may however be exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time, should the Company enter into foreign currency denominated transactions.

*Market risk*

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Market price fluctuations and fluctuations in the value of equity securities affect the level and timing of recognition in earnings and comprehensive earnings of gains and losses on securities held. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and consequently, the value of the equity securities held.

The Company focuses on small and mid-market capitalization companies as these companies have historically generated higher per share returns. The per share price of these companies can, however, be more volatile than larger capitalization companies. The following table summarizes the potential impact of a 10% change in the Company's equity-related holdings on the net earnings (loss) and other comprehensive earnings (loss) for the period ended March 31, 2010. Certain shortcomings are inherent in the method of analysis presented, as the analysis is based on the assumptions that the equity-related holdings increased/decreased by 10% with other variables held constant and that all the Company's equity and equity-related instruments moved in a one-to-one correlation with the market.

Changes in equity-related holdings	Effect on Net earnings (loss) and comprehensive earnings (loss) (pre-tax)
10% increase	\$160,819
10% decrease	\$(160,819)

Generally, a 10% decline in the value of equity-related holdings resulting from market price fluctuations would decrease the pre-tax net earnings and other comprehensive earnings whereas a 10% increase in the value of equity-related holdings resulting from market price fluctuations would increase the pre-tax net earnings and other comprehensive earnings. As at March 31, 2010, three of the Company's thirty-two investments represent 84% of the MB investment portfolio.

**Fair value hierarchy and liquidity risk disclosure**

As at March 31, 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments	1,510,015	60,232	37,944	1,608,191



## Notes to Consolidated Financial Statements

March 31, 2010

Unaudited

### 15. Capital management

The Company includes cash, receivables, loan and amounts due from related parties, investments and shareholders' equity in its capital management considerations. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders by maximizing investment returns on the MB investment portfolio and fee income from the MP consulting assets. The Company manages capital in proportion to risk and manages the investment portfolio and capital structure based on economic conditions and prevailing commodity pricing and trends. The following table is a summary of quantitative data about what the Company manages as capital:

	March 31, 2010	December 31, 2009	Change
	\$	\$	\$
Cash	808,659	1,003,243	(194,584)
Receivables	57,793	36,161	21,632
Due from related parties, net	174,998	326,777	(151,779)
Investments	1,608,191	1,601,793	6,398
Shareholders' equity	4,126,182	4,759,800	(633,618)

The Company monitors these items to assess its ability to fulfil its ongoing financial obligations. The Company relies on cash flow generated from operations, ongoing cost cutting measures and additional financing, if required, to maintain adequate liquidity to support its ongoing working capital commitments. As a result of economic conditions and market uncertainty, the Company may: streamline operational costs; preserve cash to the extent possible; and adjust its strategy with respect to the disposition of securities to create additional liquidity for opportunities that may become available.

### 16. Subsequent events

Pursuant to the terms of the loan facility with AGC, the outstanding loan balance of \$269,432 plus accrued interest was repaid by AGC from proceeds of its first closing of a brokered private placement on May 14, 2010. The loan settlement proceeds were held in trust until the security over all the real and personal property of AGC including all the staked and patented mining claims was removed by the Company. The proceeds were released from trust on May 20, 2010, at which time the security over all the real and personal property of AGC including all the staked and patented mining claims was removed, and accrued interest of \$12,573 was paid to the Company.

As described in note 4 *Investment in Augen Gold Corp.*, effective May 20, 2010, as a result of the private placement completed by AGC, the Company owns approximately 15% of the issued and outstanding common shares of AGC. The Company's investment in AGC will no longer be accounted for under CICA Handbook *Section 3051* and will instead be accounted for as an investment held for trading, as the Company no longer has significant influence over AGC. This change will be reflected in the Company's financial statements for the quarter ended June 30, 2010. Any variations between the current carrying value and fair value of the investment will be reported in earnings as unrealized appreciation or depreciation in the value of the investment.

### 17. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. Net loss previously reported has not been affected by this reclassification.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis ("MD&A") analyzes significant changes in the interim unaudited consolidated balance sheets, consolidated statements of operations and comprehensive earnings, and consolidated statements of cash flows of Augen Capital Corp. ("Augen" or the "Company"). It should be read in conjunction with the interim unaudited consolidated financial statements for the period ended March 31, 2010 and notes thereto.

The MD&A is presented in the following sections:

Page 1	Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement
Page 2	About Our Business
Page 6	Significant Events
Page 6	Financial Review
	Accounting Policies and Estimates
	Selected Annual Information
	Consolidated Operating Results
	Summary of Quarterly Results
	Consolidated Financial Position
	Liquidity and Capital Resources
Page 13	Transactions with Related Parties
Page 14	Changes in Accounting Policies
Page 17	Financial Instruments and Risk Management

The MD&A has been prepared effective May 27, 2010.

### FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

This MD&A contains forward-looking statements about the Company's future prospects. These forward-looking statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations.

Forward-looking statements include estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things: results of exploration, project development, reclamation and capital costs of the companies in the merchant banking portfolios ("investee companies"), and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as: changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the investee companies expect to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the activities of the Company and investee companies; and other matters discussed in this MD&A. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company, or on its behalf, except in accordance with applicable securities laws.

**ABOUT OUR BUSINESS**

Based in Toronto, Ontario, Canada, Augen is a merchant bank specializing in the financing of and investment in resource companies or projects.

Other continuous disclosure documents, including the Company's press releases and quarterly and annual reports are available through its filings with the securities regulatory authorities in Canada at [www.sedar.com](http://www.sedar.com).

**Augen business objective**

The primary business objective of the Company is to create shareholder value through recurring revenue streams and capital appreciation of assets held for investment. Augen expects to focus on a smaller number of larger sized transactions. Such transactions may include the acquisition of or merger with other companies in the mineral resource sector, as well as the acquisition of mineral resource projects either on its own or with partners. The Company expects to achieve these objectives primarily through, (1) its merchant banking activities including transactional fee income, (2) fees from providing management services and strategic advice to investee companies, and (3) capital appreciation from the acquisition and disposition of merchant banking positions.

In order to be responsive to new opportunities and support existing ones, Augen attempts to maintain a strong financial position with substantial liquidity in the form of cash and securities. The Company's performance and cash flows, which are driven primarily by the strength of its Merchant Banking portfolio and the Managed Products consulting asset base, are discussed in the *Liquidity and Capital Resources* section.

**Recent changes to Directors and Officers**

On April 8, 2010, the Company announced the appointment of Mr. Peter F. Chodos as Interim President and Chief Executive Officer and a Director. Mr. Chodos is also the Executive Vice-President and Chief Operating Officer of OreReserve Asset Management Inc., the Company's Manager, as described in the *Significant Events* section below. Mr. Chodos succeeds Mr. Mason, who remains as a Director.

Please refer to the Company's press releases which are available at [www.augenc.com](http://www.augenc.com) or [www.sedar.com](http://www.sedar.com) for further details.

**ABOUT OUR BUSINESS (Continued)**

**MERCHANT BANKING**

The Merchant Banking ("MB") segment consists primarily of an investment portfolio of emerging resource companies.

Due diligence fees are earned in the normal course of carrying out necessary due diligence for certain investments in the merchant banking investment portfolios.

The Company's merchant banking portfolio consists primarily of listed Canadian resource companies whose principal business is resource exploration and development. The Company also holds three investments in private companies. The Company has focused on liquidating most of its portfolio to focus on a smaller number of investments and provide working capital for ongoing operations. The top ten holdings in the MB investment portfolios at March 31, 2010 are listed below:

*Top Ten Holdings - Merchant Banking Portfolios*

Name	Shares /		Projects	Location of assets
	Warrants	Fair Value		
Staccato Gold Resources Ltd.	8,218,000	\$ 966,375	Gold	Nevada
Energy Fuels Inc.	963,031	216,682	Uranium	US South-West
Grande Portage Resources Ltd.	1,524,000	160,020	Gold, base metals	British Columbia
Western Standard Metals Ltd. (formerly Nordic Diamonds Ltd.)	340,000	83,300	Diamonds, uranium	Canada, Sweden, Finland
Explor Resources Inc., warrants 07/11/2010	187,500	48,750	Gold, base metals	Ontario, Quebec
Donner Metals Ltd.	112,500	30,938	Zinc, copper, nickel	Quebec, Labrador
Rukwa Uranium Ltd. <sup>(1)</sup>	600,000	30,000	Uranium	Quebec
Avion Gold Corporation	37,037	24,815	Gold	West Africa
Uravan Minerals Inc.	100,000	13,500	Uranium	Saskatchewan, Northwest Territories, Nunavut
Knight Resources Ltd.	113,065	11,307	Base metals	Quebec
Top ten holdings - subtotal		1,585,687		
Other holdings		22,504		
Fair value, per financial statements		\$ 1,608,191		
Augen Gold Corp. <sup>(2)</sup>	11,519,010	\$ 2,188,612	Gold	Northern Ontario

<sup>(1)</sup> Private company investment of \$300,000 made in May 2007. Fair value as at March 31, 2010 was determined in accordance with the Company's accounting policy for the valuation of investments.

<sup>(2)</sup> Investment reported at a carrying value of \$937,945 under the equity-accounting method for investments on the consolidated financial statements.

Two of Augen's significant equity holdings in the Merchant Banking portfolio are described below:

**Augen Gold Corp.**

Augen Gold Corp. ("AGC") is a junior gold exploration company which, at March 31, 2010, held 63 patented claims, 139 unpatented claims and 10 optioned claims covering 25,557 hectares (the "Property") over a 45 kilometre length. The Property is located in the southern Swayze Greenstone Belt, includes the formerly producing Jerome Gold Mine and is adjacent to the Young Shannon gold deposit held by Trelawney Mining and Exploration Inc.

As at the date of this MD&A, the Company holds approximately 15% of the issued and outstanding common shares of AGC and the investment. The Company's investment in AGC will no longer be accounted for under CICA Handbook Section 3051 and will instead be accounted for as an investment held for trading, as the Company no longer has significant influence over AGC. This change will be reflected in the Company's financial statements for the quarter ended June 30, 2010. Any variations between the current carrying value and fair value of the investment will be reported in earnings as unrealized appreciation or depreciation in the value of the investment.

At the end of the third quarter of 2009, the Company assessed the carrying value of its investment in AGC and determined that a decline in value that was other than temporary had occurred and, as a result, an impairment charge of \$966,004 was recorded in addition to the Company's share of AGC's loss and capital transactions of \$279,186, all of which were non-cash charges. During the current period, the Company recorded a further share of AGC's loss and capital transactions of \$192,160.

**ABOUT OUR BUSINESS (Continued)**

On November 10, 2009, the Company agreed to provide a non-revolving secured loan facility of a maximum of \$1,100,000 to AGC at an interest rate of 12% per annum to assist AGC in advancing its current drilling program on the Property, as described in the *Significant Events* section.

On October 29, 2009, December 17, 2009 and January 29, 2010, AGC completed the first, second and third closings of a non-brokered private placement financing raising gross proceeds of \$315,000, \$715,000 and \$470,000, respectively.

On May 14, 2010 and May 20, 2010, AGC completed the first and second closings of a brokered private placement financing raising gross proceeds of \$4,450,000 and \$450,000, respectively.

As at March 31, 2010, the carrying amount of the Company's investment in AGC was \$937,945. The following summarizes the financial information of AGC as at March 31, 2010: Assets were \$11,102,496; Liabilities were \$2,182,307; and Net loss for the period ended March 31, 2010 was \$151,338.

AGC's objectives are to: explore the Property in order to confirm existing and identify additional National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") compliant gold resources; to explore the gold potential along strike on the contiguous mining claims; and to continue to expand its property portfolio with prospective mineral assets.

The Jerome gold deposit, which is on the Property, was mined in the early 1940s, and produced a total of 56,200 ounces of gold at a grade of 0.19 ounces per ton. The mine was closed in 1943 due to the labour shortages resulting from the Second World War.

A technical report ("**Technical Report**") in accordance with NI 43-101 was completed by Behre Dolbear & Company Ltd. in August 2007 and revised in April 2008 which set recommendations for further study and planning of additional work, and is available at [www.sedar.com](http://www.sedar.com). The Technical Report focuses on the Jerome deposit, where previous operators had drilled over 200 holes and also sampled the underground workings of the Jerome Gold Mine. Few drill holes were targeted below the 1,100 foot level and there has been limited drilling along strike.

AGC expects to conduct further exploration work on a number of drill targets in order to provide the basis for a NI 43-101 resource which will be used in the preparation of a feasibility study. AGC believes that there is potential to expand the historical resource at depth and along strike on the Property.

In June 2008, AGC completed its initial public offering of equity securities raising \$4.33 million.

**Staccato Gold Resources Ltd.**

Staccato Gold Resources Ltd. ("**Staccato**") is a junior gold exploration company with a strong working capital position and a large property portfolio in the dominant gold producing trends in Nevada. Augen accumulated a 7.2% share position in Staccato with a view to commencing a proxy contest, the objective of which was to replace Staccato's existing board of directors with a slate of directors proposed by Augen. Once elected to the board, the new directors would have caused a new strategy to be implemented which the Company believed would have created more and sustainable value for the shareholders of Staccato. As a result of Augen's action, Staccato entered into an agreement whereby Timberline Resources Corporation is expected to acquire all of the outstanding shares of Staccato. Augen acted as a catalyst in this transition to create shareholder value.

**ABOUT OUR BUSINESS (Continued)**

**MANAGED PRODUCTS**

The Managed Products ("MP") segment of Augen's business consists of consulting mandates related to the flow-through limited partnerships with which the Company was involved. The MP segment earns fees related to the assets of the limited partnerships and the mutual fund into which those assets are transferred. The fees may include due diligence fees, consulting fees and operating expense reimbursements when the Company operates a limited partnership.

Augen has not consulted on any new flow-through limited partnership since mid-2008. The difficult financial markets and the decrease in demand for flow-through offerings since that time have caused the Company to reevaluate its strategy with respect to this market. Augen will monitor the flow-through sector and may re-enter the market at a later date. Revenues from the MP segment may decline further unless Augen re-enters the flow-through financing market.

In November 2009, BluMont Capital Corp., the Company's partner in the Managed Products business and the manager of the rollover mutual fund, merged the assets of the BluMont Augen Resource Strategy Fund (the "RS Fund") with those of Exemplar Portfolios Ltd. ("Exemplar Fund"), a mutual fund with approximately \$30M in assets under management. Exemplar Fund is managed by BluMont Capital Corp. At the time of the merger, the RS Fund had approximately \$11M of assets under management. Augen's fees from consulting assets may diminish over time unless Augen offers new limited partnerships and such assets are transferred to a mutual fund in which Augen shares in the fees.

The top ten consulting assets in the MP segment are no longer presented after the merger of the former RS Fund assets with those of the Exemplar Fund.

Augen owns 100% of the general partner of the following limited partnership:

**Augen Limited Partnership 2007**

Augen Limited Partnership 2007 ("LP2007") was a resource flow-through limited partnership that completed its second and final closing of its initial public offering on April 29, 2007 having raised over \$12.0 million. Effective April 30, 2009, the net assets of LP2007 were acquired by RS Fund in exchange for shares of RS Fund received by the limited partners, after which time the limited partnership was dissolved.

The Company also consulted on and earned fees from the assets of: BluMont Augen Limited Partnership 2007-1, the assets of which were acquired by RS Fund effective April 30, 2009 in exchange for shares of RS Fund; BluMont Augen Limited Partnership 2008 and BluMont Augen Quebec Limited Partnership 2008, the assets of both of which were acquired by RS Fund effective August 14, 2009 in exchange for shares of RS Fund; and RS Fund, which was merged with the Exemplar Fund in November 2009. The rate at which fees were earned from the assets of the former RS Fund has decreased since the RS Fund assets were merged with the Exemplar Fund.

**SIGNIFICANT EVENTS**

Pursuant to a loan agreement entered into on November 10, 2009, the Company provided a non-revolving secured loan facility (the "**Facility**") of a maximum of \$1,100,000 to AGC (the "**Borrower**") at an interest rate of 12% per annum for 12 months from the date of the first advance. In exchange for providing the Facility, the Company had taken security over all the real and personal property of the Borrower including all the staked and patented mining claims held by the Borrower in the southern Swayze Greenstone Belt, Porcupine Mining Division, and District of Sudbury, Ontario. The Company was also entitled to appoint one director to the board of AGC. The funds were advanced by the Company primarily to pay for expenditures made by AGC that qualified as Canadian Exploration Expenditure ("**CEE**") pursuant to the Income Tax Act (Canada). The Facility was available until January 31, 2010.

Pursuant to the terms of the Facility, the Borrower settled the outstanding loan balance of \$269,432 plus accrued interest from proceeds of the Borrower's first closing of a brokered private placement. The loan settlement proceeds were held in trust until the security in favour of the Company over all the real and personal property of the Borrower including all the staked and patented mining claims, was removed. The proceeds were released from trust on May 20, 2010, at which time the security over all the real and personal property of the Borrower including all the staked and patented mining claims was removed, and accrued interest of \$12,573 was paid to the Company.

**FINANCIAL REVIEW**

**ACCOUNTING POLICIES AND ESTIMATES**

Augen prepares its financial statements in accordance with Canadian generally accepted accounting principles ("**GAAP**"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements.

**CONSOLIDATED OPERATING RESULTS – THREE MONTHS ENDED MARCH 31, 2010**

There were certain notable events, as described above in the *Significant Events* section that occurred during the current reporting period that affected Augen's consolidated operating results and their comparability to the consolidated operating results for the same period in the previous year, as outlined in the following sections.

The financial results for the Merchant Banking and Managed Products segments are as follows:

<b>Consolidated Statements of Operations and Comprehensive Earnings</b>						
<i>For the three months ended March 31,</i>	<b>Merchant Banking</b>		<b>Managed Products</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Income (loss)</b>	<b>66,941</b>	45,703	<b>3,471</b>	31,826	<b>70,412</b>	77,529
<b>Expenses</b>	<b>487,360</b>	431,718	<b>30,390</b>	175,222	<b>517,750</b>	606,940
<b>Earnings (loss) before undernoted items</b>	<b>(420,419)</b>	(386,015)	<b>(26,919)</b>	(143,396)	<b>(447,338)</b>	(529,411)
Share of (earnings) loss and capital transactions from equity-accounted investment	<b>192,160</b>	185,617	-	-	<b>192,160</b>	185,617
Unrealized (gain) loss on investments held for trading	<b>(4,633)</b>	(168,234)	-	-	<b>(4,633)</b>	(168,234)
Non-recurring charges	-	18,441	-	18,440	-	36,881
Amortization	<b>3,992</b>	2,575	<b>444</b>	2,574	<b>4,436</b>	5,149
<b>Earnings (loss) before income taxes</b>	<b>(611,938)</b>	(424,414)	<b>(27,363)</b>	(164,410)	<b>(639,301)</b>	(588,824)
<b>Income taxes</b>						
Current					<b>(328)</b>	(14,066)
Future					<b>10,665</b>	(175,234)
					<b>10,337</b>	(189,300)
<b>Net earnings (loss) and comprehensive earnings (loss)</b>					<b>(649,638)</b>	(399,524)

**FINANCIAL REVIEW (Continued)****Consolidated net earnings (loss)**

Consolidated net loss was \$649,638 in 2010 compared to \$399,524 in 2009.

Consolidated income was \$70,412 in 2010 compared to \$77,529 in 2009.

Consolidated expenses in 2010 before share of (earnings) loss and capital transactions from equity-accounted investment, unrealized (gain) loss on investments held for trading, and amortization, were \$517,750 compared to \$606,940 in 2009.

The Company recognized its share of loss and capital transactions from AGC of \$192,160 in 2010 compared to \$185,617 in 2009. An unrealized gain on investments held for trading of \$4,633 has been reported in 2010 compared to an unrealized gain of \$168,234 in 2009. The fair value of the positions held in the MB investment portfolio has increased moderately in relation to the positions held in the MB investment portfolio at December 31, 2009. The Company recorded an income tax expense of \$10,337 in 2010 compared to an income tax recovery of \$189,300 in 2009. The change is primarily due to the Company recording an increase in the valuation allowance against the future tax benefit of capital and non-capital loss carry forwards of \$100,578 in 2010.

**Consolidated income**

The Company's income is driven primarily by the strength of its MB portfolio and the MP consulting asset base. The strength of the MB portfolio and the MP consulting asset base is correlated with global market conditions and the general economic environment. The recent global financial conditions have had a significant impact on the MB portfolio and the MP consulting asset base, which has reduced the Company's ability to generate income. Management believes the current general market conditions have improved and expects the recent trend of improvement in the Company's MB investment portfolio to continue in 2010.

The key items which have had an impact on the change in consolidated income are outlined by segment below:

*Merchant Banking segment*

Consolidated income for the MB segment was \$66,941 in 2010 compared to consolidated income of \$45,703 in 2009. The variation is due to the following: in 2010, the Company reported net fees from investee company services of \$31,035, a gain on sale of investments of \$18,159, consulting and due diligence fees of \$14,513 and interest and dividend income of \$3,234; whereas in 2009, the Company reported fees from investee company services of \$38,184 and interest and dividend income of \$7,519.

*Managed Products segment*

Consolidated income for the MP segment declined by \$28,355 in 2010 to \$3,471 from \$31,826 in 2009. The decline is primarily due to a decrease in advisory and performance fees of \$27,048 in 2010, resulting from a decline in the fair value of the consulting asset base as discussed in the *Liquidity and Capital Resources* section below.

**Consolidated expenses**

The key items which have had an impact on the change in consolidated expenses are outlined by segment below:

*Merchant Banking segment*

Consolidated expenses for the MB segment were \$487,360 in 2010 compared to \$431,718 in 2009. The increase is primarily explained as follows: management fee expense was \$259,092 in 2010 compared to \$47,980 in 2009, due to the management agreement between the Company and OreReserve Asset Management Inc. being outstanding for the entire quarter in 2010 compared to only the month of March in 2009 and due to changes in factors which management considers when allocating indirect expenses to each of the segments. The allocation of indirect expenses is intended to be representative of the business activities. Further, professional fees were \$59,748 in 2010 compared to \$39,295 and stock based compensation was \$14,418 in 2010 compared to \$4,817 in 2009. The increase in these expenses was partially offset by the following decrease in expenses: corporate development expense was \$52,262 in 2010 compared to \$154,330 in 2009; portfolio administration expense was \$NIL in 2010 compared to \$37,499 in 2009; sales and marketing expense was \$961 in 2010 compared to \$19,114 in 2009; general and administrative expenses were \$96,761 in 2010 compared to \$114,419 in 2009; and wages and benefit expense, which was primarily paid for the services of a corporate secretary, was \$4,118 in 2010 compared to \$14,264 in 2009, when other wages were included prior to entering into the management agreement.

**FINANCIAL REVIEW (Continued)**

*Managed Products segment*

Consolidated expenses for the MP segment were \$30,390 in 2010 compared to \$175,222 in 2009. The decrease is explained as follows: wages and benefit expense was \$NIL in 2010 compared to \$80,829; professional fees were \$NIL in 2010 compared to \$26,315 in 2009; management fee expense was \$28,788 in 2010 compared to \$47,980 in 2009, primarily due to changes in factors which management considers when allocating indirect expenses to each of the segments which are intended to be representative of the business activities and due to the management agreement between the Company and OreReserve Asset Management Inc. being outstanding for the entire quarter in 2010 compared to only the month of March in 2009; general and administrative expense was \$NIL in 2010 compared to 11,114 in 2009; portfolio administration expense was \$NIL in 2010 compared to \$4,167 in 2009; and stock based compensation was \$1,602 in 2010 compared to \$4,817 in 2009.

**Consolidated earnings (loss) before income taxes**

*Merchant Banking segment*

The loss before income taxes for the MB segment was \$611,938 in 2010 compared to \$424,414 in 2009. The increase in the loss of \$187,524 is primarily a result of: an increase of \$55,642 in consolidated expenses as described above; a decrease in unrealized gains of \$163,601 in 2010 when the Company reported an unrealized gain of \$4,633 compared to \$168,234 in 2009; and the Company reported its share of loss and capital transactions from the equity accounted investment in AGC of \$192,190 in 2010 compared to \$185,617 in 2009. These items which had a negative impact on earnings were partially offset by the increase in consolidated income as described above, and \$NIL non-recurring charges being reported in 2010 compared to \$18,441 in 2009.

*Managed Products segment*

The loss before income taxes for the MP segment was \$27,363 in 2010 compared to a loss of \$164,410 in 2009. The decrease in loss is primarily a result of a decline in consolidated expenses of \$144,832 as described above and no non-recurring charges being reported in 2010 compared to \$18,440 in 2009. These items which had a positive impact on earnings were partially offset by the decline in consolidated income of \$28,355 as described above.

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes Augen's key consolidated financial information for the last eight quarters.

\$000's (except per share data)	2010	2009				2008		
	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun
<b>Income (loss)</b>	70	(7)	(144)	27	78	332	301	694
<b>Unrealized gain (loss)</b>	5	311	667	247	168	(725)	(1,245)	(707)
<b>Net earnings (loss)</b>	(650)	(1,204)	(779)	(202)	(400)	(554)	(1,253)	(959)
<b>Earnings per share – basic</b>	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)
<b>– diluted</b>	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)

Factors such as global market conditions and the general economic environment that have caused variations in the results of the Company over the last eight quarters are discussed below in the *Liquidity and Capital Resources* section.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (Continued)

#### CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the interim unaudited consolidated balance sheet for the quarter ended March 31, 2010 and the corresponding notes thereto. References made to "2010" or "2009" relate to the period ended March 31, 2010 and the year ended December 31, 2009 respectively unless stated otherwise.

#### Consolidated assets

Consolidated assets were \$4,567,127 at March 31, 2010 down 11% from \$5,112,563 at December 31, 2009. The assets, summarized by segment, are as follows:

Consolidated Assets						
As at,	Merchant Banking		Managed Products		Total	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
	\$	\$	\$	\$	\$	\$
<b>Total assets</b>	<b>4,506,299</b>	5,049,351	<b>60,828</b>	63,212	<b>4,567,127</b>	5,112,563
<b>Shareholders' equity per share (*)</b>					<b>0.11</b>	0.13

\* Defined as shareholders' equity per consolidated financial statements, divided by common shares outstanding

The key items which have had an impact on the change in consolidated assets are outlined by segment below:

#### Merchant Banking segment

Consolidated MB assets decreased by \$543,052 in 2010 from \$5,049,351 in 2009, primarily a result of a net decrease in current assets of \$297,495; the decrease in the carrying value of the investment in AGC of \$192,160; partially offset by increase in the value of investments of \$6,398.

#### Managed Products segment

Consolidated MP assets decreased by \$2,384 from \$63,212 in 2009, primarily due to decrease in the amount due from Managed Products.

#### Consolidated liabilities

Consolidated liabilities increased by \$88,182 from \$352,763 in 2009. The change primarily resulted from the reclassification of amounts due to related parties from current assets to current liabilities during the current period and fluctuations in accounts payable and accrued liabilities, which are usually paid as and when they become due.

#### Shareholders' equity

Shareholders' equity decreased to \$4,126,182 in 2010 from \$4,759,800 in 2009. The decrease is due to the net loss for the period of \$649,638, partially offset by an increase in contributed surplus of \$16,020 resulting from the recognition of stock-based compensation. As at March 31, 2010, the Company had 36,615,614 common shares issued and outstanding and stock options to purchase 2,050,000 common shares, of which 863,744 had vested.

#### LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the interim unaudited consolidated balance sheet as at March 31, 2010 and the corresponding notes thereto. All references to years "2010" or "2009" relate to the periods ended March 31 of those years unless stated otherwise.

Augen believes that maintaining a strong financial position with substantial liquidity at the parent company level enables the Company to pursue new opportunities to create long-term value and support Augen's existing operating companies and products. The consolidated working capital ratio at March 31, 2010 has decreased to 2.91 : 1 compared to 4.84 : 1 at December 31, 2009.

**FINANCIAL REVIEW (Continued)**

The Company includes cash, receivables, loan and amounts due from related parties, investments and shareholders' equity in its capital management considerations. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders by maximizing investment returns on the MB investment portfolio and fee income from the MP consulting assets. The Company manages capital in proportion to risk and manages the investment portfolio and capital structure based on economic conditions and prevailing commodity pricing and trends. The following table is a summary of quantitative data about what the Company manages as capital:

	<b>March 31, 2010</b>	December 31, 2009	Change
	\$	\$	\$
Cash	<b>808,659</b>	1,003,243	(194,584)
Receivables	<b>57,793</b>	36,161	21,632
Due from related parties, net	<b>174,998</b>	326,777	(151,779)
Investments	<b>1,608,191</b>	1,601,793	6,398
Shareholders' equity	<b>4,126,182</b>	4,759,800	(633,618)

The Company monitors these items to assess its ability to fulfill its ongoing financial obligations, including its long-term commitments which are addressed in the *Commitments and contingencies* section below. The Company relies on cash flow generated from operations, ongoing cost cutting measures and additional financing, if required, to maintain adequate liquidity to support its ongoing working capital commitments. As a result of economic conditions and market uncertainty, the Company may: streamline operational costs; preserve cash to the extent possible; and adjust its strategy with respect to the disposition of securities to create additional liquidity for opportunities that may become available.

Receivables of \$57,793 at March 31, 2010 consist primarily of GST input tax credits, which are expected to be collected in the normal course of business. The total amount due from related parties of \$309,035 as at March 31, 2010 consists of: expense reimbursements, consulting fees and professional service fees due from Augen Gold Corp. in the net amount of \$31,420; the principal balance of a secured loan receivable from Augen Gold Corp. in the amount of \$269,432; a net amount of \$8,183 due from BluMont in relation to Managed Products. The amount due to related parties consists of a net amount of \$79,908 due to BluMont representing BluMont's share of certain gains realized by the Company, in respect of the new BluMont Augen limited partnerships and \$54,129 due to OreReserve Asset Management Inc. pursuant to the Management Agreement. The amounts due to and from the related parties are expected to be settled in the normal course of business, including expense reimbursements, consulting fees and professional service fees due from Augen Gold Corp. The secured loan was repaid from the proceeds of Augen Gold Corp.'s May 2010 brokered private placement. Accounts payable and accrued liabilities of \$279,409 consist of amounts that are to be extinguished in due course.

The Company's performance and cash flows are driven primarily by the strength of its MB portfolio and the MP consulting asset base. The strength of the MB portfolio and the MP consulting asset base is correlated with global market conditions and the general economic environment. The recent global financial condition has had a significant impact on the MB portfolio and the MP consulting asset base, which has reduced the Company's ability to generate income as demonstrated in the following table:

Trend analysis	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
NAV - MB investment portfolio	1,608,191	1,601,793	1,161,046	1,219,594	810,379	642,145	1,323,141	2,530,181
Realized gains (losses)	18,159	(100,207)	(193,701)	(31,245)	-	(28,254)	-	299,838
Unrealized gains (losses)	4,633	311,486	666,661	247,111	168,234	(725,293)	(1,244,848)	(707,426)
NAV - MP consulting assets	9,025,772	10,699,823	15,760,326	16,101,149	17,410,191	16,665,889	25,103,473	40,400,521
Advisory and performance fees	3,458	20,140	29,747	36,178	30,506	69,940	94,556	198,474
Consulting and due diligence fees	-	-	-	-	-	215,376	84,434	34,659
Cash from (used in) operating activities	(297,680)	(344,997)	(186,062)	(531,234)	(65,743)	(572,227)	900,611	(614,591)



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (Continued)

The above trend analysis demonstrates a partial recovery to the net asset value ("NAV") of the MB investment portfolio in 2009 and 2010 which had experienced a general downward trend in 2008. The MB investment portfolio has recovered by 150% since its low at the end of 2008 and has increased by 98% year-over-year at March 31, 2010. The value remains off by approximately 36% from the levels prior to the global economic downturn which started on or around Q2 2008, which is the result of fluctuations in fair value of the portfolio and transactional activity. The unrealized gains (losses) have varied in correlation with the MB investment portfolio trends.

There has been a general downward trend in the MP consulting assets since the second quarter of 2008. The MP consulting asset base declined by 48% year-over-year at March 31, 2010, which is primarily the result of fluctuations in fair value of the MP consulting asset base and the redemption of assets from the RS Fund, now the Exemplar Fund. Further, Augen has not offered or consulted on any new flow-through limited partnerships since mid-2008. Advisory and performance fees have decreased in correlation with the downward trend in the MP consulting assets. Consulting and due diligence fees were \$NIL in each of the last five quarters as no new flow-through limited partnerships have been launched since the spring of 2008.

The general trends in the fair values of both the MB investment portfolio and the MP consulting assets will have a direct correlation with the Company's ability to generate earnings.

Management believes the current general market conditions have improved and expects the recent trend of improvement in the Company's MB investment portfolio to continue in 2010. The Company believes that it currently has enough cash and liquid assets on hand to sustain operations for at least the next twelve months. To deal with the recent economic financial condition, Augen entered into a management agreement with OreReserve Asset Management Inc. in 2009 to increase the Company's ability to raise funds and increase the depth and breadth of management.

#### Commitments and contingencies

The Company has entered into lease agreements for premises and other equipment. The future minimum lease commitments are as follows:

2010	\$ 175,052
2011	\$ 230,120
2012	\$ 227,021
2013	\$ 189,184

Under the terms of a management services agreement with OreReserve Asset Management Inc., the Company has a commitment to pay management fees of no less than \$1,151,520 per annum, paid in equal monthly instalments and until the initial term expires on December 31, 2012. The management fee shall be adjusted annually to reflect a percentage increase, if any, in the Consumer Price Index.

Certain legal actions against the Company are pending. Additionally, in the normal course of operations, certain contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, the outcome of such pending and potential legal actions will not have a material adverse effect on the Company's results of operations, liquidity or its financial position.

**FINANCIAL REVIEW (Continued)****Cash from (used in) operating activities**

Cash used in operations, excluding changes in non-cash working capital and deferred lease inducement, totaled \$449,149 in 2010 compared to \$542,592 in 2009. The variation is primarily explained by the increase in net loss of \$250,114; offset by: future income tax expense of \$10,665 in 2010 compared to a future income tax recovery of \$175,234 in 2009, in large part due to the change in the valuation allowance in 2010 of \$100,578 against the future income tax benefit of capital and non-capital loss carry forwards; a net realized and unrealized gain on investments held for trading of \$22,792 in 2010 compared to a net realized and unrealized gain on investments held for trading of \$168,234 in 2009. Cash used in operations decreased by changes in non-cash working capital items and deferred lease inducement totaling \$151,469 in 2010 compared to a decrease in cash used in operations as a result of the change in non-cash working capital items and deferred lease inducement totaling \$476,849 in 2009. As a result of considering non-cash working capital items and deferred lease inducement, the total cash used in operations in 2010 was \$297,680 compared to cash used in operations of \$65,743 in 2009.

**Cash from (used in) investing activities**

Cash from investing activities totaled \$103,096 in 2010 compared to cash used in investing activities of \$9,630 in 2009. The change is primarily the result of: an increase in the amounts repaid by related parties of \$114,954, offset by an increase of \$17,246 in advances to related parties; an increase in proceeds from the sale of investments of \$128,618, offset by the increase of \$112,224 in the purchase of investments.

**Cash from (used in) financing activities**

There was no cash from or used in financing activities in 2010 or 2009.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### TRANSACTIONS WITH RELATED PARTIES

The amounts due from and to related parties are as follows:

<i>As at,</i>	March 31, 2010 \$	December 31, 2009 \$
Due from investee company <sup>(1)</sup>	<b>31,420</b>	121,207
Due from Managed Products <sup>(2)</sup>	<b>8,183</b>	10,687
	<b>39,603</b>	131,894
Loan receivable from related party <sup>(1)</sup>	<b>269,432</b>	269,432
	<b>309,035</b>	401,326
Due to Managed Products and other related parties <sup>(2), (3)</sup>	<b>(134,037)</b>	(74,549)
<b>Net amount due from related parties, net</b>	<b>174,998</b>	326,777

The amounts which are receivable and payable at the end of the period are summarized in the table above. The following were related party transactions during the period, of which certain amounts have been collected or paid. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

<sup>(1)</sup> The Company holds an investment in AGC, accounted for using the equity-accounting method. Two directors of the Company are directors of AGC and two officers of the Company were officers of AGC until April 8, 2010, after which time only one officer remains as an officer of both the Company and AGC. The Company reported \$30,600 (2009 – \$16,500) in professional service fees earned through a services agreement with AGC for CEO and CFO services, premises and overhead charges. The Company reported interest of \$NIL (2009 – \$21,684) charged to AGC on unsecured loan advances at the rate of prime plus 5% per annum beginning January 1, 2008. The Company also reported interest of \$8,085 (2009 – \$NIL) charged to AGC on a secured loan facility at the rate of 12% per annum. The Company also charged AGC a consulting fee of \$19,350 (2009 – \$NIL) in connection with AGC's private placement equity financing. At the end of the period, \$31,420 remained outstanding and related to unpaid consulting and professional service fees, interest on the secured loan facility, and other operational costs paid by the Company on behalf of AGC. The outstanding principal balance on the secured loan facility was \$269,432 at the end of the period.

In 2009, the Company settled \$1,121,851 of debt due from AGC in exchange for 7,479,010 common shares of AGC at a price of \$0.15 per share; the exchange price was supported by independent evidence. The transaction was not in the normal course of operations. As the carrying amount of the debt was equal to the exchange amount, no gain or loss was reported on the transaction. As at March 31, 2010, the Company owned 11,519,010 shares of AGC, which was approximately 23% of the issued and outstanding common shares of AGC.

<sup>(2)</sup> The Company owns 100% of the general partners listed in note 3, which were established for the day to day management of Augen limited partnerships. The general partners were entitled to an advisory fee equal to 2.00% - 2.25% of the net assets of the respective limited partnerships. The general partners earned advisory fees of \$NIL (2009 – \$5,380) during the period. In 2009, Augen General Partner 2007 Inc. was the only general partner with an active Augen limited partnership outstanding. That limited partnership rolled its net assets into BluMont Augen Resource Strategy Fund ("**RS Fund**") effective April 30, 2009. In November 2009, the net assets of RS Fund were merged with Exemplar Portfolio Ltd. ("**Exemplar Fund**"), managed by BluMont Capital Corporation. The Company continues to earn an advisory fee on the net assets which were formerly the RS Fund.

Pursuant to the terms of an agreement entered into in 2007 between Augen and BluMont Capital Corporation ("**BluMont**"), the manager of RS Fund, which is now part of the Exemplar Fund, the Company earned a percentage of the advisory fees for consulting services, paid from the new BluMont Augen limited partnerships. The Company earned net consulting fees of \$NIL (2009 – \$19,038) during the period, as each of the Augen and new BluMont Augen limited partnerships had rolled into RS Fund in 2009. At the end of the period, a net amount of \$79,908 was due to BluMont, representing BluMont's share of certain gains realized by the Company, in respect of the new BluMont Augen limited partnerships. The Company also earned net advisory fees from the Exemplar Fund and the former RS Fund of \$3,458 (2009 – \$12,160) during the period. At the end of the period, an amount of \$8,183 was receivable from BluMont in respect of the former RS Fund.

<sup>(3)</sup> In 2009, the Company relied upon the services of a senior officer, who is also a Director, for investment analysis and due diligence services. The services were provided by a related company that is controlled by the officer. The Company secured these services through an annual contract which was terminated on February 28, 2009. Effective April 8, 2010, the senior officer is no longer an officer of the Company. During the current period, the Company paid fees of \$NIL (2009 – \$41,666) to the related company, and there was no balance outstanding at the end of the period.

On February 27, 2009, the Company announced that it had entered into a management agreement effective March 1, 2009 pursuant to which OreReserve Asset Management Inc. (the "**Manager**"), a newly formed subsidiary of Integrated Asset Management Corp. ("**IAM**") (TSX: IAM), would manage the Company's business. During the period, the Company paid to the Manager \$287,880 (2009 – \$95,960) in management fees, and offset certain fee revenue of the Company by \$14,236 (2009 – \$7,048) which represents the Manager's share of certain fee revenue earned by the Company, pursuant to the terms of the management agreement. At the end of the period, a net amount of \$54,129 remains payable to the Manager, which represents fees payable by the Company in respect of the terms of the management agreement.

## CHANGES IN ACCOUNTING POLICIES

### New accounting policies

#### Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC Abstract 175 *Multiple Deliverable Revenue Arrangements* ("EIC-175") requiring a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirements to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. EIC-175 may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 with early adoption permitted. The Company is currently evaluating the impact of the implementation of this standard on its consolidated financial statements.

#### Consolidated financial statements and non-controlling interests

In January 2009, the CICA released *Section 1601 Consolidated Financial Statements* and *Section 1602 Non-Controlling Interests*, which replace *Section 1600 Consolidated Financial Statements*. *Section 1601* establishes standards for the preparation of consolidated financial statements. *Section 1602* establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. *Section 1602* is equivalent to the corresponding provisions of *IAS 27 Consolidated and Separate Financial Statements*. *Sections 1601 and 1602* will apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted but must be applied together with *Section 1582 Business Combinations*. The Company is assessing the impact, if any, that the adoption of these new sections will have on its consolidated financial statements.

#### Business combinations

In January 2009, the CICA released *Section 1582 Business Combinations*, which replaces *Section 1581 Business Combinations*. The new section provides the Canadian equivalent to *IFRS 3 Business Combinations*. *Section 1582* applies prospectively to business combinations for which the acquisition is on or after January 1, 2011. Earlier adoption is permitted but must be applied together with *Section 1601 Consolidated Financial Statements* and *Section 1602 Non-Controlling Interests*. As *Section 1582* will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

### Future accounting policies

#### International financial reporting standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS could potentially have an impact on the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also have an impact on business activities, such as certain contractual arrangements, debt covenants and capital requirements. The Company is currently evaluating the future impact of IFRS on its financial statements and has initiated a preliminary IFRS transition plan with a proposed timeline for the execution and completion of the transition to IFRS. The transition plan was established following a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS on the Company's accounting and reporting processes, information systems, business processes and external disclosures. During 2009 and the first quarter of 2010, the Company focused its efforts on identifying specific Canadian GAAP and IFRS differences, select ongoing IFRS policies, determine any information technology issues and consider the impact of the transition to IFRS on internal control over financial reporting and business activities, including the effect, if any, on covenants and compensation arrangements. The Company's Audit Committee receives quarterly updates on the progress, cost and major milestones of the IFRS transition. The Company has engaged, and will continue to engage consultants, as it deems necessary, to assist management with the transition to IFRS.

CHANGES IN ACCOUNTING POLICIES (Continued)

The following highlights the key elements of the Company's changeover plan, as at the date of this MD&A, which is subject to change as the Company progresses with its changeover plan.

**Accounting policies**

Set out below are some of the key areas which indicate potential policy differences that will result from the move toward IFRS. The list and comments should not be regarded as a complete list of changes that will result from a transition to IFRS; it is intended to highlight the more significant areas the Company has identified to date. Analysis of changes is still in process and, where choices of accounting policies are available, not all decisions have been finalized. Management plans to have these decisions made by the fourth quarter of 2010.

*Mineral properties and deferred exploration costs*

IFRS 1 permits an entity to revalue individual items included under mineral properties and deferred exploration costs at their fair value as at the date of transition to IFRS. The Company is currently evaluating this option.

*Business Combinations*

IFRS 1 provides an exemption that allows entities transitioning to IFRS to not restate business combinations entered into prior to the date of transition. The Company is currently evaluating this option.

*Share-based payments*

IFRS 1 provides an exemption that allows entities not to apply IFRS 2 *Share-based Payment* to options granted before November 2002, as well as to options granted after November 2002, but vested prior to transition. The Company currently plans to take this exemption. The Company is also evaluating the impact of the graded vesting on the options currently outstanding.

*Designation of previously recognized financial instruments*

IFRS 1 allows the designation of a financial instrument as either a financial instrument at fair value through profit or loss ("FVTPL"), subject to conditions, or as available for sale, on date of transition. The Company is currently evaluating these options. Please see *Investments* section below.

*Investments*

The Company is currently assessing the appropriate classification category for its investments in other companies, other than the investment in AGC. Currently, such investments substantially comprise marketable securities and shares of companies that are listed on a recognized exchange and are primarily natural resource based, and have been classified as Held for Trading. Should these investments not have readily ascertainable market values, such as those investments in private companies, the Company will be required to use appropriate valuation methodology based on the guidance prescribed under IFRS.

*Impairment of Assets*

The Company is currently assessing whether there may be additional impairment charges that need to be recorded under IFRS, specifically the need to factor in discounting in its impairment analysis of mineral properties and deferred exploration costs.

*Income taxes*

Under IFRS, a deferred tax asset is recognized if it is probable that it will be realized. "Probable" in this context is not defined; IFRS provides a general overall framework which states that the concept of probability is used in the recognition criteria to refer to the degree of uncertainty that the future economic benefits associated with the item will flow to or from the entity. The Company is currently assessing whether the deferred tax asset recorded would also meet the recognition criteria under IFRS.

**CHANGES IN ACCOUNTING POLICIES (Continued)**

*Provisions*

The Company is currently assessing the requirements of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, to determine whether all its provisions meet the "probable" recognition criteria under IFRS, and whether any additional provisions are required. Further, the Company is monitoring changes to the IFRS guidance to determine what impact, if any, the new standard will have on the Company.

**Internal control over financial reporting and disclosure controls and procedures**

Once the accounting policy choices have been made and the impact understood, the Company will evaluate the necessary changes to internal control procedures. These new procedures will specifically address the Company's ability to ensure that it has the ability to prepare accurate financial statements in accordance with IFRS. Further, the Company will monitor and update its disclosures to ensure full disclosure is made of the transition to IFRS.

**Financial reporting expertise**

Management has attended professional development seminars in 2009 to further its understanding of IFRS and to increase its IFRS financial literacy, and continues to do so in 2010. Further, management intends to engage outside consultants to provide insight and guidance on the implementation of IFRS. The audit committee receives regular updates from management on the training process and management intends to keep the audit committee apprised on matters relevant to the Company.

**Business activities**

Once the accounting policy choices have been made and the impact understood, the Company will review existing contracts and agreements to determine if any changes are required given the changeover to IFRS. The key contracts to be reviewed are the contracts with the Company's Manager and Augen Gold Corp.

**IT systems**

Once the accounting policy choices have been made and the impact understood, the Company will review the existing IT system to ensure that it is compatible with reporting under IFRS. Key elements in the systems analysis include processing changes, accounting software updates, decisions regarding parallel processing and the budgeting process.

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's consolidated balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall business strategy, diversifying risk, pricing appropriately for risk, mitigation through preventive controls, and transferring risk to third parties.

The long-term investment objective and strategy for the direct holdings in the MB portfolio and the MP consulting assets remain unchanged. The short-term corporate objective and strategy may be modified to reflect global economic financial and general market conditions, which will inevitably have an impact on the overall risk assessment of the Company. Such modifications may include streamlining operational costs, preserving cash to the extent possible, and as a result of the softened markets, management had for the most part suspended the disposition of securities during the first half of 2009. Since then, the disposition of securities has resumed to create additional liquidity for opportunities that may become available. The Company invests primarily in the equity securities of Canadian resource issuers. Investors are exposed to the risks and rewards of the Canadian resource sector.

#### Financial instruments

The Company's exposure to potential loss from financial instruments relates primarily to its investment activities, and in particular, fair value risk, credit risk, liquidity risk, and market risk including credit quality and equity market fluctuation risk as described below.

##### *Fair value risk*

The carrying value of accounts receivable, due from related parties, accounts payable, and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument fails to discharge its obligations and thereby causes financial loss to another party. The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances, including receivables and the credit risk on balances due from related parties. The Company was exposed to credit risk with respect to the loan advances due from its equity-accounted investment in AGC, which earned interest at the prime lending rate plus 5%. The loan advances were converted into common shares of AGC on April 7, 2009 as discussed in the *Significant Events* section.

The aggregate gross credit risk exposure at March 31, 2010 was \$1,175,487, and was comprised of \$57,793 in receivables, \$309,035 in amounts due from related parties, and \$808,659 of cash held with financial institutions with an "AA" credit rating and securities brokerage firms.

##### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments, including collecting amounts receivable in full. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities. All financial liabilities, with the exception of deferred lease inducements, are current.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

The Company believes that its cash position, short-term investments, if any, and investments in marketable securities provide adequate liquidity to meet all of the Company's financial obligations for at least the next twelve months. The Company also expects to receive fee income on its flow-through consulting assets as well as investment income on its holdings of cash.

*Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company believes it is not significantly exposed to foreign exchange risk at this time as its business activities are primarily denominated in Canadian currency. The Company may however be exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time, should the Company enter into foreign currency denominated transactions.

*Market risk*

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Market price fluctuations and fluctuations in the value of equity securities affect the level and timing of recognition in earnings and comprehensive earnings of gains and losses on securities held. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and consequently, the value of the equity securities held.

The Company focuses on small and mid-market capitalization companies as these companies have historically generated higher per share returns. The per share price of these companies can, however, be more volatile than larger capitalization companies. The following table summarizes the potential impact of a 10% change in the Company's equity-related holdings on the net earnings (loss) and other comprehensive earnings (loss) for the period ended March 31, 2010. Certain shortcomings are inherent in the method of analysis presented, as the analysis is based on the assumptions that the equity-related holdings increased/decreased by 10% with other variables held constant and that all the Company's equity and equity-related instruments moved in a one-to-one correlation with the market.

Changes in equity-related holdings	Effect on Net earnings (loss) and comprehensive earnings (loss) (pre-tax)
10% increase	\$160,819
10% decrease	\$(160,819)

Generally, a 10% decline in the value of equity-related holdings resulting from market price fluctuations would decrease the pre-tax net earnings and comprehensive earnings whereas a 10% increase in the value of equity-related holdings resulting from market price fluctuations would increase the pre-tax net earnings and other comprehensive earnings. As at March 31, 2010, three of the Company's thirty-two investments represent 84% of the MB investment portfolio.

**Fair value hierarchy and liquidity risk disclosure**

As at March 31, 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments	1,510,015	60,232	37,944	1,608,191

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Risk**

Augen's future financial performance may be influenced by its ability to manage and maintain the value of its existing MB investment portfolio; successfully evaluate, structure and complete new investments in listed and private entities for both the MB and MP segments; and manage and grow its existing assets under management. Access to capital had been limited for the small and mid-cap emerging resource exploration mining sector in the recent economic environment. The Company believes this was a result of investors' general aversion to risk associated with emerging resource exploration mining company investments.

Augen attempts to manage the risks associated with its MB investment portfolio and its MP consulting assets through planning, extensive due diligence of investment opportunities and active involvement in and monitoring of its investments where appropriate.

Augen's financial condition, results of operations and business are subject to certain risks which may negatively affect the Company. Certain of these risks are described below. Additional risks not currently known to the Company, or that the Company currently believes to be immaterial, may also affect and have a negative impact on the business.

*Dependence on management*

Augen is dependent upon the efforts, skills and business contacts of key members of the Company's Manager for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain or grow existing assets and raise additional funds in the future.

*Investment portfolio exposure*

Given the nature of Augen's activities, the Company's results of operations and financial condition are dependent upon the market value of the investments in its MB portfolio and the consulting assets in the MP segment. Market value can be reflective of the actual or anticipated operating results of the investee companies and/or the general market conditions that affect the sectors in which Augen invests. The Company's investment activities are concentrated in the mineral resource exploration sector, with a current focus on the gold and base metals sectors. There are various factors that could affect these sectors and have a negative impact on the companies in the MB investment portfolio and thereby have an adverse effect on Augen's business and financial results. Additionally, the Company's investments are primarily in small-cap businesses which the Company believes exhibit potential for growth but which may not ever mature or generate the returns the Company expects or may require a number of years to do so. Mineral resource exploration companies may never achieve commercial discoveries and production, which may create an irregular pattern in the Company's revenues and results from operations. Additionally, macro economic factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on these sectors as compared to the overall market, thereby having a negative impact on one or more of the investments in the MB portfolio and the consulting assets in the MP segment concurrently. Company specific risks, such as the risks associated with the mineral resource exploration mining sector or the quality of management of the investee companies generally, could have an adverse effect on one or more of the Company's investments at any point in time. Company specific and industry specific risks which materially adversely affect Augen's investments and consulting assets may have a materially adverse impact on the Company's operating results.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

*Share prices of investments*

Augen's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the shares is sustainable. The trading prices of the shares could be subject to wide fluctuations in response to various factors beyond the control of Augen, including: quarterly variations in the investee companies' results of operations; changes in earnings, if any; estimates or commentaries provided by research analysts; conditions in the emerging resource exploration mining sector; and general market or economic conditions. In recent years, equity markets have experienced extreme price and trading volume fluctuations. These fluctuations have had a substantial effect on market prices, sometimes unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments in the MB portfolio and the consulting asset base in the MP segment which would have a significant negative impact on the Company's operating results.

*Concentration of investments*

Augen's investments are concentrated in the emerging resource mineral mining sector. The Company expects to focus on a smaller number of larger sized transactions and therefore performance may be disproportionately subject to adverse developments in the resource sector. There are currently no restrictions on the proportion or the amount of Augen's funds that may be allocated to any particular investment. Accordingly, the Company's investment activities may be highly concentrated in a limited number of investments, or a particular segment within the mineral resource sector. The consequence of this type of concentration is that the Company's financial results may be substantially adversely affected by the unfavourable performance of any one of the limited number of investments or the particular segment within the mineral mining sector. As at March 31, 2010, the Company's investment in AGC represents approximately 21% of the Company's assets. When considering the loan receivable and the Company's investment in AGC, together they represent approximately 26% of the Company's assets. AGC repaid the loan from the proceeds of its May 2010 brokered private placement.

*Thinly traded securities*

Augen invests in common shares of certain publicly traded companies and holds common share purchase warrants in public companies that are characterized by thin, and sometimes uneven trading volumes, and are potentially subject to highly volatile price movements. One of the factors used when determining the valuation of warrants held in the Company's MB investment portfolio is price volatility; therefore, the theoretical valuation of warrants for thinly traded companies may be under or over-stated as a result. Certain thinly traded companies will also have an impact on the liquidity of the Company's MB investment portfolio.

*Private company investments and illiquid securities*

Augen may, from time to time, hold investments in private companies. As there may not be an active market for such securities, Augen's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments may be restricted. Investments in private companies may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for private company investments that may be held by Augen or that Augen will otherwise be able to realize a return on such investments. Augen also invests in illiquid securities of public companies. The Company is exposed to the risk of increased losses or lesser gains as a result of the time between when the decision is made to sell such an investment and the monetization of such investment.

*Income and cash flows*

Augen generates income and cash flows primarily from the disposition of investments in the MB portfolio and fees earned from the consulting assets in the MP segment in addition to its financing activities, and interest earned on the Company's cash balances. The amount of income and cash generated from the MB and MP segments is dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is restricted, whether as a result of a downturn in the market conditions generally or matters specific to Augen, or if the value of the Company's investments or consulting asset base decline, resulting in: lower fees, a decrease in proceeds of disposition, and capital losses or less gains for Augen upon disposition.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

*Reduced income during periods of declining resource prices*

Augen's income is likely to be lower during a period of declining natural resource market and commodity prices. The Company's income in the MB segment is dependent on the equity financing and expansion of companies in the natural resource sector, as a portion of Augen's income is comprised of due diligence fees and or commissions paid on the placement of funds in investee companies that are raising capital. A prolonged period of declining natural resource prices could cause a reduction in income from due diligence fees and commissions. The Company's investment income is also driven in part by natural resource and commodity prices and a decline in resource prices may have an effect on investment income.

*Resource development*

Resource development involves a high degree of risk which cannot be avoided, even with a combination of careful evaluation, experience and knowledge. Augen typically invests in projects, or companies that have projects, in early stages of exploration or development. As such, there is no assurance that such projects will prove to be economically feasible and there is also no assurance that the projects owned by companies in which the funds of Augen may be invested will be brought into commercial production. Investee companies are also subject to government regulatory and other political risk as well as volatility in commodity prices that can affect the economic feasibility of projects.

*Financing requirements*

Augen may, from time to time, require funds to support the Company's growth and operations and may seek to obtain additional funds for these purposes through public or private equity or debt financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders of the Company to experience dilution, and any debt financing, of which Augen currently has none, may result in increased interest expense or restrictions on the Company's operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its MB investment portfolio or maintain the value of existing assets.

*Management of growth*

Significant growth in Augen's business, as a result of acquisitions or otherwise, could place a strain on the managerial, operational and financial resources and information systems of the Company's Manager. The Company's future operating results will depend on the ability of the Manager to manage rapidly changing business conditions, and to implement and improve the Manager's technical, administrative and financial controls and reporting systems. No assurance can be given that the Manager will succeed in these efforts.