

# Augusta Sells Leak Detection System to One of North America's Largest Pipeline Companies and Provides Update on the Proposed Sale of FOX-TEK



July 5, 2018 (Source) – Augusta Industries Inc. (TSXV: AAO) (the “Corporation”), a developer and marketer of patented non-intrusive sensing systems, is pleased to announce that its wholly owned subsidiary, FOX-TEK Canada Inc.

(“FOX-TEK”), has received a contract for a complete leak detection system to monitor pipelines and tanks carrying petroleum products from one of North America’s largest pipeline companies. The customer is an existing client of the Corporation.

The leak detection system is based on an innovative fully passive multi-section sensor cable FLD-HSC and is suitable for detecting non-conductive hydrocarbon fluids such as propane, butane, gasoline, jet fuel, diesel oil, etc. The FLD-HSC sensor cable allows detection of very small quantities of fluid in physical contact with the sensor. The contract covers materials, labor, equipment, and installation of hardware and sensing cables for the tank header at the customer’s tank terminal to monitor 5 separate locations in close proximity. The system will be connected to the existing PLC infrastructure.

The customer's decision to acquire the leak detection system was based on successful performance testing, as well as, the low cost of the technology as compared to other currently available technologies.

"This is yet another milestone in FOX-TEK becoming a leader in the smart sensing technology field," said Allen Lone, the President of the Corporation. "The Corporation is encouraged by this second contract for our novel leak detection system. The Corporation will continue to develop new technologies to address the needs of our clients."

### **UPDATE ON PROPOSED SALE OF FOX-TEK**

The Corporation would also like to provide an update with respect to its proposed transaction with Mooncor Oil & Gas Corp, ("Mooncor") whereby Mooncor will acquire all of the issued and outstanding securities of FOX-TEK for an aggregate purchase price of up to \$21.5 million (the "Transaction"). For complete details on the proposed transactions, please refer to the Corporation's press release dated May 28, 2018.

In its press release of May 28, 2018 and in its information circular dated June 11, 2018 which was mailed to shareholders in connection with the upcoming shareholders' meeting to be held on July 11, 2018 (the "Meeting"), the Corporation mistakenly stated that the Transaction was subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") and as such, the Corporation was to obtain disinterested shareholder approval for the Transaction at the Meeting pursuant to the requirements of MI 61-101.

The Corporation initially determined that the transaction was subject to MI 61-101 on the basis that Mr. Allen Lone is a director and officer of both the Corporation and Mooncor and Mr. Lone owns, directly and indirectly, 6,920,000 common shares (4.13%) in the capital of Mooncor and 76,754,264 common

shares (29.97%) in the capital of the Corporation. However, Mooncor and the Corporation are not related parties for purposes of MI 61-101 and, as such, the Transaction is not a “related party transaction” within the meaning of MI 61-101. Mr. Lone will not be receiving any consideration pursuant to the Transaction.

Despite the fact that the Transaction is not a related party transaction within the meaning of MI 61-101, the Corporation will voluntarily obtain disinterested shareholder approval at its shareholder meeting, excluding the shares held by Mr. Lone.

In addition to approving the Transaction at the Meeting, shareholders will be asked to approve the following matters:

- (i) The election of directors
- (ii) The appointment of Wasserman Ramsay, Chartered Accountants, as auditors of the Corporation
- (iii) The confirmation of the Corporation’s stock option plan (which requires the approval of the majority of votes cast at the Meeting)
- (iv) Changing the name of the Corporation to “IntellaEquity Inc.” (which requires the approval of 66 2/3% of votes cast at the Meeting)
- (v) Changing the business of the Corporation from an industrial issuer to an investment issuer (which requires the approval of the majority of votes cast at the Meeting)
- (vi) The delisting of the Corporation’s common shares from the TSX Venture Exchange and the listing of the common shares on the Canadian Securities Exchange (which requires the approval of the majority of the minority votes cast at the Meeting)
- (vii) The consolidation of the Corporation’s common shares on the basis of one (1) post-consolidated common share for every twenty (20) pre-consolidated common shares (which requires the approval of 66 2/3% of votes cast at the

Meeting)

In the event that the shareholders do not approve the Transaction, the Corporation will still be seeking shareholder approval for the name change, change of business and delisting.

### *About the Corporation*

Through its wholly owned subsidiaries, Marcon International Inc. ("Marcon"), Paragon Blockchain Inc. ("Paragon") and FOX-TEK, the Corporation provides a variety of services and products to a number of clients.

Marcon is an industrial supply contractor servicing the energy sector and a number of US Government entities. Marcon's principal business is the sale and distribution of industrial parts and equipment (Electrical, mechanical and Instrumentation.) In addition to departments and agencies of the U.S. Government, Marcon's major clients include Saudi Arabia-Sabic Services (Refining and Petrochemical), Bahrain National Gas Co, Bahrain Petroleum, Qatar Petroleum, Qatar Gas, Qatar Petrochemical, Gulf of Suez Petroleum, Agiba Petroleum and Burullus Gas Co.

Fox Tek develops non-intrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels due to corrosion/erosion, strain due to bending/buckling and process pressure and temperature. The Corporation's FT fiber optic sensor and corrosion monitoring systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks.

Paragon has the potential to unlock substantial new opportunities capable of impacting the business of Marcon. Specifically, Marcon seeks to create an eco-system in the supply chain management of clients to change the dynamics of

the scoping and bidding process by providing vendors and subcontractors with A.I. data mining tools to proactively drive the process. Blockchain technology is of critical importance to FOX-TEK as well particularly the expansion of its' non-intrusive technology in the oil & gas industry, whose clients include many of the biggest companies in the world.

*The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and as neither approved nor disapproved the contents of this press release.*

*This press release contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. Actual results may differ materially from those currently anticipated. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements are detailed from time to time in the Corporation's periodic reports filed with the Ontario Securities Commission and other regulatory authorities. The Corporation has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*