

Margaux Resources Ltd. (formerly Carmen Energy Inc.)
Condensed Interim Financial Statements
Three months ended December 31, 2013 and 2012
Expressed in Canadian Dollars
(unaudited)

Under National Instrument 51-102, Part 4, subsection 4.3(3)9(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Margaux Resources Ltd. (formerly Carmen Energy Inc.) as of December 31, 2013, have been compiled by management and approved by the Audit Committee and the Board of Directors of the Corporation.

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

As at	December 31, 2013 \$	September 30, 2013 \$
ASSETS		
CURRENT		
Cash	24,235	2,700
Trade receivables	24,575	26,846
Prepays	6,677	9,753
Deposit	50,000	50,000
TOTAL CURRENT ASSETS	105,487	89,299
NON-CURRENT		
PROPERTY AND EQUIPMENT (Note 5)	29,514	38,552
TOTAL NON-CURRENT ASSETS	29,514	38,552
TOTAL ASSETS	135,001	127,851
LIABILITIES		
CURRENT		
Trade and other payables	271,111	99,844
Current portion of decommissioning liabilities (Note 7)	11,848	11,929
TOTAL CURRENT LIABILITIES	282,959	111,773
NON-CURRENT		
DECOMMISSIONING LIABILITIES (Note7)	15,282	15,201
TOTAL NON-CURRENT LIABILITIES	15,282	15,201
TOTAL LIABILITIES	298,322	126,974
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	3,210,052	3,431,867
CONTRIBUTED SURPLUS (Note 8)	4,336,308	4,114,494
DEFICIT	(7,709,681)	(7,545,484)
TOTAL SHAREHOLDERS' EQUITY	(163,321)	877
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	135,001	127,851

Approved by the Board of Directors:

“Gerald D. Facciani”

Gerald D. Facciani, Director

“Randall Harrison”

Randal Harrison, Director

Margaux Resources Ltd. (formerly Carmen Energy Inc.)
Statements of Comprehensive Loss
Three months ended December 31,

	2013	2012
	\$	\$
Revenues		
Petroleum and natural gas sales	19,942	251,521
Royalties	(1,144)	(56,515)
	18,798	195,006
Expenses		
Operating and production	17,850	80,511
General and administrative	155,957	136,601
Share-based payments (Note 8)	-	56,664
Depreciation and depletion (Note 5)	9,038	104,223
Accretion (Note 8)	81	2,233
Total expenses	182,926	380,232
Loss before other items	164,128	185,226
Loss on disposal of assets	-	13,607
Net loss before tax	164,128	171,619
Deferred tax recovery	-	-
Net loss and comprehensive loss attributable to shareholders	164,128	171,619
Basic and diluted loss per common share (Note 12)	(0.03)	(0.00)

	Note	Share Capital \$	Contributed surplus \$	Deficit \$	Total \$
Balance as at September 30, 2012		6,030,857	1,043,515	(6,534,892)	539,480
Net loss and comprehensive loss	8			(1,010,592)	(1,010,592)
Warrant expiry	8	(2,898,990)	2,898,990	-	-
Common shares issued	8	300,000	-	-	300,000
Share-based payments	8	-	171,989	-	171,989
Balance as at September 30, 2013		3,431,867	4,114,494	(7,545,484)	807
Net loss and comprehensive loss	8	-	-	(164,128)	(164,128)
Balance as at December 31, 2013		3,431,867	4,114,494	(7,709,612)	(163,321)

	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(164,128)	(171,619)
Items not affecting cash:		
Share-based payments	-	56,664
Depreciation and depletion (Note 5)	9,038	104,223
Accretion (Note 7)	81	2,233
Decommissioning liability	-	(10,270)
Change in non-cash working capital		
Trade receivables	(6,756)	31,923
Prepays	3,076	1,067
Note payable	-	(60,111)
Trade and other payables	180,225	52,404
Net cash (used in) operating activities	21,535	6,514
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share and warrant issuance, net of costs	-	-
Net cash generated from financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluations expenditures	-	(19,616)
Net cash generated from (used in) investing activities	-	(19,616)
INCREASE IN CASH FOR THE PERIOD	21,534	(13,102)
CASH – BEGINNING OF PERIOD	2,700	32,660
CASH – END OF PERIOD	24,234	19,558

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION (Note 9)

1. CORPORATE INFORMATION

Margaux Resources Ltd. (formerly Carmen Energy Inc.) (the "Corporation") was incorporated under the Alberta Business Corporations Act on August 5, 2009 and was a Capital Pool Company under Policy 2.4 of the TSX Venture Exchange (the "Exchange"). In January 2011, the Corporation completed an initial public offering ("IPO") and trades on the Exchange under the trading symbol "MRL". The registered address of the Corporation is 1600, 510 – 5th Street SW, Calgary, Alberta, T2P 3S2.

2. GOING CONCERN

These condensed interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate sufficient cash from operating and financing activities to meet the Corporation's needs. However, certain conditions exist that may cast significant doubt on the validity of this assumption. As at December 31, 2013 the Corporation had a deficit of \$7,709,612 (September 30, 2013 - \$7,545,484). Additionally the Corporation incurred a net loss and comprehensive loss of \$164,128 (December 31, 2012 - \$171,619) for the three month period ended December 31, 2013. These condensed interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these condensed interim financial statements. As at December 31, 2013, the Corporation had a working capital deficiency of \$177,472 (September 30, 2013 – \$22,474) which the Corporation funded subsequent to period end by the completion of a non-brokered private placement offering for gross proceeds totalling \$750,000 and the issuance of 9,375,000 common shares (Note 17).

3. BASIS OF PREPARATION

(a) **Statement of compliance** These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

These condensed interim financial statements for the three month period ending December 31, 2013 and the December 31, 2012 comparative period were authorized for issue in accordance with the resolution of the Board of Directors on March 3, 2014.

(b) **Basis of measurement** The condensed interim financial statements have been prepared on the historical cost basis except for certain share-based payment transactions, which are measured at fair value, as explained in the accounting policies set out in Note 4. In addition, these condensed interim financial statements have been prepared on an accrual basis of accounting, except for cash flow information.

(c) **Functional and presentation currency** These condensed interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) **Jointly controlled operations and jointly controlled assets** Many of the Corporation's oil and natural gas activities involve jointly controlled assets. The condensed interim financial statements include the Corporation's share of these jointly controlled assets and also its share of liabilities and the proportionate share of the relevant revenue and related costs.

(e) **Use of estimates and judgements** The preparation of condensed interim financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the statement of financial position and the reported amounts of revenues and expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the condensed interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Adjustments are recorded in the current period as they become known.

Estimates

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the condensed interim financial statements in future periods could be material.

Amounts recorded for decommissioning provisions and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Share-based payments requires the estimation of the ultimate payout using the Black-Scholes model which is based on significant assumptions such as volatility, forfeiture, dividend yield and expected term.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation operates are subject to change. As such, income taxes are subject to measurement uncertainty.

Judgments

The collectability of trade receivables requires judgment which by its very nature creates measurement uncertainty.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

(a) **Financial instruments** Non-derivative financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or that are designated as such by management. Such assets are held for trading if it is acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of comprehensive loss. Transaction costs are expensed.

Loans and receivables

Loans and receivables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include cash and trade receivables.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include trade and other payables and note payable.

(b) **Exploration and evaluation expenditures** Pre-licence costs are recognized in the statement of comprehensive loss as incurred. Costs associated with acquiring an exploration licence, including costs to acquire acreage and exploration rights, legal and other professional fees and land brokerage fees are capitalized as exploration and evaluation ("E&E") assets. Geological, geophysical and seismic costs associated with assessing exploration licences are also capitalized to E&E. Land acquisition costs and expenditures directly associated with exploratory wells are capitalized as E&E assets and remain capitalized until the Corporation has made a determination of reserves or has chosen to discontinue all exploration activities in the associated area. E&E assets are not subject to depreciation and depletion.

Proved reserves are determined to exist when the technical feasibility and commercial viability of extracting a mineral resource can be reasonably ascertained. At least annually a review of each exploration area is carried out to identify whether proved reserves have been discovered. Upon determination of proved reserves, E&E assets, including land acquisition costs, related seismic and costs directly associated with exploratory wells attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment. E&E assets are assessed for impairment if (i) sufficient data exists to determine the lack of technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGU's"), which are the smallest group of assets capable of generating largely independent cash inflows.

If no reserves are identified, the capitalized exploration costs and relevant dry hole costs are charged to the statement of comprehensive loss as impairment.

(c) **Property and equipment** Property and equipment include petroleum and natural gas assets and computer equipment.

Petroleum and natural gas assets

Development and production costs, including E&E transfers, proved property acquisitions, seismic and geological analysis of proved reserves, drilling, completion, equipping and tying in of development wells, facility and road construction, and decommissioning costs related to oil and gas reserves which have reached technical feasibility and commercial viability are capitalized within property and equipment.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of comprehensive loss as incurred. Such capitalized subsequent petroleum and natural gas assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

Repairs, maintenance and the day-to-day servicing of the items of property and equipment are expensed as incurred. The carrying amount of any replaced or sold component is derecognized and any gains or losses from the divestiture of property and equipment are recognized in the statement of comprehensive loss.

Depletion

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Petroleum and natural gas assets are depleted using the unit-of-production method over their reserve life based on proved plus probable reserve volumes, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Proved and probable reserves are estimated using independent reserves reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

- (a) a reasonable assessment of the future economics of such production,
- (b) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production, and
- (c) evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if their ability to be produced is supported by either actual production or a conclusive formation test.

Disposals

Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in the statement of comprehensive loss in the period of derecognition.

Computer equipment

Computer equipment is carried at cost less accumulated depreciation. Depreciation is charged so as to write-off the cost of these assets less residual value using the declining balance method at 45% per year.

(d) **Leased assets** Operating leases are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in the statement of comprehensive loss on a straight-line basis over the term of the lease.

(e) **Impairment of long-lived assets** The Corporation assesses at each reporting date whether there are indications of impairment of the CGU's it has identified. If indications of impairment exist, the Corporation estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use.

Fair value less costs to sell represents the value for which an asset could be sold in an arm's length transaction, and is presented as a function of the future cash flows of the proved and probable reserves. Value in use is estimated as the discounted present value of the future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the impairment loss is charged to the statement of comprehensive loss.

For impairment losses recognized in prior periods, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Previously recognized impairment loss reversals are limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Impairment reversals are recognized as an impairment recovery in the statement of comprehensive loss.

(f) **Provisions and decommissioning liabilities** Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in earnings net of any reimbursement.

Decommissioning liabilities include an estimate of the future costs associated with the abandonment and reclamation of property and equipment, discounted to its present value, and is capitalized as part of the cost of that asset. The estimated costs are based on the present value of the expenditure expected to be incurred. Changes in the discount rate, estimated timing of decommissioning, or cost estimates are dealt with prospectively by recording a change in estimate, and a corresponding adjustment to property and equipment. The accretion on the decommissioning provision is included in the statement of comprehensive loss.

Actual expenditures incurred are charged against the decommissioning liability.

(g) **Revenue** Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party and collection is reasonably assured. Revenue is presented both before and after royalties payable to the Crown and others.

(h) **Finance income** Interest income is recognized as it accrues in the statement of comprehensive loss, using the effective interest rate method.

(i) **Income tax** Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) **Loss per share** Basic loss per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period. The Corporation uses the treasury stock method to determine the dilutive effect of issued instruments such as options and warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period. These instruments are not included in the per share calculation if the effect of their inclusion is antidilutive.

(k) **Flow-through shares** Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the transfer of tax deductions. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reversed when tax benefits are renounced and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

(l) **Share-based payment transactions** The Corporation operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Corporation.

The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Corporation incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(m) **Recent accounting pronouncements** The IASB has issued a number of new standards to come into effect in periods subsequent to 2012. The Corporation is currently assessing the impact of the new standards on its condensed interim financial statements, but at this time does not anticipate that the adoption of the standards will have a significant impact on the Corporation's condensed interim financial statements.

The new IFRS pronouncements which have been issued but are not yet effective and may have an impact on the Corporation in the future are as follows:

The IASB issued IFRS 9, “Financial Instruments” as the initial phase of replacing IAS 39, “Financial Instruments: Recognition and Measurement”. The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. Previously multiple models were available.

The IASB issued IFRS 10, “Consolidated Financial Statements” to supersede IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities”. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated condensed interim financial statements of the parent Corporation. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 11, “Joint Arrangements” to supersede IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The standard is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This new standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 12, “Disclosure of Interests in Other Entities”. The standard specifies disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles. This new standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 13, “Fair Value Measurement”. The main provisions of the standard include defining fair value, setting out in a single standard a framework for measuring fair value, and specifying certain disclosure requirements about fair value measurements. This new standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 27, “Separate Financial Statements” the main objective is to set standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations to present separate (non-consolidated) financial statements. The new standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 28, “Investments in Associates and Joint Ventures” prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, and investee (associate or joint venture). The new standard is effective for annual periods beginning on or after January 1, 2013.

5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas assets \$	Computer equipment \$	Total \$
Cost			
Balance as at September 30, 2012	2,257,740	9,949	2,267,689
Additions	19,616	-	19,616
Dispositions	(2,004,772)	-	(2,004,772)
Change in decommissioning liability estimates	(185)	-	(185)
Balance as at September 30, 2013	272,399	9,949	282,348
Additions	-	-	-
Dispositions	-	-	-
Change in decommissioning liability estimates	-	-	-
Balance as at December 31, 2013	272,399	9,949	282,348
Accumulated depletion and depreciation and impairment			
Balance as at September 30, 2012	1,345,504	3,470	1,348,974
Disposition	(1,258,921)	-	(1,258,921)
Impairment	26,463	-	26,463
Charge for the period	124,364	2,916	127,280
Balance as at September 30, 2013	237,410	6,386	243,796
Disposition	-	-	-
Impairment	-	-	-
Charge for the period	8,309	729	-
Balance as at September 30, 2013	245,719	7,115	252,834
Net book value			
September 30, 2012	34,989	3,563	38,522
December 31, 2013	26,680	2,834	29,514

During the period, the Corporation capitalized \$nil (September 30, 2013 - \$nil) related to the decommissioning liability of petroleum and natural gas properties.

The depletion of petroleum and natural gas properties are recognized in depreciation and depletion in the statement of comprehensive loss. The impairment of petroleum and natural gas properties, and any eventual reversal thereof, are recognized in impairment on property and equipment in the statement of comprehensive loss.

6. EXPLORATION AND EVALUATION ASSETS

	\$
Balance as at September 30, 2012	251,938
Impairment	(251,938)
Change in decommissioning liability estimates	-
Balance as at September 30, 2013	-
Balance as at December 31, 2013	-

E&E assets consist of costs expended on the Corporation's projects which are pending determination of technical feasibility and commercial viability. In period ended September 30, 2013, the Corporation fully impaired E&E assets with a carrying value of \$251,938 relating to unsuccessful projects on which no further exploratory activity was expected to be undertaken. There were no E&E assets incurred during the three month period ended December 31, 2013.

The impairments of E&E assets during the period ended September 30, 2013, resulted from the expiration of leases in the Jumpbush areas of Alberta and for the period ended September 30, 2012 the impairment primarily relates to exploratory expenses associated with the drilling of uneconomic wells in the Hamburg and Sylvan Lake, areas of Alberta. The Corporation participated in the drilling of two wells in the respective areas to the targeted depth which did not penetrate petroleum or natural gas zones that were deemed to be economic. The Corporation fully expensed all costs associated with the said exploration wells that were previously booked to E&E assets.

On May 6, 2013 the Corporation closed the previously announced purchase and sale agreement to sell the Corporation's non-operated working interest in certain oil and gas assets in the Viking-Kinsella area of Alberta to a director and officer of the Corporation. Completion of the transaction was conditional upon receipt of approval from the Corporation's independent board and shareholders which was obtained during the period ended September 30, 2013. The transaction resulted in a loss on disposal of assets of \$173,921.

7. DECOMMISSIONING LIABILITIES

Decommissioning liabilities are estimated based on the Corporation's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in the future periods. These costs are expected to be incurred over a range of 1 to 2 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at September 30, 2013 was \$26,250 (September 30, 2012 - \$65,430). The estimated costs have been discounted at a risk free rate of 1.19% (September 31, 2012 - range 1.07% - 2.32%) and an inflation rate of 2% has been applied.

The following table reconciles the Corporation's total decommissioning liabilities for the current reporting periods:

	September 30, 2013	September 30, 2012
	\$	\$
Balance, beginning of year	27,130	64,388
Liabilities incurred	-	-
Liabilities disposed	-	(37,361)
Accretion expense	81	1,465
Change in estimate	-	(1,362)
Balance, end of period	27,049	27,130
Expected decommissioning expense to be incurred within one period	(11,848)	(11,929)
	15,201	15,201

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS**Authorized**

Unlimited number of common shares

The common shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. No preferred shares have been issued by the Corporation.

Issued	December 31, 2013		September 30, 2013	
	Common Shares	Amount	Common Shares	Amount
Opening balance	5,277,905	\$3,210,042	37,779,057	\$2,910,042
Shares issued (a)	-	-	15,000,000	300,000
Share consolidation (b)	-	-	(47,501,152)	-
Closing balance	5,277,905	\$3,210,042	5,277,905	\$3,210,042
Warrants				
Opening balance	325,331	221,825	13,253,315	\$3,120,815
Warrant expiry	(325,331)	(221,825)	(10,000,000)	(2,898,990)
Share consolidation	-	-	(2,927,984)	-
Closing balance	-	-	325,331	\$ 221,825
Total Share Capital				\$3,431,867

(a) On May 24, 2013, the Corporation announced that it completed a non-brokered private placement for \$300,000 at a price of \$0.02 per Common Share or 15,000,000 Common Shares.

(b) On August 26, 2013, a 10 for 1 share consolidation of the Corporation's issued and outstanding common shares was effected.

Escrowed shares

Pursuant to an escrow agreement dated October 18, 2010, 5,930,000 common shares have been deposited in escrow. Upon the Corporation completing a Qualifying Transaction, as defined in Policy 2.4 of TSX Venture, common shares held pursuant to the escrow agreement shall be released as to 10% immediately following the issuance of the bulletin of the TSX Venture announcing final acceptance of the Qualifying Transaction (the "Initial Release") and an additional 15% shall be released every six months commencing six months following the Initial Release. For the year ended September 30, 2013, 15% or 889,500 shares held in escrow were released on January 4, 2013 and 15% or 889,500 shares held in escrow were released on July 4, 2013. The remaining balance in escrow at September 30, 2013 is 177,900 shares after adjusting for the Corporation's 10 for 1 share consolidation effected August 26, 2013.

Stock Option Plan

The Corporation has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

The Corporation uses the Black-Scholes option pricing model to estimate the fair value of stock options, which is recognized as share-based payments expense over the related vesting term. The following assumptions were used in the determination of the fair value of options at the date of grant:

	<u>2012</u>
Risk-free rate	0.91% to 1.3%
Weighted-average life	1 - 5 years
Dividend yield	nil
Expected volatility	80%
Weighted-average fair value per option	\$0.09 to \$0.12
Forfeiture rate	nil%

Share-based payments expense of \$171,989 for period ended September 30, 2013 (September 30, 2012 – \$354,084) was recognized based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for share-based payments.

A summary of the Corporation's stock option plan activity is as follows:

	Number of Options	Weighted-average Exercise Price
Outstanding as at September 30, 2011	2,700,000	\$0.21
Granted (f)	100,000	\$0.29
Granted (g)	950,000	\$0.19
Cancelled	(100,000)	\$0.29
Forfeited	(1,250,000)	\$0.21
Outstanding as at September 30, 2012	2,400,000	\$0.20
Exercisable as at September 30, 2012	2,179,167	\$0.21
Cancelled (h)	2,400,000	
Outstanding as at December 31, 2013	-	\$nil
Exercisable as at December 31, 2013	-	\$nil

(f) On December 1, 2011, the Board of Directors of the Corporation approved the issuance of 100,000 stock options to a consulting firm of the Corporation. The options are exercisable at \$0.29 per common share and vest equally over one year, commencing on issuance. The 100,000 stock options issued to a consulting firm of the Corporation were cancelled during February 2012 as part of the cancellation of the original contract.

(g) On February 2, 2012, the Board of Directors of the Corporation approved the issuance of 950,000 stock options to the directors and officers of the Corporation. The options are exercisable at \$0.19 per share for a period of five years.

(h) On July 23, 2013, the Board of Directors of the Corporation approved the termination of all outstanding stock options.

Contributed Surplus

<u>Description</u>	<u>September 30, 2013</u>	<u>September 30, 2013</u>
Opening balance	\$ 4,114,494	\$1,043,515
Share-based payments	-	171,989
Warrants expired	221,825	2,898,990
Agent options and warrants issued (b)	-	-
Agent options and warrants issued (c)	-	-
Closing balance	\$ 4,336,308	\$4,114,494

A summary of the Corporation's Agent options and warrants activity is as follows:

	Number	Price	Expiration	September 30, 2013	September 30, 2012
Opening balance	-	\$ -	-	\$524,778	\$ 484,188
Agent options issued (b)	198,497	0.23	3 months	-	22,708
Agent warrants issued (b)	99,248	0.40	3 months	-	7,524
Agent options issued (c)	95,640	0.23	4 months	-	6,905
Agent warrants issued (c)	47,820	0.40	4 months	-	3,453
Closing balance	441,205			\$524,778	\$ 524,778

Outstanding

	September 30, 2013		September 30, 2012	
	Price	Amount	Price	Amount
Agent options (a)	-	-	0.25	980,000
Agent warrants (a)	-	-	0.40	490,000
Agent options (b)	2.30	19,850	0.23	198,497
Agent warrants (b)	4.00	9,925	0.40	99,248
Agent options (c)	2.30	9,564	0.23	95,640
Agent warrants (c)	4.00	4,782	0.40	47,820
Total		44,121		1,911,205

The agent options and warrants outstanding at September 30, 2013 and the effective exercise prices have been updated to reflect the Corporation's 10 for 1 share consolidation effected August 26, 2013.

9. SUPPLEMENTAL CASH FLOW INFORMATION

The Corporation paid no taxes and interest of \$nil (2012 - \$9,106) in the three month period ended December 31, 2013.

10. CAPITAL DISCLOSURES

The Corporation considers its capital to include shareholders' equity. The objectives of the Corporation are to attain a strong financial position from which the Corporation will be able to exhibit continued growth and obtain access to capital. The corporation has no externally imposed restrictions.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time, issues shares, obtain debt financing, and adjust capital spending. There were no changes to the Company's approach to capital management from the previous year.

11. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, trade receivables, trade and other payables and note payable. The carrying value approximates fair value due to the immediate or short term maturity of these instruments.

The Corporation is exposed to a number of different financial risks from normal course business exposures, as well as from the Corporation's use of financial instruments. These risk factors include market risk, liquidity risk, and credit risk.

(a) **Market risk** Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include commodity price risk, interest rate risk and foreign exchange risk.

(i) Commodity price risk

The Corporation's financial performance is closely linked to natural gas and crude oil prices. While the Corporation may employ the use of various financial instruments in the future to manage these price exposures,

the Corporation is not currently using any such instruments. The Corporation currently has not obtained any hedging instruments to ameliorate the potential effects of price fluctuations.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect future cash flows. The Corporation currently has no debt facilities in place.

(iii) Foreign exchange risk

Although the Corporation's product revenues are denominated in Canadian dollars, the underlying market prices are affected by the exchange rate between the Canadian and United States dollar. As at December 31, 2013 and 2012, the Corporation had no contracts in place to reduce the foreign exchange risk.

(b) **Liquidity risk** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows, and potential external equity sources to meet projected expenditures. All of the Corporation's liabilities consist of trade and other payables and are due on demand.

(c) **Credit risk** Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Corporation's trade and other receivables are with customers and joint venture partners in the oil and gas industry and are subject to normal credit risks. The Corporation does not operate any of its producing facilities at the present time. Pursuant to standard industry operating contracts, the Corporation's production revenues are required to be remitted by field operators on the 25th day of the month following the month of production.

The Corporations exposure for the period ending December 31, 2013 was \$1,505 of trade receivables which related to the sale of oil and natural gas for the month of September 30, 2013 (less than 30 days outstanding).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for period ended September 30, 2013 was based on net loss of \$164,128 (2012 - net loss of \$171,619). For the period ended December 31, 2013, the weighted average number of common shares outstanding was 5,277,905 (2012 – 3,777,905). The weighted average number of common shares outstanding for the periods ended December 31, 2013 and 2012 have been adjusted to reflect the Corporation's 10 for 1 share consolidation effected August 26, 2013.

The effect of warrants and stock options outstanding on loss per share for the period ended September 30, 2013 and 2012 is anti-dilutive.

13. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, all related party transactions are in the normal course of operations, and have been measured at the amount established and agreed upon by the related parties.

As at December 31, 2013, the Corporation had an amount of \$80,907 due to directors and officers.

As at December 31, 2012, the Corporation had an amount of \$324,064 due to directors and officers of the Corporation in respect to a Note Payable.

As at December 31, 2013 \$23,072 (2012 – nil) is owed to the Corporation from corporations controlled by directors and officers.

There were no other amounts owing to or from the Corporation involving any related parties at December 31, 2013 and December 31, 2012.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period were as follows:

	December 31, 2013	December 31, 2012
	\$	\$
Short-term employee benefits	60,000	31,250
Share-based payments	-	56,664
	-	87,914

14. SEGMENTED DISCLOSURE

The Corporation has one operating segment; oil and gas exploration and production.

At December 31, 2013 and 2012, all of the Corporation's non-current assets were held in Canada.

15. SUBSEQUENT EVENT

(a) On January 15, 2014, the Corporation announced that it completed the first tranche of its previously announced non-brokered public offering of common shares issued at a price of \$0.08 per share. The Corporation issued an additional 4,625,000 shares at closing for aggregate gross proceeds of \$370,000. The securities issued under the private placement are subject to a resale restriction period of four months and one day.

On January 21, 2014, the Corporation announced that it completed the second tranche of its previously announced non-brokered public offering of common shares issued at a price of \$0.08 per share. The Corporation issued 4,750,000 shares at closing for aggregate gross proceeds of \$380,000. Total proceeds raised under the first and second tranches total \$750,000. The securities issued under the private placement are subject to a resale restriction period of four months and one day.

(b) On November 11, 2013, the Corporation announced that it has entered into an option agreement (the "Option Agreement") dated November 8, 2013 with an arms-length third party, Sultan Minerals Inc. (TSX-V: SUL; "Sultan"), a British Columbia company, for the acquisition of 100% of the Jersey-Emerald Tungsten-Zinc Property (the "Property"), located in southeastern B.C. With the purchase of the Property, Margaux intends to switch its strategic focus to the exploration and development of the Property.

On January 27, 2014, the Corporation announced that it has entered into an amendment (the "Amendment") to its previously announced Option Agreement.

Under the terms of the Amendment, Margaux will have the exclusive option to acquire the Property by:

1) making payments to Sultan of an aggregate \$4.0 million, paid in several installments on or before November 8, 2016 (the "Agreement Date") as follows:

- a) an initial deposit of \$50,000 paid previously;
- b) a cash payment of \$150,000 on or before January 29, 2014;
- c) on or before January 29, 2014, a cash payment of \$300,000 to be held in trust pending receipt of TSX Venture Exchange approval for the transaction;
- d) on or before the first anniversary of the Agreement date, a cash payment of \$750,000;
- e) on or before the second anniversary of the Agreement date, a cash payment of \$1,250,000; and
- f) on or before the third anniversary of the Agreement date, a cash payment of \$1,500,000; and

2) incurring not less than \$2,000,000 in expenditures on the Property on or before the third anniversary of the Agreement Date.

Margaux will use its best efforts to incur expenditures of \$6,000,000 on the Property on or prior to the third anniversary of the Agreement Date.

Sultan will retain a 1.5% net smelter returns royalty ("NSR") on the Property. For a period of 60 days following the earlier of (a) the commencement of commercial production on the Property or (b) the completion of a feasibility study on

the Property, Margaux may purchase 50% of the NSR (being a 0.75% net smelter returns royalty) from Sultan for a payment to Sultan of \$5.0 million.

(c) On February 21, 2014, the Corporation announced that it commenced a non-brokered private placement offering for up to \$300,000. The Corporation will issue up to 2,000,000 common shares to exempt buyers on a private placement basis at a price of \$0.15 per Common Share.