



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

AUDITORS' REPORT

To the Shareholders of Augen Capital Corp.

We have audited the consolidated balance sheets of Augen Capital Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
April 9, 2010



Consolidated Balance Sheets

<i>As at December 31,</i>	2009 \$	2008 \$
ASSETS		
Current assets		
Cash	1,003,243	2,381,816
Prepaid expenses and deposits	16,358	55,023
Receivables	36,161	44,400
Due from related parties (<i>notes 8 and 12</i>)	57,345	1,440,930
Loan receivable from related party (<i>note 8</i>)	269,432	-
Income taxes recoverable	104,025	462,364
	1,486,564	4,384,533
Investments		
Investment in Augen Gold Corp. (<i>note 4</i>)	1,130,105	1,253,444
Mineral properties and deferred exploration costs (<i>note 5</i>)	751,162	747,208
Property, plant and equipment, net (<i>note 6</i>)	68,390	88,985
Future income taxes (<i>note 11</i>)	-	470,929
Total assets	5,038,014	7,587,244
LIABILITIES		
Current liabilities		
Accounts payable	21,731	97,957
Accrued and other liabilities	226,325	157,605
	248,056	255,562
Deferred lease inducement	30,158	40,794
Total liabilities	278,214	296,356
SHAREHOLDERS' EQUITY		
Capital stock (<i>note 9</i>)	7,235,551	7,235,551
Contributed surplus (<i>note 10</i>)	929,223	875,748
Retained earnings (deficit)	(3,404,974)	(820,411)
	4,759,800	7,290,888
Total liabilities and shareholders' equity	5,038,014	7,587,244
Commitments and contingencies (<i>note 7</i>)		

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

Approved on behalf of the Board of Directors:

"Tony Busseri" (signed)
Tony Busseri, Director

"Hugh Squair" (signed)
Hugh Squair, Director



Consolidated Statements of Operations and Comprehensive Loss

<i>For the years ended December 31,</i>	2009 \$	2008 \$
Income		
Fee income	279,448	1,454,814
Realized gains (losses) on sale of investments held for trading	(325,153)	80,668
	(45,705)	1,535,482
Expenses		
General and administrative	991,211	2,558,442
Management fee (notes 7 and 12)	959,600	-
Corporate development	169,412	-
Stock-based compensation (note 9)	53,475	143,530
Interest expense	9,423	44,532
	2,183,121	2,746,504
Earnings (loss) before undernoted items	(2,228,826)	(1,211,022)
Share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment (note 4)	1,245,190	(464,970)
Unrealized (gain) loss on investments held for trading	(1,393,492)	3,246,331
Non-recurring charges (note 16)	38,959	514,876
Adjustment to fair value of liabilities	-	(220,380)
Amortization	20,595	22,565
Earnings (loss) before income taxes	(2,140,078)	(4,309,444)
Income taxes (note 11)		
Current	(26,444)	(378,730)
Future	470,929	(418,364)
	444,485	(797,094)
Net earnings (loss) and comprehensive earnings (loss)	(2,584,563)	(3,512,350)
Earnings (loss) per share		
Basic and diluted	(0.07)	(0.10)
Weighted average shares outstanding	36,615,614	36,576,270

Consolidated Statements of Retained Earnings (Deficit)

<i>For the years ended December 31,</i>	2009 \$	2008 \$
Retained earnings (deficit), beginning of year	(820,411)	2,691,939
Net earnings (loss) and comprehensive earnings (loss) for the year	(2,584,563)	(3,512,350)
Retained earnings (deficit), end of year	(3,404,974)	(820,411)

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



Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2009 \$	2008 \$
Cash flow from (used in) operating activities		
Net earnings (loss) and comprehensive earnings (loss)	(2,584,563)	(3,512,350)
Amortization	20,595	22,565
Stock-based compensation	53,475	143,530
Realized and unrealized (gain) loss on investments held for trading	(1,068,339)	3,165,663
Share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment	1,245,190	(464,970)
Future income taxes	470,929	(418,364)
	(1,862,713)	(1,063,926)
Changes in non-cash working capital	734,677	(425,392)
Cash flow from (used in) operating activities	(1,128,036)	(1,489,318)
Cash flow from (used in) investing activities		
Purchase of investments	(1,073,721)	(267,450)
Proceeds from the sale of investments	1,182,412	981,396
Repayment of advances to related parties	107,040	1,401,552
Advances to related party	(462,314)	(2,285,165)
Purchase of property, plant and equipment	-	(65,328)
Expenditures on mineral properties and deferred exploration costs	(3,954)	(184,265)
Cash flow from (used in) investing activities	(250,537)	(419,260)
Cash flow from (used in) financing activities		
Issuance of common shares, net of issue costs	-	16,000
Cash flow from (used in) financing activities	-	16,000
Net increase (decrease) in cash	(1,378,573)	(1,892,578)
Cash, beginning of year	2,381,816	4,274,394
Cash, end of year	1,003,243	2,381,816
Interest paid during the year	9,501	24,878
Income taxes paid during the year	1,177	86,098

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

Notes to Consolidated Financial Statements

December 31, 2009

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

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.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted *Section 3064 Goodwill and Intangible Assets* which replaced CICA *Sections 3062 and 3450, EIC 27* and part of *Accounting Guideline 11*. Under previous Canadian standards, more items were recognized as assets than under International Financial Reporting Standards ("**IFRS**"). The objectives of *Section 3064* are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intend to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets, including research and development activities, ensuring consistent treatment of all intangible assets. The adoption of this standard did not have any impact on the consolidated financial statements of the Company as at, or for the year ended December 31, 2009.

Future accounting policies

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.



Notes to Consolidated Financial Statements December 31, 2009

2. Adoption of new accounting policies (continued)

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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

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.



Notes to Consolidated Financial Statements December 31, 2009

3. Summary of significant accounting policies (continued)

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. Accrued liabilities included incentive compensation payable, previously charged directly to retained earnings as a transitional adjustment, which was reduced by the change in the fair value of the liability and offset by payments made during the comparative period. The adjustment was reported as adjustment to fair value of liabilities in the earnings of the comparative period.

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).

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	4.0% – 5.0%
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.



Notes to Consolidated Financial Statements December 31, 2009

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	4.0% - 5.0%
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
December 31, 2009

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 December 31, 2009

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 December 31, 2009, the investment in AGC was recorded at \$1,130,105 (2008 - \$1,253,444). The carrying amount has decreased since December 31, 2008 by \$123,339 of which an increase of \$1,121,851 represents the shares-for-debt conversion of an amount due from AGC, partially offset by \$279,186 which represents the Company's proportionate share of AGC's loss and capital transactions for the year and further offset by a charge of \$966,004 which represents an impairment in the carrying value of the investment that management assessed as other than a temporary decline. The Company did not record a gain or loss on the shares-for-debt conversion as it was a related party transaction. The fair market value of AGC as at December 31, 2009, based on the closing bid price per share, was \$1,439,876 (December 31, 2008 - \$161,600).

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 December 31, 2009 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. The Company will continue to monitor the carrying value of its investment in AGC to determine if future impairment is required.

5. Mineral properties and deferred exploration costs

For the years ended December 31,	2009	2008
	\$	\$
Acquisition costs ⁽¹⁾		
Balance, beginning of year	1	1
Acquisition costs	-	-
Option payments received	-	-
	1	1
Deferred exploration expenditures ⁽²⁾		
Balance, beginning of year	747,207	562,942
Exploration costs	3,954	184,265
	751,161	747,207
Balance, end of year	751,162	747,208

⁽¹⁾ 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.

⁽²⁾ On February 29, 2008, the Company acquired the residual 24% non-controlling interest in Polar Bear Explorations Inc. ("PBE") and now owns 100% of the outstanding shares of PBE. The purchase price of \$165,000, representing the fair value of the non-controlling interest in PBE, was assigned to Mineral properties and deferred exploration costs. The balance of \$19,265 relates to other deferred exploration expenditures. Additional exploration costs of \$3,954 were incurred during the year ended December 31, 2009.

Notes to Consolidated Financial Statements
December 31, 2009

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 December 31, 2009			As at December 31, 2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture and equipment	99,052	70,934	28,118	99,052	63,905	35,147
Computer hardware	61,872	51,350	10,522	61,872	46,841	15,031
Computer software	4,116	4,116	-	4,116	3,559	557
Leasehold improvements	42,500	12,750	29,750	42,500	4,250	38,250
	207,540	139,150	68,390	207,540	118,555	88,985

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	\$ 233,403
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 year end.



Notes to Consolidated Financial Statements
December 31, 2009

9. Capital stock

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value, preferred shares issuable in series, and Series A preferred shares. The Series A preferred shares are non-redeemable, non-callable, non-voting and have no right to dividends. The preferred shares issuable in series will have the rights, privileges, restrictions and conditions assigned to the particular series upon the Board of Directors approving their issuance.

Issued share capital

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

For the years ended December 31,	2009		2008	
	No. of Shares	\$	No. of Shares	\$
Balance, beginning of year	36,615,614	7,235,551	36,515,614	7,212,362
Issuance of shares for cash:				
Exercise of stock options	-	-	100,000	23,189
Balance, end of year	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.

For the years ended December 31,	2009		2008	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of year	\$0.35	2,250,000	\$0.41	2,900,000
Transactions during the year: ⁽¹⁾				
Granted	0.10	1,000,000	0.25	1,050,000
Options exercised	-	-	0.16	(100,000)
Expired	0.42	(950,000)	0.41	(1,600,000)
Outstanding, end of year	\$0.21	2,300,000	\$0.35	2,250,000
Exercisable, end of year	\$0.28	945,251	\$0.39	1,076,393

As at December 31, 2009, the 2,300,000 options have a weighted average remaining life of 3.56 years.

⁽¹⁾ During the year, 950,000 options expired and 1,000,000 new options were granted. The estimated fair value of options that vested during the year is \$53,475 using the Black-Scholes model. The estimated fair value of the vested options has been charged during the year to the statements of operations and comprehensive earnings (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:	4.0% - 5.0%
Expected life:	3 - 5 years (based on option term)
Expected volatility:	93%-98%
Expected dividend yield:	0%



Notes to Consolidated Financial Statements December 31, 2009

10. Contributed surplus

For the years ended December 31,	2009	2008
	\$	\$
Balance, beginning of year	875,748	739,407
Value assigned to:		
Stock-based compensation on vested options	53,475	143,530
Exercise of stock options	-	(7,189)
Balance, end of year	929,223	875,748

11. Income taxes

The Company's reported income taxes differ from the amounts obtained by applying statutory rates (2009 - 33%, 2008 - 33.5%) to the loss before income taxes as follows:

For the years ended December 31,	2009	2008
	\$	\$
Income tax (recovery) provision at statutory rates	(706,226)	(1,443,664)
Increase (decrease) related to:		
Non-taxable components of investment income	98,497	(13,512)
Previously unrecorded tax expense (recovery)	(15,779)	83,633
Unrealized (gains) losses on held for trading investments	(217,069)	469,933
Share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment	205,457	(77,883)
Stock-based compensation	17,647	48,082
Reduction in future income taxes resulting from reduction in tax rate	149,691	125,383
Change in valuation allowance	911,389	-
Other	878	10,934
Provision for income taxes	444,485	(797,094)
Classified as:		
Current	(26,444)	(378,730)
Future	470,929	(418,364)
	444,485	(797,094)

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

As at December 31,	2009	2008
	\$	\$
Future income tax asset (liability):		
Net operating losses carried forward	603,693	111,606
Recoverable taxes paid	59,758	59,758
Investments	305,196	349,277
Accounting provisions not currently deductible	2,500	10,046
Less: valuation allowance	(971,147)	(59,758)
	-	470,929
Classified as:		
Non-current	-	470,929
	-	470,929



Notes to Consolidated Financial Statements December 31, 2009

12. Related party transactions

The amounts due from related parties are as follows:

<i>As at December 31,</i>	2009	2008
	\$	\$
Due from investee company ⁽¹⁾	121,207	1,157,217
Due from Managed Products ⁽²⁾	10,687	283,713
Due to Managed Products and other related parties ^{(2), (3)}	(74,549)	-
Total amount due from related parties, net	57,345	1,440,930
Loan receivable from related party ⁽¹⁾	269,432	-
	326,777	1,440,930

The amounts which are receivable and payable at the end of the year are summarized in the table above. The following were related party transactions during the year, 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:

⁽¹⁾ The Company holds an investment in AGC, accounted for using the equity-accounting method. A director of the Company is a director 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 \$93,000 (2008 - \$122,935) 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 \$23,298 (2008 - \$110,701) 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 \$2,783 (2008 - \$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 \$68,700 (2008 - \$NIL) in connection with AGC's private placement equity financing. At the end of the year, the outstanding balance of \$121,207 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 balance on the secured loan facility was \$269,432.

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 resulted from the non-monetary transaction. As at December 31, 2009, the Company owned 11,519,010 (2008 - 4,040,000) shares of AGC, which was approximately 25% (2008 - 16%) of the issued and outstanding common shares of AGC.

⁽²⁾ The Company owns 100% of the general partners listed in note 3 and is responsible for the day to day management of the Augen limited partnerships. The general partners are 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 \$6,389 (2008 - \$89,065) during the year. Certain general partners are reimbursed for administrative and operating expenses incurred on behalf of certain limited partnerships. The general partners were reimbursed \$NIL (2008 - \$142,857) for such expenses during the year. During the year, 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 \$41,079 (2008 - \$263,306) during the year. At the end of the year, a net amount of \$34,743 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 RS Fund and the Exemplar Fund of \$70,366 (2008 - \$142,695) during the year. At the end of the year, an amount of \$10,687 was receivable from BluMont in respect of RS Fund.

⁽³⁾ For part of the year, 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. During the year, the Company paid fees of \$41,666 (2008 - \$255,455) to the related company, and there was no balance outstanding at the end of the year.

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), will manage the Company's business. During the year, the Company paid to the Manager \$959,600 in management fees, and offset certain fee revenue of the Company by \$68,145, 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 \$39,806 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
December 31, 2009

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.

The segmented financial results and assets are as follows:

Consolidated Statements of Operations and Comprehensive Earnings						
<i>For the years ended December 31,</i>	Merchant Banking		Managed Products		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Income (loss)	(164,012)	610,629	118,307	924,853	(45,705)	1,535,482
Expenses	1,418,189	1,430,260	764,932	1,316,244	2,183,121	2,746,504
Earnings (loss) before undernoted items	(1,582,201)	(819,631)	(646,625)	(391,391)	(2,228,826)	(1,211,022)
Share of (earnings) loss and capital transactions, and impairment loss from equity-accounted investment	1,245,190	(464,970)	-	-	1,245,190	(464,970)
Unrealized (gain) loss on investments held for trading	(1,393,492)	3,246,331	-	-	(1,393,492)	3,246,331
Non-recurring charges	19,480	257,438	19,479	257,438	38,959	514,876
Adjustment to fair value of liabilities	-	(220,380)	-	-	-	(220,380)
Amortization	10,297	11,283	10,298	11,282	20,595	22,565
Earnings (loss) before income taxes	(1,463,676)	(3,649,333)	(676,402)	(660,111)	(2,140,078)	(4,309,444)
Income taxes						
Current					(26,444)	(378,730)
Future					470,929	(418,364)
					444,485	(797,094)
Net earnings (loss) and comprehensive earnings (loss)					(2,584,563)	(3,512,350)

Consolidated Assets

<i>As at December 31,</i>	Merchant Banking		Managed Products		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Total assets	5,011,452	7,047,232	26,562	540,012	5,038,014	7,587,244
Shareholders' equity per share^(*)					0.13	0.20

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

Notes to Consolidated Financial Statements December 31, 2009

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 the year. 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 as disclosed in note 11 *Related party transactions*.

The aggregate gross credit risk exposure at December 31, 2009 was \$1,366,181, and was comprised of \$36,161 in receivables, \$326,777 in amounts due from related parties, and \$1,003,243 of cash and equivalents 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
December 31, 2009

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 year ended December 31, 2009. 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	\$160,179
10% decrease	\$(160,179)

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 December 31, 2009, four of the Company's thirty-six investments represent 82% of the MB investment portfolio.

Fair Value Hierarchy and Liquidity Risk Disclosure

As at December 31, 2009	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments	1,411,606	151,917	38,270	1,601,793



Notes to Consolidated Financial Statements December 31, 2009

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:

As at December 31,	2009 \$	2008 \$	Change \$
Cash	1,003,243	2,381,816	(1,378,573)
Receivables	36,161	44,400	(8,239)
Due from related parties	326,777	1,440,930	(1,114,153)
Investments	1,601,793	642,145	959,648
Shareholders' equity	4,759,800	7,290,888	(2,531,088)

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. Non-recurring charges

The Company reported net non-recurring charges of \$38,959 during the year in connection with the new management agreement described above in note 12 *Related party transactions*. The costs associated with the new management agreement are expected to be one time in nature and not to reoccur. In 2008, net non-recurring charges were \$514,876 relating to the 2008 Annual and Special Meeting of Shareholders, which was expected to be a contested meeting.

17. Comparative figures

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") analyzes significant changes in the audited 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 audited consolidated financial statements for the year ended December 31, 2009 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 7	Financial Review
	Accounting Policies and Estimates
	Selected Annual Information
	Consolidated Operating Results
	Summary of Quarterly Results
	Consolidated Financial Position
	Liquidity and Capital Resources
Page 17	Transactions with Related Parties
Page 18	Changes in Accounting Policies
Page 21	Financial Instruments and Risk Management

The MD&A has been prepared effective April 30, 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.

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 February 27, 2009, in connection with the new Management Agreement discussed in the *Significant Events* section, the Company announced the appointment of Mr. Victor Koloshuk to its Board of Directors.

On June 11, 2009, at the Company's annual and special meeting, Mr. Tony Busseri, Mr. Michael Harris, Mr. Victor Koloshuk, Mr. John David Mason and Dr. Hugh Squair were elected to the Company's Board of Directors. Mr. Harris was appointed as Chairman of the Board. Mr. Mason was reappointed as President and Chief Executive Officer. Mr. Manish Z. Kshatriya was reappointed as Chief Financial Officer. Mr. James Kelleher and Mr. Roger Muelhaupt did not stand for re-election to the Company's Board of Directors.

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, the founder of the Company, who remains as a Director.

Please refer to the Company's press releases which are available at www.augenc.com or 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 December 31, 2009 are listed below:

Top Ten Holdings - Merchant Banking Portfolios

Name	Shares /		Projects	Location
	Warrants	Fair Value		
Staccato Gold Resources Ltd.	7,068,000	\$ 723,809	Gold	Nevada
Energy Fuels Inc.	963,031	240,758	Uranium	US South-West
Explor Resources Inc.	275,000	213,250	Gold, base metals	Ontario, Quebec
Grande Portage Resources Ltd.	1,524,000	129,540	Gold, base metals	British Columbia
Western Standard Metals Ltd. (formerly Nordic Diamonds Ltd.)	340,000	88,400	Diamonds, uranium	Canada, Sweden, Finland
American Bonanza Gold Corp.	440,000	63,800	Gold	Quebec, British Columbia, US South-West
Rukwa Uranium Ltd. ⁽¹⁾	600,000	30,000	Uranium	Quebec
Donner Metals Ltd.	112,500	28,125	Zinc, copper, nickel	Quebec, Labrador
Avion Gold Corporation	37,037	22,963	Gold	West Africa
UraVan Minerals Inc.	100,000	17,000	Uranium	Saskatchewan, Northwest Territories, Nunavut
Top ten holdings - subtotal		1,557,645		
Other holdings		44,148		
Fair value, per financial statements		\$ 1,601,793		
Augen Gold Corp. ⁽²⁾	11,519,010	\$ 1,439,876	Gold	Northern Ontario

⁽¹⁾ Private company investment of \$300,000 made in May 2007. Fair value as at December 31, 2009 was determined in accordance with the Company's accounting policy for the valuation of investments.

⁽²⁾ Investment reported at a carrying value of \$1,130,105 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 December 31, 2009, held 63 patented and 143 unpatented claims covering 24,581 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 23% of the issued and outstanding common shares of AGC and therefore the investment continues to be accounted for under CICA Handbook Section 3051 Investments, using the equity-accounting method. 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 is 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.

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

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.

ABOUT OUR BUSINESS (Continued)

As at December 31, 2009, the carrying amount of the Company's investment in AGC was \$1,130,105. The following summarizes the financial information of AGC as at December 31, 2009: Assets were \$10,743,908; Liabilities were \$1,981,078; and Net loss for the year ended December 31, 2009 was \$1,171,091.

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 sets recommendations for further study and planning of additional work, and is available at 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

- 1) On February 27, 2009, the Company announced that it had entered into a management agreement ("**Management Agreement**") effective March 1, 2009 pursuant to which OreReserve Asset Management Corp. (the "**Manager**"), a newly formed subsidiary of Integrated Asset Management Corp. ("**IAM**") (TSX: IAM), would manage the Company's business. The transaction was overseen by a special committee and was unanimously approved by the Board of Directors.

IAM is Canada's leading alternative asset management company and has approximately \$2.0 billion in assets and committed capital under management in real estate, private corporate debt, private equity, managed futures and retail alternative investments. Augen's employees and consultants have been retained by, and commenced working with, the Manager effective March 1, 2009. The management team is: Peter F. Chodos, Executive Vice President and Chief Operating Officer; and Manish Z. Kshatriya, Chief Financial Officer and Secretary.

Pursuant to the Management Agreement, the Manager will perform all management and administrative functions for Augen, including managing its merchant banking and consulting operations. Under the Management Agreement, Augen's non-public company overhead costs are capped at their 2008 rate subject to an annual increase based on increases, if any, in the Consumer Price Index. Augen is expected to recoup some or all of these overhead costs through a revenue sharing provision in the Management Agreement.

Pursuant to the Management Agreement, IAM acquired 3,264,000 common shares of Augen (approximately 8.9% of the currently issued and outstanding shares) in the secondary market through the facilities of the TSX-V. IAM satisfied the share purchase requirement prior to September 30, 2009.

Pursuant to the terms of a voting trust agreement, Mr. Mason, as voting trustee, had the right to vote the Augen shares owned by IAM for a period of five years. As Mr. Mason is no longer an officer or a director of the Manager, the voting trust agreement has been terminated and each of IAM and Mr. Mason and his associates may vote their shares of the Company independently of each other.

The four-year initial term of the Management Agreement began on March 1, 2009 and will expire on December 31, 2012 (the "**Initial Term**"). The Management Agreement will renew automatically for a fifth year (the "**Extended Term**"), provided at least one of three performance criteria is met by the Manager. The performance criteria include the Manager earning a performance bonus in a specified number of years during the Initial Term, the Manager raising a minimum amount of new capital in Augen for investment purposes and/or an increase in Augen's shareholders' equity by at least 6% per annum during the Initial Term. Following the Extended Term, the Management Agreement will be deemed to renew automatically for successive one-year terms. Following the Extended Term, the Management Agreement may be terminated by either Augen or the Manager on 60 days prior written notice, subject to a termination penalty equal to two times the prevailing management fee if Augen terminates the Management Agreement. The Management Agreement may be terminated immediately by either Augen or the Manager, without penalty, in certain circumstances, including certain events of bankruptcy and insolvency, a party voluntarily ceasing to carry on business in the ordinary course and breach of contract. Specific details regarding the Management Agreement were filed with the Company's continuous disclosure record on SEDAR on February 27, 2009.

On February 27, 2009, in connection with the Management Agreement, Augen received \$257,978 due from BluMont Capital Corporation ("**BluMont**"), pursuant to its 2007 agreement with BluMont in respect of its flow-through business.

- 2) The Company called a special meeting of the shareholders of AGC, an investee company in the MB portfolio. The meeting was held on March 13, 2009. The shareholders of AGC were asked to vote on a resolution approving a shares-for-debt transaction for the conversion of debt owed by AGC to the Company, into common shares. One hundred percent of the disinterested shareholders who voted on this resolution did so in favour of the conversion. As a result on April 7, 2009, AGC issued 7,479,010 common shares at a price of \$0.15 per share to settle \$1,121,851 of debt, increasing the Company's shares in AGC to 11,519,010, which represents approximately 25% of the issued and outstanding common shares of AGC at December 31, 2009.

SIGNIFICANT EVENTS (Continued)

- 3) 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 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 year end.

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.

SELECTED ANNUAL INFORMATION

\$000s except for per share data	For the years ended December 31,		
Highlights	2009	2008	2007
Income	(46)	1,535	4,157
Net earnings (loss)	(2,585)	(3,512)	(3,538)
Earnings (loss) per share			
Basic and diluted	(0.07)	(0.10)	(0.10)
Total assets	5,038	7,587	11,284
Total long-term liabilities	30	41	13



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

CONSOLIDATED OPERATING RESULTS – THREE MONTHS ENDED DECEMBER 31, 2009

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:

Consolidated Statements of Operations and Comprehensive Earnings						
<i>For the three months ended December 31,</i>	Merchant Banking		Managed Products		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Income (loss)	(26,676)	43,668	20,140	289,007	(6,536)	332,675
Expenses	309,074	385,037	241,413	354,338	550,487	739,375
Earnings (loss) before undernoted items	(335,750)	(341,369)	(221,273)	(65,331)	(557,023)	(406,700)
Share of (earnings) loss and capital transactions from equity-accounted investment	21,796	(471,644)	-	-	21,796	(471,644)
Unrealized (gain) loss on investments held for trading	(311,486)	725,293	-	-	(311,486)	725,293
Amortization	2,574	2,440	2,575	2,439	5,149	4,879
Earnings (loss) before income taxes	(48,634)	(597,458)	(223,848)	(67,770)	(272,482)	(665,228)
Income taxes						
Current					(11,103)	(55,745)
Future					943,100	(54,500)
					931,997	(110,245)
Net earnings (loss) and comprehensive earnings (loss)					(1,204,479)	(554,983)

Consolidated net earnings (loss)

Consolidated net loss was \$1,204,479 in 2009 compared to \$554,983 in 2008.

Consolidated loss was \$6,536 in 2009 compared to income of \$332,675 in 2008.

Consolidated expenses in 2009 before share of (earnings) loss and capital transactions from equity-accounted investment, unrealized (gain) loss on investments held for trading, and amortization, were \$550,487 compared to \$739,375 in 2008.

The Company recognized its share of loss from AGC of \$21,796 in 2009 compared to its net share of loss and capital transaction gain of \$471,644 in 2008. An unrealized gain on investments held for trading of \$311,486 has been reported in 2009 compared to an unrealized loss of \$725,293 in 2008. The fair value of the positions held in the MB investment portfolio has increased in relation to the positions held in the MB investment portfolio at September 30, 2009. The Company recorded an income tax expense of \$931,997 in 2009 compared to an income tax recovery of \$110,245 in 2008. 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 \$911,389 in 2009.

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.

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

FINANCIAL REVIEW (Continued)*Merchant Banking segment*

Consolidated loss for the MB segment was \$26,676 in 2009 compared to consolidated income of \$43,668 in 2008. The variation is due to the following: in 2009, the Company reported a loss on sale of investments of \$100,207, partially offset by consulting and due diligence fees of \$51,525, investee company services of \$21,908 and interest and dividend income of \$98; whereas in 2008, the Company reported fees earned from investee company services of \$53,932 and interest and dividend income of \$17,990; partially offset by a loss on sale of investments of \$28,254.

Managed Products segment

Consolidated income for the MP segment declined by \$268,867 in 2009 to \$20,140 from \$289,007 in 2008. The decline is primarily due to a decrease in advisory and performance fees of \$49,800 in 2009, resulting from a decline in the fair value of the consulting asset base as discussed in the *Liquidity and Capital Resources* section below. Consulting and due diligence fees were \$NIL in 2009 compared to \$215,376 in 2008, as there were no flow-through limited partnerships launched in 2009. Interest and dividend income was \$NIL in 2009 compared to \$3,691 in 2008.

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 \$309,074 in 2009 compared to \$385,037 in 2008. The decrease is explained as follows: portfolio administration expense was \$NIL in 2009 compared to \$61,163 in 2008; general and administrative expenses were \$93,278 in 2009 compared to \$150,973 in 2008; wages and benefits expense was \$NIL in 2009 compared to \$50,964 in 2008; professional fees were \$63,227 in 2009 compared to \$91,076 in 2008; sales and marketing expense was \$NIL in 2009 compared to \$15,441 in 2008; and stock-based compensation was \$8,629 in 2009 compared to \$15,420 in 2008. The decrease in certain of these expenses was primarily the result of the management agreement entered into with OreReserve Asset Management Inc., pursuant to which a management fee expense of \$143,940 was recorded in 2009 compared to \$NIL in 2008.

Managed Products segment

Consolidated expenses for the MP segment were \$241,413 in 2009 compared to \$354,338 in 2008. The decrease is explained as follows: wages and benefits expense was \$NIL in 2009 compared to \$288,798 in 2008; general and administrative expenses were \$14,503 in 2009 compared to \$31,410 in 2008; portfolio administration expense \$NIL in 2009 compared to \$6,796 in 2008; and stock-based compensation was \$8,629 in 2009 compared to \$15,420 in 2008. The decrease in certain of these expenses was primarily the result of the management agreement entered into with OreReserve Asset Management Inc., pursuant to which a management fee expense of \$143,940 was recorded in 2009 compared to \$NIL in 2008. Further, the decrease in expenses was also offset by an increase in professional fees which were \$74,341 in 2009 compared to \$11,915 in 2008. The increase in professional fees relates to an increase to an accrual for certain legal fees which the Company is currently disputing.

Consolidated earnings (loss) before income taxes*Merchant Banking segment*

The loss before income taxes for the MB segment was \$48,634 in 2009 compared to \$597,458 in 2008. The decrease in the loss of \$548,824 is primarily a result of: a decrease of \$75,963 in consolidated expenses as described above; and an unrealized gain on investments held for trading of \$311,486 in 2009 compared to an unrealized loss of \$725,293 in 2008. The positive impact of the decrease in expenses and unrealized gain on earnings was partially offset by the following: a decrease in income of \$70,344 as described in the consolidated income section above; and the Company reported its share of loss and capital transactions from the equity accounted investment in AGC of \$21,796 in 2009 compared to recording its net share of loss and capital dilution gain of \$471,644 in 2008.

Managed Products segment

The loss before income taxes for the MP segment was \$223,848 in 2009 compared to a loss of \$67,770 in 2008. The increase in loss is primarily a result of a decline in income of \$268,867 as described above in the consolidated income section, partially offset by a decrease of \$112,925 in expenses as described in the consolidated expenses section above.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

CONSOLIDATED OPERATING RESULTS – YEAR ENDED DECEMBER 31, 2009

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:

Consolidated Statements of Operations and Comprehensive Earnings						
<i>For the years ended December 31,</i>	Merchant Banking		Managed Products		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Income (loss)	(164,012)	610,629	118,307	924,853	(45,705)	1,535,482
Expenses	1,418,189	1,430,260	764,932	1,316,244	2,183,121	2,746,504
Earnings (loss) before undernoted items	(1,582,201)	(819,631)	(646,625)	(391,391)	(2,228,826)	(1,211,022)
Share of (earnings) loss and capital transactions, and impairment loss from equity-accounted investment	1,245,190	(464,970)	-	-	1,245,190	(464,970)
Unrealized (gain) loss on investments held for trading	(1,393,492)	3,246,331	-	-	(1,393,492)	3,246,331
Non-recurring charges	19,480	257,438	19,479	257,438	38,959	514,876
Adjustment to fair value of liabilities	-	(220,380)	-	-	-	(220,380)
Amortization	10,297	11,283	10,298	11,282	20,595	22,565
Earnings (loss) before income taxes	(1,463,676)	(3,649,333)	(676,402)	(660,111)	(2,140,078)	(4,309,444)
Income taxes						
Current					(26,444)	(378,730)
Future					470,929	(418,364)
					444,485	(797,094)
Net earnings (loss) and comprehensive earnings (loss)					(2,584,563)	(3,512,350)

Consolidated net earnings (loss)

Consolidated net loss was \$2,584,563 in 2009 compared to a net loss of \$3,512,350 in 2008.

Consolidated loss was \$45,705 in 2009 compared to income of \$1,535,482 in 2008.

Consolidated expenses in 2009 before share of (earnings) loss and capital transactions and impairment loss from equity-accounted investment, unrealized (gain) loss on investments held for trading, non-recurring charges, adjustment to fair value of liabilities, and amortization, were \$2,183,121 compared to \$2,746,504 in 2008.

The Company recognized its share of loss and capital transactions from AGC of \$279,186 in 2009 compared to its net share of loss and capital transaction gain of \$464,970 in 2008. At the end of the third quarter of 2009, the Company assessed its carrying amount of the investment in AGC and determined that the carrying value had been permanently impaired and as a result, recorded an impairment loss of \$966,004. The share of loss and capital transactions and impairment loss in aggregate totaled \$1,245,190 in 2009. An unrealized gain on investments held for trading of \$1,393,492 has been reported in 2009 compared to an unrealized loss of \$3,246,331 in 2008. The fair value of the positions held in the MB investment portfolio has increased in relation to the positions held in the MB investment portfolio at December 31, 2008. The Company recorded non-recurring charges of \$38,959 in connection with the new Management Agreement discussed above in the *Significant Events* section compared to \$514,876 which related to the potentially contested annual and special meeting in 2008. The Company reported \$NIL adjustment to the fair value of liabilities in 2009 compared to an adjustment of \$220,380 in 2008, as the Company no longer has an incentive compensation plan which is tied to the market values of securities. The Company recorded an income tax expense of \$444,485 in 2009 compared to an income tax recovery of \$797,094 in 2008. 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 \$911,389 in 2009.

FINANCIAL REVIEW (Continued)

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 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.

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

Merchant Banking segment

Consolidated loss for the MB segment was \$164,012 in 2009 compared to consolidated income of \$610,629 in 2008. The variation is due to the following: in 2009, the Company earned \$51,525 in consulting and due diligence fees, earned \$98,581 from investee company services, earned \$11,035 of interest and dividend income, and reported \$325,153 in loss on sale of investments; whereas in 2008 the Company reported consulting and due diligence fees of \$202,603, fees earned from investee company services of \$233,636, a gain on the sale of investments of \$80,668, and interest and dividend income of \$93,722.

Managed Products segment

Consolidated income for the MP segment declined by \$806,546 in 2009 to \$118,307 from \$924,853 in 2008. The decline is primarily due to a decrease in advisory and performance fees of \$462,427 in 2009, resulting from a decline in the fair value of the consulting asset base as discussed in the *Liquidity and Capital Resources* section below. Consulting and due diligence fees were \$NIL in 2009 compared to \$334,469 in 2008, as no limited partnerships have been launched in 2009.

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 \$1,418,189 in 2009 compared to \$1,430,260 in 2008. The decrease is primarily explained as follows: portfolio administration expense was \$45,307 in 2009 compared to \$230,631 in 2008; wages and benefits expense was \$19,189 in 2009 compared to \$187,851 in 2008; sales and marketing expense was \$26,958 in 2009 compared to \$141,469 in 2008; professional fees were \$227,078 in 2009 compared to \$325,413 in 2008; general and administrative expense was \$423,707 in 2009 compared to \$473,131 in 2008; and stock-based compensation was \$26,738 in 2009 compared to \$71,765 in 2008. These decreases in expenses were partially offset by the following increases: management fee expense was \$479,800 in 2009 compared to \$NIL in 2008; and corporate development expense was \$169,412 in 2009 compared to \$NIL in 2008, as a result of the Company's current initiatives in the merchant banking segment. The decrease in certain of these expenses was primarily the result of the management agreement entered into with OreReserve Asset Management Inc. described in the *Significant Events* section above.

As discussed in the *About Our Business* section, Augen intends to focus on a smaller number of larger sized merchant banking transactions. As such, the Company will, from time to time, incur corporate development expenses to further the Company's objectives. Corporate development expenses may include, but are not limited to, due diligence costs, consulting fees, professional fees, proxy solicitation fees and marketing expenses. In the current year, Augen incurred corporate development expenses in connection with the Special Meeting of the shareholders of AGC, called by the Company. The Special Meeting was called to ask the shareholders of AGC to vote on a resolution approving a shares-for-debt transaction for the conversion of debt owed by AGC to the Company, into shares. The results of the meeting are discussed in the *Significant Events* section.

FINANCIAL REVIEW (Continued)

Managed Products segment

Consolidated expenses for the MP segment were \$764,932 in 2009 compared to \$1,316,244 in 2008. The decrease is explained as follows: wages and benefits expense was \$108,740 in 2009 compared to \$1,064,492 in 2008; general and administrative expense was \$38,412 in 2009 compared to \$86,020 in 2008; stock-based compensation was \$26,738 in 2009 compared to \$71,765 in 2008; and portfolio administration expense was \$4,167 in 2009 compared to \$25,546 in 2008. The decrease in certain of these expenses was primarily the result of the management agreement entered into with OreReserve Asset Management Inc., pursuant to which a management fee expense of \$479,800 was recorded in 2009 compared to \$NIL in 2008. Further, the decrease in expenses was also offset by an increase in professional fees which were \$107,076 in 2009 compared to \$68,422 in 2008. The increase in professional fees relates primarily to an increase to an accrual for certain legal fees which the Company is currently disputing.

Consolidated earnings (loss) before income taxes

Merchant Banking segment

The loss before income taxes for the MB segment was \$1,463,676 in 2009 compared to a loss before income taxes of \$3,649,333 in 2008. The decline in loss is primarily a result of: an unrealized gain on investments held for trading of \$1,393,492 in 2009 compared to an unrealized loss of \$3,246,331 in 2008; non-recurring charges of \$19,480 in 2009 in connection with the new Management Agreement, compared to \$257,438 in non-recurring charges in 2008 which related to the potentially contested annual and special meeting in 2008; and a decrease of \$12,071 in expenses as described in the consolidated expenses section above. The above noted items, which had a positive impact on earnings, were partially offset by the following: a decrease in income of \$774,641 as described in the consolidated income section above; the share of loss and capital transactions from the equity accounted investment in AGC of \$279,186 along with an impairment loss of \$966,004 for a total charge in 2009 of \$1,245,190 compared to recording its net share of loss and capital transaction gain from the equity accounted investment in AGC of \$464,970 in 2008, when there was no impairment loss recognized; and no adjustment to the fair value of liabilities in 2009 compared to a recovery of \$220,380 in 2008, as the Company no longer has an incentive compensation plan which is tied to the market values of securities.

Managed Products segment

The loss before income taxes for the MP segment was \$676,402 in 2009 compared to a loss of \$660,111 in 2008. The change is primarily a result of a decline in income of \$806,546 as described above in the consolidated income section, partially offset by: a decrease of \$551,312 in expenses as described in the consolidated expenses section above; non-recurring charges of \$19,479 in 2009 in connection with the new Management Agreement, compared to \$257,438 in non-recurring charges in 2008 which related to the potentially contested annual and special meeting in 2008.

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)	2009				2008			
	Dec	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Income (loss)	(7)	(144)	27	78	332	301	694	208
Unrealized gain (loss)	311	667	247	168	(725)	(1,245)	(707)	(569)
Net earnings (loss)	(1,204)	(779)	(202)	(400)	(554)	(1,253)	(959)	(746)
Earnings per share – basic	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)	(0.02)
– diluted	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)	(0.03)	(0.03)	(0.02)

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.

FINANCIAL REVIEW (Continued)

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the audited consolidated balance sheet for the year ended December 31, 2009 and the corresponding notes thereto. References made to "2009" or "2008" relate to the year ended December 31, 2009 and the year ended December 31, 2008 respectively unless stated otherwise.

Consolidated assets

Consolidated assets were \$5,038,014 at December 31, 2009 down 34% from \$7,587,244 at December 31, 2008. The assets, summarized by segment, are as follows:

Consolidated Assets						
<i>As at December 31,</i>	Merchant Banking		Managed Products		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Total assets	5,011,452	7,047,232	26,562	540,012	5,038,014	7,587,244
Shareholders' equity per share^(*)					0.13	0.20

** 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 \$2,035,780 in 2009 from \$7,047,232 in 2008, primarily a result of: a net decrease in current assets of \$2,845,123; the decrease in the carrying value of the investment in AGC of \$123,339; the decrease in future income taxes recoverable of \$470,929, which reflects the change in the valuation allowance against the future tax benefit of capital and non-capital loss carry forwards; partially offset by the change in the fair value of the MB portfolio, which increased by \$959,648.

Managed Products segment

Consolidated MP assets declined by \$513,450 from \$540,012 in 2008, primarily due to a decrease of \$308,168 in amounts due from outstanding Managed Products and a decrease in cash of \$205,681.

Consolidated liabilities

Consolidated liabilities decreased by \$18,142 from \$296,356 in 2008, which were relatively unchanged from 2008 as the timing of the settlement of current liabilities is routine and liabilities are usually paid when they become due.

Shareholders' equity

Shareholders' equity decreased to \$4,759,800 in 2009 from \$7,290,888 in 2008. The decrease is due to the 2009 net loss of \$2,584,563, partially offset by an increase in contributed surplus of \$53,475 resulting from the recognition of stock-based compensation. As at December 31, 2009, the Company had 36,615,614 common shares issued and outstanding and stock options to purchase 2,300,000 common shares, of which 945,251 have vested.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the audited consolidated balance sheet as at December 31, 2009 and the corresponding notes thereto. All references to years "2009" or "2008" relate to the years ended December 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 December 31, 2009 has decreased, but remains strong at 5.99 : 1 compared to 17.16 : 1 at December 31, 2008.

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:

December 31,	2009	2008	Change
	\$	\$	\$
Cash	1,003,243	2,381,816	(1,378,573)
Receivables	36,161	44,400	(8,239)
Due from related parties	326,777	1,440,930	(1,114,153)
Investments	1,601,793	642,145	959,648
Shareholders' equity	4,759,800	7,290,888	(2,531,088)

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 the 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 \$36,161 at December 31, 2009 consist primarily of GST input tax credits, which are expected to be collected in the normal course of business. The total net amount due from related parties of \$326,777 as at December 31, 2009 consists of: expense reimbursements, consulting fees and professional service fees due from Augen Gold Corp. in the amount of \$121,207; the principal balance of a secured loan receivable from Augen Gold Corp. in the amount of \$269,432; a net amount of \$24,056 due to BluMont in relation to BluMont / Augen Managed Products; a net amount of \$39,806 due to OreReserve Asset Management Inc. pursuant to the Management Agreement. The amounts due to and from the Managed Products are expected to be settled in the normal course of business. The expense reimbursements, consulting fees and professional service fees due from Augen Gold Corp. were collected subsequent to the end of the year. The secured loan is due to be repaid to the Company by November of 2010. Accounts payable and accrued liabilities of \$248,056 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	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NAV - MB investment portfolio	1,601,793	1,161,046	1,219,594	810,379	642,145	1,323,141	2,530,181	3,677,900
Realized gains (losses)	(100,207)	(193,701)	(31,245)	-	(28,254)	-	299,838	(190,916)
Unrealized gains (losses)	311,486	666,661	247,111	168,234	(725,293)	(1,244,848)	(707,426)	(568,764)
NAV - MP consulting assets	10,699,823	15,760,326	16,101,149	17,410,191	16,665,889	25,103,473	40,400,521	26,190,502
Advisory and performance fees	20,140	29,747	36,178	30,506	69,940	94,556	198,474	216,028
Consulting and due diligence fees	-	-	-	-	215,376	84,434	34,659	-
Cash from (used in) operating activities	(344,997)	(186,062)	(531,234)	(65,743)	(572,227)	900,611	(614,591)	(1,203,111)



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

The above trend analysis demonstrates a partial recovery in 2009 to the general downward trend in the net asset value ("NAV") of the MB investment portfolio through 2008. The MB investment portfolio has recovered by 149% since its low at the end of 2008. The value remains off by approximately 37% from the levels prior to the recent 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 36% year-over-year at December 31, 2009, 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 four quarters of 2009 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.

Augen is cautiously optimistic about the general market conditions and expects the recent trend of improvement to continue in the near future. The Company believes that it currently has enough cash on hand to sustain operations for at least the next twelve months. To deal with the recent economic financial condition, during the year, Augen entered into a management agreement with OreReserve Asset Management Inc. to increase the Company's ability to raise funds and increase the depth and breadth of management. Details of the management agreement are discussed in the *Significant Events* section.

Commitments and contingencies

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

2010	\$ 233,403
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

For the year ended December 31, cash used in operations, excluding changes in non-cash working capital, deferred lease inducement, and the related party shares-for-debt transaction, totaled \$1,862,713 in 2009 compared to \$1,063,926 in 2008. The variation is primarily explained by a net realized and unrealized gain on investments held for trading of \$1,068,339 in 2009 compared to a net realized and unrealized loss on investments held for trading of \$3,165,663 in 2008; future income tax expense was \$470,929 in 2009 compared to a future income tax recovery of \$418,364 in 2008, primarily due to the change in the valuation allowance in 2009 of \$911,389 against the future income tax benefit of capital and non-capital loss carry forwards; and stock-based compensation of \$53,475 in 2009 compared to \$143,530 in 2008; partially offset by: the decrease in the net loss of \$927,787; and the share of loss and capital transactions and impairment loss from equity-accounted investment of \$1,245,190 in 2009 compared to a net share of loss and capital transactions gain of \$464,970 in 2008, when the Company did not record an impairment loss. Cash used in operations decreased by changes in non-cash working capital items and the deferred lease inducement totaling \$734,677 in 2009 compared to an increase in cash used in operations as a result of the change in non-cash working capital items and the deferred lease inducement totaling \$425,392 in 2008. As a result of considering non-cash working capital items and deferred lease inducement, the total cash used in operations in 2009 was \$1,128,036 compared to cash used in operations of \$1,489,318 in 2008.

For the three month period ended December 31, cash used in operations, excluding changes in non-cash working capital and deferred lease inducement, totaled \$428,456 in 2009 compared to \$291,861 in 2008. The variation is primarily explained by the increase in net loss of \$649,496 and a net realized and unrealized gain on investments held for trading of \$211,279 in 2009 compared to a net realized and unrealized loss on investments held for trading of \$753,547 in 2008; offset by: future income tax expense of \$943,100 in 2009 compared to a future income tax recovery of \$54,500 in 2008, primarily due to the change in the valuation allowance in 2009 of \$911,389 against the future income tax benefit of capital and non-capital loss carry forwards; the share of loss and capital transactions from equity-accounted investment of \$21,796 in 2009 compared to a net share of loss and capital transactions gain of \$471,644 in 2008; stock-based compensation of \$17,257 in 2009 compared to \$30,840 in 2008. Cash used in operations decreased by changes in non-cash working capital items and deferred lease inducement totaling \$83,459 in 2009 compared to an increase in cash used in operations as a result of the change in non-cash working capital items and deferred lease inducement totaling \$41,348 in 2008. As a result of considering non-cash working capital items and deferred lease inducement, the total cash used in operations in 2009 was \$344,997 compared to cash used in operations of \$333,209 in 2008.

Cash from (used in) investing activities

For the year ended December 31, cash used in investing activities totaled \$250,537 compared to cash used in investing activities of \$419,260 in 2008. The change is the result of: a net reduction of advances to related parties of \$528,339; an increase in proceeds from the sale of investments of \$201,016; a decrease in mineral property expenditures of \$180,311; and a decrease of \$65,328 in the purchase of property, plant and equipment; partially offset by an increase in the purchase of investments of \$806,271.

For the three month period ended December 31, cash used in investing activities totaled \$600,724 compared to cash used in investing activities of \$76,454 in 2008. The change is primarily the result of: an increase in purchase of investments of \$639,078; and a net increase of advances to related parties of \$370,476; partially offset by the increase in proceeds from the sale of investments of \$482,160.

Cash from (used in) financing activities

For the year ended December 31, cash from financing activities was \$NIL in 2009 compared to \$16,000 in 2008. The decrease is due to the variation in the number of options exercised in each respective year and the exercise price associated with each of the options.

For the three month period ended December 31, cash from financing activities was \$NIL in both 2009 and 2008.



MANAGEMENT'S DISCUSSION AND ANALYSIS

TRANSACTIONS WITH RELATED PARTIES

The amounts due from related parties are as follows:

<i>As at December 31,</i>	2009	2008
	\$	\$
Due from investee company ⁽¹⁾	121,207	1,157,217
Due from Managed Products ⁽²⁾	10,687	283,713
Due to Managed Products and other related parties ^{(2), (3)}	(74,549)	-
Total amount due from related parties, net	57,345	1,440,930
Loan receivable from related party ⁽¹⁾	269,432	-
	326,777	1,440,930

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:

- ⁽¹⁾ The Company holds an investment in AGC, accounted for using the equity-accounting method. A director of the Company is a director 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 \$93,000 (2008 - \$122,935) 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 \$23,298 (2008 - \$110,701) 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 \$2,783 (2008 - \$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 \$68,700 (2008 - \$NIL) in connection with AGC's private placement equity financing. At the end of the year, the outstanding balance of \$121,207 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 balance on the secured loan facility was \$269,432.

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 resulted from the non-monetary transaction. As at December 31, 2009, the Company owned 11,519,010 (2008 - 4,040,000) shares of AGC, which was approximately 25% (2008 - 16%) of the issued and outstanding common shares of AGC.

- ⁽²⁾ The Company owns 100% of the general partners listed in note 3 and is responsible for the day to day management of the Augen limited partnerships. The general partners are 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 \$6,389 (2008 - \$89,065) during the year. Certain general partners are reimbursed for administrative and operating expenses incurred on behalf of certain limited partnerships. The general partners were reimbursed \$NIL (2008 - \$142,857) for such expenses during the year. During the year, 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 \$41,079 (2008 - \$263,306) during the year. At the end of the year, a net amount of \$34,743 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 RS Fund and the Exemplar Fund of \$70,366 (2008 - \$142,695) during the year. At the end of the year, an amount of \$10,687 was receivable from BluMont in respect of RS Fund.

- ⁽³⁾ For part of the year, 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. During the year, the Company paid fees of \$41,666 (2008 - \$255,455) to the related company, and there was no balance outstanding at the end of the year.

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), will manage the Company's business. During the year, the Company paid to the Manager \$959,600 in management fees, and offset certain fee revenue of the Company by \$68,145, 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 \$39,806 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****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.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted *Section 3064 Goodwill and Intangible Assets* which replaced CICA *Sections 3062 and 3450, EIC 27* and part of *Accounting Guideline 11*. Under previous Canadian standards, more items were recognized as assets than under International Financial Reporting Standards (“**IFRS**”). The objectives of *Section 3064* are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intend to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets, including research and development activities, ensuring consistent treatment of all intangible assets. The adoption of this standard did not have any impact on the consolidated financial statements of the Company as at, or for the year ended December 31, 2009.

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, 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.

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.

CHANGES IN ACCOUNTING POLICIES (Continued)

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 we have 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.

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.

CHANGES IN ACCOUNTING POLICIES (Continued)

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.

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*. For the Company, *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*. For the Company, *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.

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 the year. 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 December 31, 2009 was \$1,366,181, and was comprised of \$36,161 in receivables, \$326,777 in amounts due from related parties, and \$1,003,243 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 December 31, 2009. 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	\$160,179
10% decrease	\$(160,179)

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 December 31, 2009, four of the Company's thirty-six investments represent 82% of the MB investment portfolio.

Fair Value Hierarchy and Liquidity Risk Disclosure

As at December 31, 2009	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments	1,411,606	151,917	38,270	1,601,793

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 emerging resource exploration mining sector, with a current focus on the gold, base metals and uranium 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. Emerging 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 emerging 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 December 31, 2009, the Company's investment in AGC represents approximately 22% of the Company's assets. On November 10, 2009, the Company agreed to provide AGC a non-revolving, secured loan facility up to a maximum of \$1,100,000 at an interest rate of 12% per annum. As at December 31, 2009, AGC had advanced \$269,432 from the loan facility. Combined, the loan receivable and the Company's investment in AGC represent approximately 28% of the Company's assets. January 31, 2010 was the final day on which AGC had the ability to draw funds from the Facility. The AGC did not draw additional funds beyond the year end principal balance of \$269,432.

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.