

Margaux Resources Ltd.
Condensed Interim Financial Statements
Three months and six months ended March 31, 2015 and 2014
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. as of March 31, 2015, 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 | March 31, 2015 \$ | September 30, 2014 \$ |
|---|----------------------|--------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 1,417 | 808,935 |
| Trade receivables | 44,744 | 40,040 |
| Prepays | 27,735 | 69,994 |
| Deposit | 20,000 | 50,100 |
| TOTAL CURRENT ASSETS | 93,896 | 969,069 |
| NON-CURRENT | | |
| PROPERTY AND EQUIPMENT (Note 5) | 17,346 | 20,192 |
| EXPLORATION AND EVALUATION ASSETS (Note 6) | 1,702,474 | 836,806 |
| TOTAL NON-CURRENT ASSETS | 1,719,820 | 856,998 |
| TOTAL ASSETS | 1,813,716 | 1,826,067 |
| LIABILITIES | | |
| CURRENT | | |
| Trade and other payables | 244,071 | 243,346 |
| Current portion of decommissioning liabilities (Note 7) | - | 11,773 |
| Flow through share liability (Note 10) | - | 50,441 |
| TOTAL CURRENT LIABILITIES | 244,071 | 305,560 |
| NON-CURRENT | | |
| DECOMMISSIONING LIABILITIES (Note 7) | - | 15,816 |
| CONVERTIBLE DEBT - LIABILITY (Note 8) | 182,434 | 180,201 |
| CONVERTIBLE DEBT - DERIVATIVE LIABILITY (Note 8) | 118,518 | 118,518 |
| LOAN (Note 9) | 360,000 | - |
| TOTAL NON-CURRENT LIABILITIES | 660,952 | 314,535 |
| TOTAL LIABILITIES | 905,023 | 620,095 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 10) | 5,063,121 | 5,063,121 |
| CONTRIBUTED SURPLUS (Note 10) | 4,401,107 | 4,386,475 |
| DEFICIT | (8,555,535) | (8,243,624) |
| TOTAL SHAREHOLDERS' EQUITY | 908,693 | 1,205,975 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,813,716 | 1,826,067 |

Approved by the Board of Directors:

“H. Tyler Rice”

H. Tyler Rice, Director

“James Letwin”

James Letwin, Director

The accompanying notes are an integral part of these financial statements

| | <i>Three months</i> | | <i>Six months</i> | |
|---|-----------------------|----------------|-----------------------|----------------|
| | March 31, 2015 | March 31, 2014 | March 31, 2015 | March 31, 2014 |
| Revenues | | | | |
| Petroleum and natural gas sales | - | 14,134 | 203 | 34,076 |
| Royalties | (981) | (3,386) | (981) | (2,164) |
| | (981) | 10,748 | (778) | 31,912 |
| Expenses | | | | |
| Operating and production | 9,319 | 33,765 | 99,522 | 51,615 |
| General and administrative | 132,000 | 126,432 | 228,045 | 282,951 |
| Impairment of exploration and evaluation assets (Notes 5 and 6) | - | - | - | - |
| Share-based payments (Note 10) | 5,226 | 31,354 | 14,632 | 31,354 |
| Depreciation and depletion (Note 5) | 1,723 | 8,927 | 3,446 | 17,965 |
| Accretion (Note 7) | - | 75 | - | 156 |
| Foreign exchange gain/loss | - | - | 18 | - |
| Asset Retirement Obligation Loss | 15,911 | - | 15,911 | - |
| Total expenses | 164,179 | 200,553 | 361,574 | 384,041 |
| Loss before other items | (165,160) | (189,805) | (362,352) | (352,129) |
| Flow through share premium | - | - | 50,441 | - |
| Loss on disposal of assets | - | - | - | - |
| Net Loss from operations | (165,160) | (189,805) | (311,911) | (352,129) |
| Net loss and comprehensive loss attributable to shareholders | (165,160) | (189,805) | (311,911) | (352,129) |
| Basic and diluted loss per common share (Note 13) | (0.01) | (0.01) | (0.02) | (0.02) |

Margaux Resources Ltd.
Statements of Changes in Equity
For Three Months ended March 31,

| | Note | Share Capital \$ | Contributed surplus \$ | Deficit \$ | Total \$ |
|----------------------------------|-------------|----------------------------|--------------------------------------|----------------------|--------------------|
| Balance as at September 30, 2013 | | 3,431,867 | 4,114,494 | (7,545,484) | 877 |
| Net loss and comprehensive loss | | - | - | (698,140) | (698,140) |
| Warrant | 10 | (113,046) | 221,815 | - | 108,769 |
| Common Shares issued net costs | | 1,744,300 | - | - | 1,744,300 |
| Share-based payments | 10 | - | 50,166 | - | 50,166 |
| Balance as at September 30, 2014 | | 5,063,121 | 4,386,475 | (8,243,624) | 1,205,972 |
| Net loss and comprehensive loss | | - | - | (311,911) | (311,911) |
| Share-based payments | 10 | - | 14,632 | - | 14,632 |
| Balance as at March 31, 2015 | | 5,063,121 | 4,401,107 | (8,555,535) | 908,693 |

| | <i>Three months</i> | | <i>Six months</i> | |
|--|-----------------------|------------------|-----------------------|------------------|
| | March 31, 2015 | March 31, 2014 | March 31, 2015 | March 31, 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net loss | (165,160) | (189,804) | (311,911) | (352,128) |
| Items not affecting cash: | | | | |
| Share-based payments | 5,226 | 31,354 | 14,632 | 31,354 |
| Depreciation and depletion (Note 5) | 1,723 | 8,927 | 3,446 | 17,965 |
| Accretion (Note 7) | (27,589) | 75 | (27,589) | 156 |
| Flow through share premium | - | - | - | - |
| Retained Earnings | - | - | (390) | - |
| Change in non-cash working capital | | | | |
| Trade and other receivables | 33,502 | 22,428 | 3,723 | 20,247 |
| Prepays | 20,897 | 3,009 | 42,258 | 6,085 |
| Deposits | - | 50,000 | 30,100 | 50,000 |
| Trade and other payables | 118,688 | (265,527) | (7,312) | (96,136) |
| Net Cash (used in) operating Activities | (12,713) | (339,538) | (253,042) | (322,457) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from share and warrant issuance, net of costs | - | 1,050,000 | - | 1,050,000 |
| Proceeds on convertible debt | 1,163 | - | 2,233 | - |
| Flow Through Share Premium | - | - | (50,441) | - |
| Loan | 10,000 | - | 360,000 | - |
| Net cash generated from financing activities | 11,163 | 1,050,000 | 311,792 | 1,050,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Property and equipment | - | (1,408) | (600) | (1,408) |
| Exploration and evaluation | - | (500,000) | (865,668) | (500,000) |
| Net cash generated (used in) investing activities | - | (501,408) | (866,268) | (501,408) |
| (DECREASE) INCREASE IN CASH FOR THE PERIOD | (1,550) | 209,052 | (807,518) | 226,135 |
| CASH – BEGINNING OF PERIOD | 2,967 | 24,234 | 808,935 | 7,152 |
| CASH – END OF PERIOD | 1,417 | 233,287 | 1,417 | 233,287 |

1. CORPORATE INFORMATION

Margaux Resources Ltd. (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 currently trades on the TSX Venture 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 is in the process of acquiring and exploring mineral properties in British Columbia. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain financing to secure and maintain title and beneficial interest in its properties, to complete the development of the properties, and future profitable production from or proceeds from the sale of properties.

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 March 31, 2015, the Corporation had a deficit of \$8,555,535 (September 30, 2014 - \$8,243,624). Additionally, the Corporation incurred a net loss and comprehensive loss of \$165,160 and \$311,911 (March 31, 2014 – net loss \$189,805 and \$352,129) for the three and six month ended March 31, 2015. As at March 31, 2015, the Corporation had a working capital deficiency of \$150,175 (September 30, 2014 – working capital of \$663,509). However, in order to keep the option agreement on the Corporation’s mineral property in good standing, the Corporation is required to expend \$350,000 in total on option payments by July 31, 2015. 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 financial statements. The Corporation intends to raise the required funds through the issuance of equity, by securing strategic partners or assuming debt.

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 three and six months ended March 31, 2015 and the March 31, 2014 comparative period were authorized for issue in accordance with the resolution of the Board of Directors on May 29, 2015.

(b) **Basis of measurement** These condensed interim financial statements have been prepared on the historical cost basis with the exception of the convertible debt derivative, which is measured at fair value. 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** The Corporation enters into joint arrangements with one or more parties whereby economic activity and decision-making are shared. These arrangements may take the form of joint operations or joint ventures. When making this assessment, management considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for

the liabilities, relating to the arrangement. The Corporation accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses of the joint operation.

(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.

The unrealized fair value of the convertible debt derivative liability and the valuation of the convertible debt are subject to assumptions. The valuation of the convertible debt derivative liability is valued using pricing models such as the Black-Scholes valuation model. The valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the convertible debt derivative liability has characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty. By their nature, these estimates are subject to measurement uncertainty and the effect on the condensed interim financial statements of changes in estimates in future periods could be significant. The determination of the fair value of the liability component of the convertible debt requires management to make estimates regarding the interest rate that the Corporation would have obtained a similar unsecured loan without a conversion feature. Management takes into consideration the valuation of both components, historical data regarding issuances of warrants and the proceeds received upon issuance of the convertible debt to determine the inputs used in the valuation models and the resulting fair value for each instrument.

Judgments

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

The Corporation is required to make significant judgements regarding the capitalization of exploration and evaluation properties expenditures. The Corporation is also required to make significant judgements on the ongoing feasibility of mineral exploration, and whether there are indicators that the right to explore the specific area has or will expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation property costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation properties should be impaired.

The determination of whether deferred tax assets are probable to be realized and related recognition of deferred tax assets, and requires judgment by management about the future profitability of the Corporation, and the ability to offset deferred tax assets with deferred tax liabilities reversing at the same time period.

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** 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. Derivative financial instruments are recognized at fair value.

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. The Corporation has no FVTPL financial assets.

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, trade receivables and deposits.

Available for sale

Available for sale financial assets are measured at fair value, and are subsequently measured at fair value, with gains or losses, net of tax, included in other comprehensive income until the instruments are derecognized or impaired, at which time the gains or losses are included in net income. The Corporation has no available-for-sale financial assets.

Held-to-maturity

Held to maturity financial assets are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. The Corporation has no held-to-maturity financial assets.

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 convertible debt.

Financial liabilities through FVTPL

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit and loss. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. The Corporation's convertible debt derivative liability has been classified as FVTPL.

(b) **Exploration and evaluation expenditures**

Oil and Gas

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.

Mineral rights, property and acquisition costs

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Corporation acquires legal rights to explore a mineral property, until technical and economical feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Impairment losses are not reversed even if circumstances change and the net recoverable amount subsequently increases.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Corporation has investigated title to all of its mineral properties and to the best of its knowledge, title to all of its properties are in good standing.

(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.

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.

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 of disposal and its value-in-use.

Fair value less costs of disposal 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 a long lived asset that results from the acquisition, construction or development or normal operation of a long lived asset, 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 the long lived asset. 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. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(m) **Share capital** The Corporation records proceeds from share issuances net of share issue costs. Proceeds, and issue costs, from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the warrant is determined using the Black-Scholes option pricing model, while the fair value of the share is based on the market value at the time of issuance. The relative value of the share component is credited to share capital and the relative value of the warrant component is credited to Warrants reserve. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized in Warrant reserve is recorded as an increase to share capital. For those warrants that expire, the recorded value is transferred from reserve for warrants to share capital.

(n) **New standards, interpretations and amendments adopted** As of October 1, 2013 the Corporation adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Corporation has adopted the following new and amended standards without any significant effect on its condensed interim financial statements.

The nature and impact of each new standard is described below:

IFRS 10, “Consolidated Financial Statements” superseded 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.

IFRS 11, “Joint Arrangements” superseded 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.

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.

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.

(o) **New standards not yet adopted** - The IASB has issued a number of new standards to come into effect in future periods. 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:

IASB issued IFRS 9, “Financial Instruments” replaces 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 new standard is effective for annual periods beginning on or after January 1, 2018.

IFRIC 21, “Levies” an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing after January 1, 2014.

IFRS 15, “Revenue from Contracts with Customers”. In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

5. PROPERTY AND EQUIPMENT

| | Petroleum and natural gas assets \$ | Computer equipment \$ | Total \$ |
|--|--|-----------------------------|----------------|
| Cost | | | |
| Balance as at September 30, 2013 | 272,399 | 9,949 | 282,348 |
| Additions | - | 21,600 | 21,600 |
| Dispositions | - | - | - |
| Change in decommissioning liability estimates | - | - | - |
| Balance as at September 30, 2014 | 272,399 | 31,549 | 303,948 |
| Additions | - | 600 | 600 |
| Dispositions | - | - | - |
| Change in decommissioning liability estimates | - | - | - |
| Balance as at March 31, 2015 | 272,399 | 32,149 | 304,548 |
| Accumulated depletion and depreciation and impairment | | | |
| Balance as at September 30, 2013 | 237,410 | 6,386 | 243,796 |
| Disposition | - | - | - |
| Impairment | 27,259 | - | 27,259 |
| Charge for the year | 7,730 | 4,971 | 12,701 |
| Balance as at September 30, 2014 | 272,399 | 11,357 | 283,756 |
| Disposition | - | - | - |
| Impairment | - | - | - |
| Charge for the period | - | 3,446 | 3,446 |
| Balance as at March 31, 2015 | 272,399 | 14,803 | 287,202 |
| Net book value | | | |
| September 30, 2014 | - | 20,192 | 20,192 |
| March 31, 2015 | - | 17,346 | 17,346 |

During the three and six months ended March 31, 2015, the Corporation capitalized \$nil (September 30, 2014 - \$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 the petroleum and natural gas properties are recognized in impairment of exploration and evaluation assets in the statement of comprehensive loss. During the year ending September 30, 2014, the Corporation fully impaired the Jumpbush 12-6 well due to suspending production during the quarter ending September 30, 2014. The impairment was based on the value-in-use and as the well was no longer producing any oil the resulting anticipated cash flows were negligible and a recoverable value of Nil was determined before application of a discount rate.

6. EXPLORATION AND EVALUATION ASSETS

| | \$ |
|----------------------------------|------------------|
| Balance as at October 1, 2013 | - |
| Acquisition costs | 500,000 |
| Exploration | 336,706 |
| Balance as at September 30, 2014 | 836,806 |
| Additions | |
| Acquisition costs | - |
| Exploration | 865,668 |
| Balance as at March 31, 2015 | 1,702,474 |

E&E assets consist of costs expended on the Corporation's projects which are pending determination of technical feasibility and commercial viability. In the year ending 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. The impairments of E&E assets during the year ended September 30, 2013, resulted from the expiration of leases in the Jumpbush areas of Alberta. The impairment was based on the value-in-use of the E&E assets. As of March 31, 2015 there was no further impairment.

In the three and six months ended March 31, 2015, the Corporation focused its activities to mining and entered into an option agreement ("Option Agreement") with Sultan Minerals ("Sultan") for the Jersey-Emerald Property, located in Salmo, British Columbia ("Property"), based on the following terms:

Under the terms of the Option Agreement dated November 8, 2013, as amended by an agreement dated January 22, 2014, Margaux will have the exclusive option to acquire a 100% working interest in the Property (subject to the net smelter returns royalties ("NSRs") discussed below) by:

1) by making payments to Sultan in aggregate of \$4.0 million, paid in several installments as follows:

- a) initial deposits of \$200,000 (paid);
- b) release of a cash payment of \$300,000, previously held in trust pending receipt of TSX Venture Exchange approval for the transaction (paid);
- c) on or before November 8, 2014, a cash payment of \$750,000;
- d) on or before November 8, 2015, a cash payment of \$1,250,000; and
- e) on or before November 8, 2016, 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 retains a 1.5% 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.

The Property is also subject to several additional NSRs, ranging from 1-3% on various areas of the Property and these additional NSR's require advance royalty payments totalling \$53,000 per year. Subsequent to the year end the Corporation paid on an advance royalty payment of \$50,000.

Sultan may elect to receive up to one-half of any option payment in the form of common shares of the corporation. The number of shares to be issued in partial payment shall be calculated by reference to the trading price of the Corporations shares at the election date

The Corporation incurred \$865,668 of E&E on the Property during the three and six months ended March 31, 2015 relating to exploration drilling activity.

During the period the Corporation entered into an additional amending agreement with Sultan Minerals Inc. to amend the Option Agreement dated November 8, 2013, and amended January 22, 2014 between Sultan and the Corporation granting the Corporation an option to purchase 100% of the Jersey Emerald Property.

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, 2014 was \$26,250 (September 30, 2013 - \$26,250). The estimated costs have been discounted at a risk free rate of 1.13% (September 30, 2013 – 1.19%) and an inflation rate of 2% has been applied.

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

| | March 31, 2015 | September 30, 2014 |
|--|----------------|--------------------|
| | \$ | \$ |
| Balance, beginning of year | 27,589 | 27,130 |
| Liabilities incurred | - | - |
| Liabilities disposed | (27,589) | (37,361) |
| Accretion expense | - | 1,465 |
| Change in estimate | - | (1,362) |
| Balance, end of period | - | 27,589 |
| Expected decommissioning expense to be incurred within one year | - | (11,773) |
| | - | 15,816 |

8. CONVERTIBLE DEBT

On September 5, 2014, the Corporation issued an aggregate of \$365,000 USD (\$400,000 CDN) worth of convertible debt ("Debentures").

The Convertible Debt matures five years after the date of issue (the "Term") and accrues interest at 1.0% per annum, payable annually on September 5 of each year of the Term. At the holder's option, the Debentures may be converted at any time up to maturity into common shares of the Corporation at a conversion price of \$0.50 per share for a locked in number of shares totaling 800,000. Additionally, the holder also has received warrants convertible at \$0.55 CDN per common share for a period of 5 years based on the Canadian equivalent investment.

At any time during the Term, the Corporation may, at its option, subject to providing not more than sixty and not less than thirty days' prior written notice, convert the Convertible Debt into Common Shares at the Conversion Price, in whole or, from time to time, in part, provided that the Market Price is 140% above the Conversion Price.

As the convertible debt is denominated in US Dollars and the Corporation's functional currency is Canadian Dollars, the instrument contains an embedded derivative liability. The convertible debt was discounted using interest rates that would have been applicable to non-convertible debt of the Corporation at the time of issue. The derivative conversion liability feature and detachable warrants were measured using the Black Scholes model, and the excess value of the proceeds after allocation to the convertible debenture component, was allocated proportionately to the conversion liability feature and detachable warrants. . As a result the Corporation allocated \$172,713 CDN to the convertible debt liability component, \$108,769 CDN to the warrant component \$118,518 to the convertible debt derivative liability. The embedded derivative is treated as a financial liability carried at fair value through profit and loss.

Significant assumptions in the valuation of the convertible debenture, derivative conversion liability feature and detachable warrants are as follows:

- Convertible debt – discount rate of 20%
- Detachable warrants – risk free rate 1.45%, Weighted average life – 5 years, dividend yield - \$nil, expected volatility 121%, forfeiture rate – nil.
- Derivative conversion liability feature - risk free rate 1.45%, Weighted average life – 5 years, dividend yield - \$nil, expected volatility 121%, forfeiture rate – nil.

The Corporation used an estimated volatility of 121% to value the derivative conversion liability feature. If the Corporation had estimated volatility at 131% the estimated fair value of the convertible debt – derivative liability would increase by approximately \$15,000 and net loss would increase by the same. If the Corporation had estimated a volatility of 111% the estimated fair value of the convertible debt – derivative liability would decrease by approximately \$11,000 and net loss would decrease by the same. For the three and six months ended March 31, 2015 the Corporation has determined measurement uncertainty to not be significant.

9. LOAN

On November 10, 2014, the Corporation announced it had entered into a loan agreement with Mr. Tyler Rice, the Corporation's President and Chief Executive Officer whereby the Corporation borrowed \$150,000 from Mr. Rice. The loan is repayable on April 30, 2015 and bears interest at 6.0% per annum. The Corporation will use the proceeds of the loan towards the required Option Payments.

On November 24, 2014, the Corporation announced it had entered into a loan agreement with an arm's-length third party investor, whereby the Corporation borrowed \$200,000. The loan is repayable on April 30, 2015 and bears interest at 6.0% per annum. The Corporation will use the proceeds of the loan for additional drilling and for general working capital.

On February 22, 2015, the entered into a loan agreement with an arm's-length third party investor, whereby the Corporation borrowed \$10,000. The loan is repayable on April 30, 2015 and bears interest at 6.0% per annum. The Corporation will use the proceeds of the loan for general working capital.

10. SHARE CAPITAL, WARRANT RESERVE 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 | March 31, 2015 | | September 30, 2014 | |
|-------------------------------|-------------------|--------------------|--------------------|--------------------|
| | Common Shares | Amount | Common Shares | Amount |
| Opening balance | 18,242,905 | \$4,954,342 | 5,277,905 | \$3,210,042 |
| Shares issued (a) | - | - | - | - |
| Shares issued (c)(d)(e)(f)(g) | - | - | 12,965,000 | 1,757,500 |
| Share consolidation (b) | - | - | - | - |
| Share issue costs | - | - | - | (13,200) |
| Closing Balance | 18,242,905 | \$4,954,342 | 18,242,905 | \$4,954,342 |
| Warrants | | | | |
| Opening balance | 730,000 | 108,779 | 325,331 | 221,825 |
| Warrant expiry | - | - | (325,331) | (221,815) |
| Warrant issuance (Note 8) | - | - | 730,000 | 108,769 |
| Share consolidation | - | - | - | - |
| Closing balance | 730,000 | 108,779 | 730,000 | 108,779 |
| Total Share Capital | - | \$5,063,121 | - | \$5,063,121 |

- (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.
- (c) On January 27, 2014, the Corporation announced that it completed a non-brokered private placement for \$750,000 at a price of \$0.08 per Common Share or 9,375,000 Common Shares.
- (d) On March 12, 2014, the Corporation announced that it completed a non-brokered private placement for \$300,000 at a price of \$0.15 per Common Share or 2,000,000 Common Shares.
- (e) On August 8, 2014, the Corporation announced that it completed a non-brokered private placement for \$375,000 at a price of \$0.50 per Common Share issued on a flow-through basis or 750,000 Common Shares. A flow-through share premium liability of \$37,500 was recorded in connection with this financing.
- (f) On August 28, 2014 the Corporation announced that it completed a non-brokered private placement for \$220,000 at a price of \$0.50 per Common Share issued on a flow-through basis or 440,000 Common Shares. A flow-through share premium liability of \$22,000 was recorded in connection with this financing.
- (g) On September 5, 2014, the Corporation announced that it completed a non-brokered private placement for \$200,000 at a price of \$0.50 per Common Share issued on a flow-through basis or 400,000 Common Shares. A flow-through share premium liability of \$28,000 was recorded in connection with this financing.

Flow Through Shares

During the year ended September 30, 2014 the Corporation raised \$795,000 on a flow-through share basis and was required to incur \$795,000 of qualifying expenditures to renounce the tax deductions to investors. As at March 31, 2015, \$802,474 of qualifying expenditures were incurred, therefore the Corporation has met its minimum flow through expenditure commitment.

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. The remaining common shares were released during the year ended September 30, 2014 and at March 31, 2015. there is no remaining balance in escrow.

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>2014</u> | <u>2013</u> |
|--|-------------|------------------|
| Risk-free rate | 1.32% | 0.91% to 1.3% |
| Weighted-average life | 5 years | 1 - 5 years |
| Dividend yield | nil | nil |
| Expected volatility | 126% | 80% |
| Weighted-average fair value per option | \$0.10 | \$0.09 to \$0.12 |
| Forfeiture rate | nil% | nil% |

Share-based payments expense of \$5,226 and \$14,632 for three and six months ended March 31, 2015 (September 30, 2014 – \$50,166) 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, 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 September 30, 2013 | - | - |
| Granted (i) | 1,075,000 | \$0.10 |
| Outstanding as at September 30, 2014 | 1,075,000 | \$0.10 |
| Exercisable as at September 30, 2014 | 358,333 | \$0.10 |
| Outstanding as at March 31, 2015 | 1,075,000 | \$0.10 |
| Exercisable as at March 31, 2015 | - | |

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

(i) On February 11, 2014, the Board of Directors of the Corporation approved the issuance of 1,075,000 stock options to the directors and officers of the Corporation. The options are exercisable at \$0.10 per share for a period of five years. The options vest one third immediately and one third on each of the first and second anniversaries of the grant date.

Contributed Surplus

| <u>Description</u> | <u>March 31, 2015</u> | <u>September 30, 2014</u> |
|----------------------|-----------------------|---------------------------|
| Opening balance | \$ 4,386,475 | \$4,114,494 |
| Share-based payments | 14,632 | 50,166 |
| Warrants expired | - | 221,815 |
| Closing balance | \$ 4,401,107 | \$4,386,475 |

11. 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 Corporation may from time to time, issues shares, obtain debt financing, and adjust capital spending. There were no changes to the Corporation's approach to capital management from the previous period.

12. FINANCIAL INSTRUMENTS

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash, trade receivables, deposit and trade and other payables, approximate their fair values due to their short terms to maturity.

The convertible debt derivative liability is carried at fair value (level 3).

The fair value of the convertible debt liability is estimated to approximate its current value, due to the short term since inception and initial recognition at fair value.

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, crude oil and mineral 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 market interest rates may affect future cash flows or the fair value of financial instruments. The Corporation's convertible debenture bears interest at fixed rates, and as such the Corporation is exposed to interest rate risk on its debt, as the fair value of the debenture will fluctuate with changes in the market rates.

(iii) Foreign exchange risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the CDN dollar. The Corporation holds a US dollar denominated convertible debenture liability at September 30, 2014 which exposes it to foreign currency risk. As at September 30, 2014, a positive 1% change in the foreign exchange rates of the CDN dollar against the US dollar would result in an approximate improvement to profit and loss and equity of \$1,500.

(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 convertible debentures and are due on demand. The convertible debentures have a five year term and required interest payments of approximately \$4,000 USD per year if not converted.

Contractual obligations related to financial liabilities at March 31, 2015 are as follows:

| | <u>2015</u> | | <u>2016</u> | | <u>2017</u> | | <u>2018</u> | | <u>2019</u> |
|------------------------|-------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|----------------|
| Trade & Other Payables | \$ 244,071 | \$ | - | \$ | - | \$ | - | \$ | - |
| Convertible debt | - | | - | | - | | - | | 400,000 |
| Loan | \$ 360,000 | | - | | - | | - | | - |
| Total | \$ 604,071 | \$ | - | \$ | - | \$ | - | \$ | 400,000 |

(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 credit risk is primarily attributable to cash and trade and other receivables which 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 as at March 31, 2015. 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.

Credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with major Canadian financial institutions.

The Corporations maximum exposure for the three and six months ended March 31, 2015 relates to \$1,417 of cash and \$44,744 of trade receivables which related to the rent receivable for the months of February and March 2015 (less than 30 days outstanding) and other receivables.

13. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and six months ended March 31, 2015 was based on net loss of \$165,160 and \$311,911 (2014 - net loss of \$189,805 and \$352,129). For the three and six months ended March 31, 2015, the weighted average number of common shares outstanding was 18,242,906 (2014 – 16,652,905). The weighted average number of common shares outstanding for the three and six months ended March 31, 2015 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 (Note 10) on loss per share for the three and six months ended March 31, 2015 and 2014 is anti-dilutive.

14. 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 March 31, 2015, the Corporation had an amount of \$20,000 due to directors and officers.

There were no other amounts owing to or from the Corporation involving any related parties at March 31, 2015 and December 31, 2014.

Compensation of key management personnel

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

| | March 31, 2015 | March 31, 2014 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Short-term employee salary and benefits | 30,000 | 30,000 |
| Share-based payments | 5,226 | - |
| | 35,226 | 30,000 |

15. SUBSEQUENT EVENTS

On May 8, 2015, the Corporation received indication from the holder of the September 5, 2014 unsecured convertible debenture to convert USD \$365,000 into common shares of the Corporation at a deemed price of \$0.50 per Share. As a result the Corporation issued an aggregate of 800,000 Shares in full extinguishment of the Debentures.

In addition, the Corporation filed a shares for debt application with the TSX Venture Exchange to satisfy an aggregate \$395,670 of Margaux's outstanding debts. The Corporation reached agreements with certain of its lenders to extinguish certain of the Corporation's outstanding debts in exchange for the issuance of shares. An aggregate of 1,978,350 Shares of the Corporation at a deemed price of \$0.20 per Share are proposed to be issued to the lenders pursuant to the Application. The lenders include the Corporation's President and Chief Executive Officer, who has loans outstanding to the Corporation for an aggregate of \$150,000. Pursuant to the Application, an aggregate of 750,000 Shares are to be issued to the President and Chief Executive Officer in full extinguishment of amounts owing to him. The debts of the Corporation's President and Chief Executive Officer arose from a bridge loan made to the Corporation in the amount of \$150,000 on November 10, 2014. The Shares issued pursuant to the Shares for debt agreements will be subject to a four month plus one day hold period in accordance with applicable securities laws.