



**MARGAUX RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**EXPRESSED IN CANADIAN DOLLARS**

## **Management's responsibility**

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The Management of Margaux Resources Ltd. (the "Corporation") is responsible for the preparation of all information included in these financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain estimates that reflect Management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The financial information contained elsewhere in the MD&A has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control that provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the preparation of financial statements.

The Board of Directors, through its Audit Committee, has reviewed the financial statements including notes thereto with Management. The members of the Audit Committee are composed of independent directors who are not employees of the Corporation. The Corporation's Board of Directors has approved the information contained in the financial statements based on the recommendation of the Audit Committee.

Grant Thornton LLP, an independent firm of Chartered Professional Accountants, Chartered Accountants has been engaged to examine the financial statements and their auditor's report follows.

*"Tyler Rice"*

**Tyler Rice, President and CFO**

January 22, 2016



# Independent Auditor's report

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To the Shareholders of Margaux Resources Ltd.

We have audited the accompanying financial statements of Margaux Resources Ltd., which comprise the statements of financial position as at September 30, 2015 and September 30, 2014, statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Margaux Resources Ltd. as at September 30, 2015 and September 30, 2014, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates that for the year ended September 30, 2015, the Company incurred a net loss and comprehensive loss of \$395,153, and, as of September 30, 2015, had negative working capital of \$297,910 and an accumulated deficit of \$8,638,777. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Edmonton, Canada

*Grant Thornton LLP*

January 22, 2016

Chartered Professional Accountants, Chartered Accountants

Margaux Resources Ltd.  
Statements of Financial Position

As at	September 30, 2015 \$	September 30, 2014 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	3,157	808,935
Trade receivables	24,755	40,040
Prepays	2,763	69,994
Deposit	20,000	50,100
<b>TOTAL CURRENT ASSETS</b>	<b>50,675</b>	<b>969,069</b>
<b>NON-CURRENT</b>		
<b>PROPERTY AND EQUIPMENT (Note 5)</b>	<b>13,015</b>	<b>20,192</b>
<b>EXPLORATION AND EVALUATION ASSETS (Note 6)</b>	<b>1,702,474</b>	<b>836,806</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,715,489</b>	<b>856,998</b>
<b>TOTAL ASSETS</b>	<b>1,766,164</b>	<b>1,826,067</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade and other payables	298,585	243,346
Current portion of decommissioning liabilities (Note 7)	-	11,773
Loan (Note 9)	50,000	-
Flow through share liability (Note 10)	-	50,441
<b>TOTAL CURRENT LIABILITIES</b>	<b>348,585</b>	<b>305,560</b>
<b>NON-CURRENT</b>		
<b>DECOMMISSIONING LIABILITIES (Note 7)</b>	<b>-</b>	<b>15,816</b>
<b>CONVERTIBLE DEBT - LIABILITY (Note 8)</b>	<b>-</b>	<b>180,201</b>
<b>CONVERTIBLE DEBT – DERIVATIVE LIABILITY (Note 8)</b>	<b>-</b>	<b>118,518</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>314,535</b>
<b>TOTAL LIABILITIES</b>	<b>348,585</b>	<b>620,095</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 10)</b>	<b>5,648,978</b>	<b>5,063,121</b>
<b>CONTRIBUTED SURPLUS (Note 10)</b>	<b>4,407,378</b>	<b>4,386,475</b>
<b>DEFICIT</b>	<b>(8,638,777)</b>	<b>(8,243,624)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,417,579</b>	<b>1,205,972</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,766,164</b>	<b>1,826,067</b>

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

Margaux Resources Ltd.  
Statements of Net Loss and Comprehensive Loss  
For years ended September 30,

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Revenues</b>		
Petroleum and natural gas sales	<b>203</b>	69,681
Royalties	<b>(981)</b>	(8,408)
	<b>(778)</b>	<b>61,273</b>
<b>Expenses</b>		
Operating and production	<b>130,194</b>	168,964
General and administrative	<b>388,530</b>	529,714
Impairment of exploration and evaluation assets (Notes 5 and 6)	-	27,259
Share-based payments (Note 10)	<b>20,903</b>	50,166
Depreciation and depletion (Note 5)	<b>7,777</b>	12,701
Accretion (Note 7)	-	459
Foreign exchange gain/loss	<b>18</b>	7,209
Decommissioning liability loss	<b>15,911</b>	-
<b>Total expenses</b>	<b>563,333</b>	796,472
<b>Loss before other items</b>	<b>(564,111)</b>	(735,199)
Flow through share premium	<b>50,441</b>	37,059
Fair value gain on convertible debt – derivative liability (Note 8)	<b>118,517</b>	-
<b>Net loss before tax</b>	<b>(395,153)</b>	(698,140)
Deferred tax recovery	-	-
<b>Net loss and comprehensive loss attributable to shareholders</b>	<b>(395,153)</b>	(698,140)
<b>Basic and diluted loss per common share (Note 13)</b>	<b>(0.02)</b>	(0.05)

Margaux Resources Ltd.  
Statements of Changes in Equity  
For years ended September 30,

	<b>Note</b>	<b>Share Capital</b> \$	<b>Contributed surplus</b> \$	<b>Deficit</b> \$	<b>Total</b> \$
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	10	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		-	-	(395,153)	(395,153)
Common shares issued, net costs	10	585,857	-	-	585,857
Share-based payments	10	-	20,903	-	20,903
Balance as at September 30, 2015		5,648,978	4,407,378	(8,638,777)	1,417,579

The accompanying notes are an integral part of these financial statements

Margaux Resources Ltd.  
Statements of Cash Flows  
For years ended September 30,

	2015	2014
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(395,153)	(698,140)
Items not affecting cash:		
Share-based payments	20,903	50,166
Depreciation and depletion (Note 5)	7,777	12,701
Accretion (Note 7)	(27,589)	459
Accretion on convertible debt – liability	9,986	-
Foreign exchange loss	-	7,209
Impairment of exploration and evaluation of assets	-	27,259
Flow through share premium	-	(37,059)
Fair value gain on convertible debenture – derivative liability	(118,517)	-
	<b>(502,593)</b>	<b>(637,405)</b>
Change in non-cash working capital		
Trade receivables	15,285	(13,194)
Prepays	67,231	(60,241)
Deposits	30,100	(100)
Trade and other payables	85,239	143,781
<b>Net cash (used in) operating activities</b>	<b>(304,738)</b>	<b>(567,159)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share and warrant issuance, net of costs	-	1,757,500
Share issue costs	-	(13,200)
Proceeds on issuance of convertible debt	-	400,000
Flow through share premium	(50,441)	87,500
Proceeds from issuance of loans	415,670	-
<b>Net cash generated from financing activities</b>	<b>365,229</b>	<b>2,231,800</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment	(600)	(21,600)
Exploration and evaluation	(865,669)	(836,806)
<b>Net cash generated from (used in) investing activities</b>	<b>(866,269)</b>	<b>(858,406)</b>
<b>(DECREASE) INCREASE IN CASH FOR THE YEAR</b>	<b>(805,778)</b>	<b>806,235</b>
<b>CASH – BEGINNING OF YEAR</b>	<b>808,935</b>	<b>2,700</b>
<b>CASH – END OF YEAR</b>	<b>3,157</b>	<b>808,935</b>

**SUPPLEMENTAL CASH FLOW INFORMATION (Note 15)**



## 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 – 5<sup>th</sup> Street SW, Calgary, Alberta, T2P 3S2.

## 2. GOING CONCERN

These 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 September 30, 2015, the Corporation had a deficit of \$8,638,777 (September 30, 2014 - \$8,243,624). Additionally, the Corporation incurred a net loss and comprehensive loss of \$359,153 (September 30, 2014 – net loss \$698,140) for the year ended September 30, 2015. As at September 30, 2015, the Corporation had a working capital deficiency of \$297,910 (September 30, 2014 – working capital of \$663,509). In addition, in order to keep the option agreement on the Corporation’s mineral property in good standing, the Corporation is required to expend an additional \$1,600,000 in total on option payments by December 31, 2015. These 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”).

These financial statements for year ended September 30, 2015 and the September 30, 2014 comparative period were authorized for issue in accordance with the resolution of the Board of Directors on January 22, 2016.

(b) **Basis of measurement** These 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 financial statements have been prepared on an accrual basis of accounting, except for cash flow information.

(c) **Functional and presentation currency** These 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 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 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 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 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 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, 2014 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 financial statements.

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.

IAS 32 “Offsetting Financial Assets and Financial Liabilities” was amended to address inconsistencies in current practice when applying offsetting criteria and is effective for fiscal years beginning on or after January 1, 2014.

(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 financial statements, but at this time does not anticipate that the adoption of the standards will have a significant impact on the Corporation’s 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.

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, 2018.

## 5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas assets \$	Computer equipment \$	Total \$
<b>Cost</b>			
<b>Balance as at September 30, 2013</b>	<b>272,399</b>	<b>9,949</b>	<b>282,348</b>
Additions	-	21,600	21,600
<b>Balance as at September 30, 2014</b>	<b>272,399</b>	<b>31,549</b>	<b>303,948</b>
Additions	-	600	600
<b>Balance as at September 30, 2015</b>	<b>272,399</b>	<b>32,149</b>	<b>304,548</b>
<b>Accumulated depletion and depreciation and impairment</b>			
<b>Balance as at September 30, 2013</b>	<b>237,410</b>	<b>6,386</b>	<b>243,796</b>
Impairment	27,259	-	27,259
Charge for the year	7,730	4,971	12,701
<b>Balance as at September 30, 2014</b>	<b>272,399</b>	<b>11,357</b>	<b>283,756</b>
Charge for the period	-	7,777	7,777
<b>Balance as at September 30, 2015</b>	<b>272,399</b>	<b>19,134</b>	<b>291,533</b>
<b>Net book value</b>			
September 30, 2014	-	20,192	20,192
<b>September 30, 2015</b>	<b>-</b>	<b>13,015</b>	<b>13,015</b>

During the year ended September 30, 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. During the 2015 fiscal year, the Company completed the required remediation to shut down the well, and is awaiting final certification of completion.



## 6. EXPLORATION AND EVALUATION ASSETS

	\$
Balance as at October 1, 2013	-
Acquisition costs	500,000
Exploration	336,806
Balance as at September 30, 2014	<b>836,806</b>
Additions	
Acquisition costs	<b>400,000</b>
Exploration	<b>465,668</b>
Balance as at September 30, 2015	<b>1,702,474</b>

E&E assets consist of costs expended on the Corporation's projects which are pending determination of technical feasibility and commercial viability.

During the years ended September 30, 2014 and 2015, the Corporation focused its activities on mining and, ceased oil and gas operations. The Corporation entered into an option agreement ("Option Agreement") with Sultan Minerals ("Sultan") for the Jersey-Emerald Property, located in Salmo, British Columbia ("Property").

Under the terms of the Option Agreement dated November 8, 2013, as amended by agreements dated January 22, 2014, November 5, 2014 and March 11, 2015, 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) as follows:

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, 2015, a cash payment of \$400,000 (paid);
- d) on or before December 31, 2015, a cash payment of \$1,600,000; and
- e) on or before November 8, 2016, a cash payment of \$1,500,000.

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. During the year the Corporation paid an advance royalty payment of \$50,000. Subsequent to year-end, an additional payment of \$3,000 was made.

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 Corporation's shares at the election date.

The Corporation incurred \$465,668 of E&E on the Property during the year ended September 30, 2015 relating to exploration drilling activity (September 30, 2014 - \$336,706).

## 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. During the year ended September 30, 2015 the Corporation commenced decommissioning of its active wells. The undiscounted amount of the estimated costs at September 30, 2015 was \$Nil (September 30, 2014 - \$26,250). The estimated costs were discounted at a risk free rate of 1.13% and an inflation rate of 2% was applied. During the 2015 fiscal year, the Company completed the required remediation to shut down the well, and is awaiting final certification of completion.

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

	September 30, 2015	September 30, 2014
	\$	\$
Balance, beginning of year	27,589	27,130
Liabilities incurred	-	-
Liabilities disposed	(27,589)	-
Accretion expense	-	459
Change in estimate	-	-
<b>Balance, end of period</b>	<b>-</b>	<b>27,589</b>
<b>Expected decommissioning expense to be incurred within one year</b>	<b>-</b>	<b>(11,773)</b>
	<b>-</b>	<b>15,816</b>

## 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 Debentures mature five years after the date of issue (the "Term") and accrue 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 received warrants convertible at \$0.55 CDN per common share expiring in 5 years from the date of issue.

On May 8, 2015, the Corporation received notice from the holder of the Debentures to convert \$365,000 USD of the debenture 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. At the date of extinguishment the convertible debenture – liability had a face value of \$190,187, and the convertible debenture - derivative had a value of \$nil. The total face value of the convertible debenture - liability was recorded as an increase in share capital.

As the convertible debt was denominated in US Dollars and the Corporation's functional currency is Canadian Dollars, the instrument contained 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 \$118,517 to the convertible debt derivative liability. The embedded derivative is treated as a financial liability carried at fair value through profit and loss. The fair value of the derivative was determined using the Black-Scholes model, adjusted for the impact of foreign exchange.

Significant assumptions in the valuation of the convertible debenture, derivative conversion liability feature and detachable warrants were 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 years ended September 30, 2015 and 2014 the Corporation has determined measurement uncertainty to not be significant.

## 9. LOAN

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
	<b>\$</b>	<b>\$</b>
July 22, 2015 loan with Tyler Rice, Corporation's President & Chief Executive Officer. Repayable on October 31, 2015, bearing interest at 6% per annum. Proceeds used for working capital.	<b>50,000</b>	-

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 was repayable on April 30, 2015 and bore interest at 6.0% per annum. The Corporation used 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 was repayable on April 30, 2015 and bore interest at 6.0% per annum. The Corporation used the proceeds of the loan for additional drilling and for general working capital.

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

On July 2, 2015, the Corporation announced its previously announced shares for debt application had been approved by the TSX Venture Exchange and an aggregate of 1,978,350 shares of the Corporation at a deemed price of \$0.20 per share were issued to certain of the Corporation's creditors. The share issuance fully extinguished the November 10, 2014, November 24, 2014 and February 22, 2015 loans, including accrued interest of \$5,670.

## 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	September 30, 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	-	-	12,965,000	1,757,500
(a)(b)(c)(d)(e)				
Shares issued (f)(g)	2,778,350	585,857	-	-
Share issue costs	-	-	-	(13,200)
<b>Closing Balance</b>	<b>21,021,255</b>	<b>\$5,540,199</b>	<b>18,242,905</b>	<b>\$4,954,342</b>
<b>Warrants</b>				
Opening balance	730,000	108,779	325,331	221,825
Warrant expiry	-	-	(325,331)	(221,815)
Warrant issuance (Note 8)	-	-	730,000	108,769
<b>Closing balance</b>	<b>730,000</b>	<b>108,779</b>	<b>730,000</b>	<b>108,779</b>
<b>Total Share Capital</b>	<b>-</b>	<b>\$5,648,978</b>	<b>-</b>	<b>\$5,063,121</b>

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) On May 8, 2015, the Corporation announced that the holder of the September 5, 2014 unsecured convertible debenture had elected to convert their debentures. The principal amount of USD\$365,000 was converted into common shares of the Corporation at a deemed price of \$0.50 per shares. As a result the Corporation issued an aggregate 800,000 shares in full extinguishment of the Debenture (after giving effect to the current USD/CDN dollar exchange rate).

(g) On July 2, 2015, the Corporation announced its previously announced shares for debt application had been approved by the TSX Venture Exchange and an aggregate of 1,978,350 shares of the Corporation at a deemed price of \$0.20 per share were issued to certain of the Corporation's creditors. With Issuance of the shares pursuant to the share for debt application, the debts owing to such creditors, in the amount of \$395,670 were fully extinguished.

### 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 September 30, 2015, \$802,474 (September 30, 2014 - \$336,706) of qualifying expenditures were incurred, therefore the Corporation has met its minimum flow through expenditure commitment. The total flow through share premium of \$87,500 on the issuance of flow through shares has been amortized in the amount of \$50,441 (2014 - \$37,059) to reflect the proportion of expenditures incurred to September 30, 2015. Amortization is reflected as other income in the statement of comprehensive loss.

### 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 there is no balance remaining in escrow at September 30, 2014 or 2015.

### 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:

	<b>2014</b>
Risk-free rate	1.32%
Weighted-average life	5 years
Dividend yield	nil
Expected volatility	126%
Weighted-average fair value per option	\$0.10
Forfeiture rate	nil%

There were no stock options granted during the year ended September 30, 2015. Share-based payments expense of \$20,903 for year ended September 30, 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, and recorded over the vesting period of the options.

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 (a)	2,400,000	
Outstanding as at September 30, 2013	-	-
Granted (b)	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 September 30, 2015	1,075,000	\$0.10
Exercisable as at September 30, 2015	716,668	\$0.10

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

(b) 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

Description	September 30, 2015	September 30, 2014
Opening balance	\$ 4,386,475	\$ 4,114,494
Share-based payments	20,903	50,166
Warrants expired	-	221,815
Closing balance	\$ 4,407,378	\$ 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, issue 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, and loan approximate their fair values due to their short terms to maturity.

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 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 loan 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 loan will fluctuate with changes in the market rates.

#### (iii) Foreign exchange risk

Foreign currency risk arises from fluctuations in foreign exchanges rates and the degree of volatility of these rates relative to the CDN dollar. The Corporation was exposed to foreign exchange risk during the year as it held a US dollar denominated convertible debenture liability.

### (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 short-term loans.

Contractual obligations related to financial liabilities at September 30, 2015 are as follows:

	<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>
Trade & Other Payables	\$ 298,585	\$	-	\$	-	\$	-	\$	-
Loan	50,000		-		-		-		-
<b>Total</b>	<b>\$348,585</b>	\$	<b>-</b>	\$	<b>-</b>	\$	<b>-</b>	\$	<b>-</b>

**(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 are subject to normal credit risks.

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 year ended September 30, 2015 relates to \$3,157 of cash and \$1,764 of trade receivables for the year ended September 30, 2015 (less than 30 days outstanding) and other receivables.

**13. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended September 30, 2015 was based on net loss of \$395,153 (2014 - net loss of \$698,140). For the year ended September 30, 2015, the weighted average number of common shares outstanding was 19,391,149 (2014 - 12,879,330).

The effect of warrants and stock options outstanding (Note 10) on loss per share for the year ended September 30, 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 September 30, 2015, the Corporation had an amount of \$114,475 (2014 - \$nil) due to directors and officers included in trade and other payables.

As at September 30, 2015, the Corporation had a loan of \$50,000 owing to the President and Chief Executive Officer (Note 9).

There were no other amounts owing to or from the Corporation involving any related parties at September 30, 2015 and September 30, 2014.

During the year ended September 30, 2015, the Corporation was provided geological consulting services in the amount of \$23,025 (2014 - \$33,015) from a Company controlled by a director of the Corporation. These fees have been capitalized to the mineral property as exploration costs. The Corporation also incurred equipment rental fees in the amount of \$2,771 (2014 - \$10,000) provided by a Company controlled by an individual related to a director of the Corporation, and administrative services in the amount of \$26,325 (2014 - \$43,840) provided by a Company controlled by a director of the Corporation. These fees have been reflected in general and administrative expenses.



### Compensation of key management personnel

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

	September 30, 2015	September 30, 2014
	\$	\$
Short-term employee salary and benefits	120,000	120,000
Share-based payments	20,190	45,500
	<b>140,190</b>	<b>165,500</b>

### 15. SUPPLEMENTAL CASH FLOW INFORMATION

The Corporation paid taxes and interest of \$nil (2014 - \$nil) in the year ended September 30, 2015.

Non-cash transactions were as follows;

- Issuance of 1,978,350 shares at a deemed price of \$0.20 per share in settlement of \$365,670 of loans and accrued interest, and \$30,000 of trade and other payables.
- Issuance of 800,000 shares for conversion of convertible debenture with an amortized cost of \$190,187.

### 16. INCOME TAXES

The actual income tax provision for 2015 and 2014 differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates of 25.5% (2014 – 25.0%) to the loss before income taxes as shown below:

	September 30, 2015	September 30, 2014
Computed income tax recovery	\$ (100,781)	\$ (174,535)
Changes resulted from:		
Tax effect on non-deductible amounts	7,217	14,702
Other	96,429	61,941
Change in statutory income tax rates	(174,791)	-
Change in deferred tax asset not being recognized	171,926	97,892
Closing balance	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2015	September 30, 2014
Deductible temporary differences	\$1,108,950	\$1,238,927
Non-capital losses carried forward	1,179,273	887,367
Closing balance	\$2,288,223	\$2,126,294

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefit.

As at September 30, 2015, the Corporation has Canadian federal and provincial non-capital losses carried forward of \$4,376,676 (September 30, 2014 - \$3,509,466). These Canadian losses expire between 2030 and 2035:

2030	\$7,724
2031	504,260
2032	1,320,335
2033	691,985
2034	985,162
2035	867,210

## 17. SUBSEQUENT EVENTS

On October 30, 2015, the Corporation entered into an agreement (“Amending Agreement”) with Sultan Minerals Inc. to amend the Option Agreement dated November 8, 2013, as previously amended between Sultan and the Corporation granting the Corporation an option to purchase 100% of the Jersey Emerald Property (see Note 6).

Pursuant to the Amending Agreement, the option payment of \$350,000 due March 15, 2016 And the Option payment of \$1,250,000 due on November 8, 2015 will become payable on December 31, 2015. All other terms of the Option Agreement remain unchanged.

In addition, the Corporation announced it will be proceeding with a non-brokered private placement financing for up to 1,250,000 units of the Corporation at a price of \$.20 per Unit. Each unit will consist of one common share of the Corporation and one half of one (0.5) Common Share purchase warrants. Each full warrant will be exercisable by the shareholder thereof at a price of \$0.30 per Warrant for a period of two years from the date of closing of the Offering. The Corporation expects to use the Proceeds of the Offering towards the Option payments and for general working capital purposes.

On November 9, 2015, the Corporation announced it had closed the first tranche of its previously announced non-brokered private placement financing of units of the Corporation at a price of \$0.20 per unit. An aggregate of 750,000 Units were issued on closing of the first tranche of the Offering with each Unit consisting of one common share of the Corporation and one half of one (0.5) Common Share purchase warrant of the Corporation. Each whole warrant will be exercisable by the holder thereof at a price of \$0.30 per Warrant for a period of two years from November 6, 2015.

Margaux expects to use the proceeds of the Offering towards the payments owing to Sultan Minerals Inc. pursuant to an option agreement dated November 13, 2013, as amended October 30, 2015, and for general working capital purposes. The Units issued in the first tranche of the Offering are subject to a four-month hold period under applicable securities laws, which hold period expires on March 7, 2016.

On December 2, 2015, the Corporation announced it had closed the final tranche of its previously announced non-brokered private placement financing of units of the Corporation at \$0.20 per Unit. 500,000 Units were issued on closing of the final tranche of the Offering, with each unit consisting of one common share of the Corporation and one half of one (0.5) Common share purchase warrant of the Corporation. Each whole Warrant will be exercisable by the holder thereof at a price of \$0.30 per Warrant for a period of two years from November 30, 2015. In aggregate, the Corporation has issued 1,250,000 Units under the Offering for a total proceeds of \$250,000.

The Corporation expects to use the proceeds of the Offering towards the payments owing to Sultan Minerals Inc. pursuant to an option agreement dated November 8, 2013, as amended October 30, 2015, and for general working capital purposes. The Units issued in the second tranche of the Offering are subject to a four-month hold period under applicable securities laws, which hold period expires on March 31, 2016.

In addition, the Corporation announced it had issued 100,000 stock options to the Corporation’s Chief Financial Officer in accordance with the Corporations shareholder approved stock option plan. The stock options are exercisable at \$0.20 per share, expire in five years and vest as to one-third immediately and one-third on each of the first and second anniversaries of the date of granting.

On December 30, 2015, the Corporation entered into an agreement (“Amending Agreement”) with Sultan Minerals Inc. to amend the Option Agreement dated November 8, 2013, as previously amended between Sultan and the Corporation granting the Corporation an option to purchase 100% of the Jersey Emerald Property (see Note 6).

Pursuant to the Amending Agreement, the option payment of \$1,600,000 due on December 31, 2015 will become payable on February 28, 2016, and requires that the Corporation announce possible financing arrangements to make the required payment no later than January 25, 2016. All other terms of the Option Agreement remain unchanged.