



**MARGAUX RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014**

## Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Margaux Resources Ltd. (formerly Carmen Energy Inc.) ("Margaux" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended December 31, 2015. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim financial statements of the Corporation for the three months ended December 31, 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The condensed interim financial statements for the three months ended December 31, 2015 have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Margaux common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The date of this MD&A is February 29, 2016.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from [www.sedar.com](http://www.sedar.com).

## Cautionary Note Regarding Forward-Looking Information

This document contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond Margaux's control. Forward looking information does not relate strictly to historical or current facts and can be identified by words such as "anticipate", "believe", "estimate", "expect", "forecast", "intend", "may", "project", "should", "will" or similar expressions. These statements represent management's reasonable projections, expectations and estimates as of the date of this document but undue reliance should not be placed upon them, as they are derived from many assumptions. Such assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A, which may cause actual performance and financial results to differ materially from any projections of future performance or results implied by such forward looking statements.

The forward looking information in the MD&A is subject to significant risks and uncertainties and is based on many factors and assumptions which may prove to be incorrect; including, but not limited to, the following:

- The Corporation has sufficient financial resources with which to conduct its capital program; and
- Whether or not the Corporation can obtain additional capital through equity or debt issuance.

The forward looking information represents management's views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. Management has attempted to identify important factors that could cause actual results to vary from those current expectations or estimates expressed or implied by the forward looking information. However, there may be other factors that cause actual results or performance to differ materially from current estimates and expectations. Other risks and uncertainties include, but are not limited to:

Normal risks common to the mining industry, including various operational risks in the implementation of exploration, development and production operations;

- Risks and uncertainties of mining economic geological reserves;

- Revisions or amendments to capital expenditure programs, including development and exploitation opportunities;
- The Corporation's ability to attract and retain qualified professional employees and consultants;
- Risks as to the availability and pricing of appropriate financing alternatives on acceptable terms; and
- Potential changes in government policies, rules, approval process changes, delays or enhancements, or income tax regulations.

The preparation of the condensed interim financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgment and decisions based on available geological, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Margaux's actual results, performance or achievements could differ materially from those expressed in, or implied in, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Margaux will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to Margaux or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and Margaux does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

#### **Description of Business and Overall Performance**

The Corporation was incorporated on August 5, 2009 pursuant to the *Business Corporations Act* (Alberta), on August 16, 2010 the Corporation amended its Articles to remove the private Corporation and share transfer restrictions and completed the process of applying for status as a Capital Pool Corporation as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4, on July 4, 2011.

On January 18, 2011, the Corporation completed its CPC IPO and its common shares commenced trading on the TSX Venture Exchange.

On June 28, 2011, the Corporation announced the closing of its qualifying transaction pursuant to the applicable policies of the TSX Venture Exchange.

From July 2011 to July 2013, the Corporation commenced and carried on active operations as an oil and gas exploration and production company primarily in the Hamburg, Sylvan Lake and Jumpbush areas of Alberta.

On July 22, 2013, the Corporation announced that it changed its name to Margaux Resources Ltd. The name change was approved by the shareholders of the Corporation at the annual and special meeting of the Corporation held on February 15, 2013. The Corporation now trades under its new name and new symbol of MRL.

On August 22, 2013, the Corporation announced the approval of the proposed consolidation of its issued and outstanding common shares on a basis of 10 pre-consolidated shares for each post-consolidation share at the special meeting of Shareholders held on August 22, 2013.

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

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On January 27, 2014, the Corporation announced that it has entered into an amendment (the Amendment) to its previously announced Option Agreement (See notes detailed on April 1, 2014.).

On March 12, 2014, the Corporation closed a non-brokered private placement. The Corporation issued 2,000,000 common shares in the capital of the Corporation to exempt buyers on a private placement basis at a price of \$0.15 per Common Share for aggregate proceeds of \$300,000.

On April 1, 2014, the Corporation announced that it satisfied the TSX Venture Exchange's conditions for approval of the Corporation's previously announced option agreement dated November 8, 2013 with Sultan Minerals Inc. in respect of the Jersey-Emerald Tungsten-Zinc Property, located in southeastern B.C. The company also announced that it filed a NI 43-101 compliant technical report in respect of the Property.

Under the terms of the Option Agreement, Margaux will have the exclusive option to acquire a 100% working interest in the Property by:

- 1) Making payments to Sultan of an aggregate \$4.0 million. Paid in several installments paid on or before November 8, 2016 as follows:
  - a. Initial deposits of \$200,000 paid previously;
  - b. Release of cash payment of \$300,000, previously held in trust pending receipt of TSX Venture Exchange approval for the transaction;
  - c. on or before the first anniversary of the Agreement Date, a cash payment of \$750,000;
  - d. on or before the second anniversary of the Agreement Date, a cash payment of \$1,250,000; and
  - e. on or before the third anniversary of the Agreement Date, a cash payment of \$1,500,000; and
- 2) incurring not less than \$2,000,000 in expenditures on the Property on or before the third anniversary of the Agreement Date.

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

Sultan 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.

On June 26, 2014, The Corporation announced that it commenced a non-brokered private placement offering to raise up to \$1,000,000 USD through the issuance of Convertible Debenture Units and \$1,000,000 CAD through the issuance of common shares issued on a flow through share basis of the Corporation.

Terms of the Offering are as follows:

- Treasury offering of units ("Units"), each Unit consisting of one (1) US\$1,000 par value Convertible Debenture of the Corporation (the "Debentures"), 2,000 warrants ("Warrants") to purchase common shares ("Warrant Shares") of the Corporation.
- Each Debenture will have a par value of US\$1,000, bear interest of 1% per annum payable annually on the anniversary of issuance, and will be convertible into common shares (the "Debenture Shares") of the Corporation at a price of CAD\$0.50 per Debenture Share at the option of the holder of the Debentures on the business day prior to the Maturity Date.

- The Corporation may, at its option, subject to providing not more than 60 and not less than 30 days' prior notice, convert the Debentures into Debenture Shares at their conversion price, in whole or, from time to time, in part, provided that the Market Price is 140% above the conversion price of the Debentures and Additional Debentures, respectively.
- The maximum size of the Debenture Offering is up to US\$1,000,000 of Units.
- The Debentures and Additional Debentures will mature five (5) years after the date of their respective issuance (the "Maturity Date").
- Each warrant will be exercisable into Warrant Shares at a price of CAD\$0.55 per Warrant Share for a period of five (5) years from the Closing Date.

Terms of the Flow-Through Share component of the Offering are as follows:

- Up to 2,000,000 Flow-Through Shares at a price of CAD\$0.50 per Flow-Through Share. The Corporation has agreed to pay a finder's fee of 6% in certain circumstances in connection with the flow-through share component of the Offering.

On July 15, 2014, the Corporation announced that it engaged the services of Frontier Merchant Capital Group for investor relations services. Frontier is an experienced and reputable investor relations group with a home office in Toronto, Canada. Frontier will assist the Corporation by increasing market awareness for the Corporation by utilizing a number of financial market communications initiatives, the core of which will be facilitating in-person introductions for Margaux with institutional and retail brokers and investors in a number of cities across Canada, the U.S., Europe and Australasia. Under the terms of the engagement, Frontier has been retained for a 12 month period at \$6,000 per month plus direct expenses.

On August 8, 2014, the Corporation announced that it closed the first tranche of its previously announced non-brokered private placement. The Corporation issued 750,000 common shares in the capital of the Corporation, issued on a flow through basis under the Income Tax Act to exempt buyers on a private placement basis at a price of \$0.50 per Common Share for aggregate proceeds of \$375,000. In addition, the Corporation amended the terms of its previously announced debenture unit offering. Subscribers for debenture units will no longer receive an additional subscription privilege to purchase additional debentures as previously announced. It is anticipated that certain subscribers for debentures units may be granted a pre-emptive right to participate in future financings of the Corporation.

On August 27, 2014, the Corporation announced that it closed a second tranche of its previously announced non-brokered private placement. The Corporation issued 440,000 common shares in the capital of the Corporation, issued on a flow through basis under the Income Tax Act to exempt buyers on a private placement basis at a price of \$0.50 per Flow-Through share for aggregate proceeds of \$220,000.

On September 5, 2014, the Corporation announced it had closed the final tranche of its previously announced non-brokered private placement. The Corporation issued 400,000 common shares in the capital of the Corporation, issued on a flow through basis under the Income Tax Act to exempt buyers on a private placement basis at a price of \$0.50 per Flow-Through share for aggregate proceeds of \$200,000. The Corporation paid a finder's fee in the amount of 6.0% on the proceeds of this tranche of the Flow-Through Share Private Placement.

In addition, the Corporation closed on USD \$365,000 of the convertible debenture unit portion of the private placement debenture unit consisting of USD \$1,000 principle amount of 1% convertible, redeemable debentures and 2,000 common share purchase warrants of the Corporation exercisable at a price of \$0.55 per share for a period of five years from the closing date.

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On October 8, 2014, the Corporation announced a drill rig was mobilized and drilling commenced on the Corporation's 2014 drilling program on its Jersey Emerald Tungsten-Zinc property, located in southeastern B.C. In addition, the Corporation announced the addition of Mr. Douglas Foster to the Board of Directors of the Corporation. The Corporation also announced the resignation of Mr. Gerald Facciani as Director of the Corporation.

On November 5, 2014, the Corporation announced the release of the initial results from its 2014 core drilling program at the Jersey Emerald Property. The program comprised of 5,740 metres in 32 drillholes. Drilling focused on the East Emerald Tungsten target.

Assay results returned for the 10 of the 32 holes drilled and the remaining core samples were received by the laboratory and underwent analysis. The composites for tungsten are presented in Table 1. Some highlights include:

- **0.23% tungsten over a drilled length of 8.65 m in E1402**
- **0.49% tungsten over a drilled length of 2.75 m in E1404**
- **0.50% tungsten over a drilled length of 4.50 m in E1409**
- **0.52% tungsten over a drilled length of 3.35 m in E1410**

*Note: The true widths on mineralization are likely less than the drilled lengths as presented.*

On November 6, 2014, the Corporation reported Drill hole E1411 was designed to continue testing the tungsten ("WO3") mineralized target, similar to holes E1401 through E1410. Hole E1411 intersected altered granitic rocks, with mineralization different from the skarn that hosts the majority of the tungsten property. The granitic rock contains significant bismuthinite, with associated gold.

The gold intercept continues to provide evidence that the property has the potential to host gold, similar to the Bismuth-Gold zone documented in the Corporation's 43-101 technical report dated March 15, 2014. The Corporation is encouraged by the results of this hole and while drill hole E1411, as a single stand-alone-hole, does not provide enough information to assess the size of this gold mineralization, it anticipates exploring this area in further detail in the future.

On November 10, 2014, the Corporation announced it had entered into an agreement with Sultan Minerals Inc to amend the Option Agreement dated November 8, 2013 between Sultan and the Corporation granting the Corporation an option to purchase 100% of the Jersey Emerald Property for payments totaling \$4 million according to terms set therein.

Pursuant to the Amending Agreement, the option payment of \$750,000 due November 8, 2014 was divided into two payments, of which the first payment of \$400,000 due on November 8, 2014 was received and a second payment of \$350,000 will be due on March 15, 2016. All other terms of the Option Agreement remain unchanged.

In addition, 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 mobilized a drill rig and commenced additional drilling to further evaluate results from the Corporation's completed 2014 drilling program on its Jersey Emerald Tungsten-Zinc property.

In addition, 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 December 2, 2014, the Corporation released results from holes E1412 through to E1423 from the Corporation's 2014 core drilling program at the Jersey-Emerald Tungsten-Zinc Property.

Drilling was continuing on the property, extending the program from the original drill program that comprised 5,740 meters in 32 holes. Drilling was focused on the East Emerald Tungsten target.

Highlights from holes E1412 to E1423 include:

- **0.59% WO<sub>3</sub> over a drilled length of 2.65 m in E1412**
- **0.22% WO<sub>3</sub> over a drilled length of 6.71 m in E1413**
- **0.35% WO<sub>3</sub> over a drilled length of 4.00 m in E1414**
- **0.33% WO<sub>3</sub> over a drilled length of 6.45 m in E1419 including 0.65 grams per tonne Au**
- **0.14% WO<sub>3</sub> over a drilled length of 1.40 m in E1422 including 1.32 grams per tonne Au**
- **0.27% WO<sub>3</sub> over a drilled length of 7.05 m in E1423**

On December 4, 2014, the Corporation announced that Mr. Anthony Moreau had been appointed as the Chief Financial Officer of the Corporation.

On December 15, 2014, the Corporation announced the results from holes E1424 through to E1432 of the Company's 2014 core drilling program at the Jersey-Emerald Tungsten-Zinc Property.

Drilling was completed, following a program extension that comprised an additional 579 meters in three holes that were designed to follow-up on the gold intercept from hold E1411. The original program focused on the East Emerald tungsten target included 5,740 metres of drilling in 32 holes.

Highlights from holes E1424 to 1432 include:

- **0.23% WO<sub>3</sub> over a drilled length of 11.8 m in E1424**
- **0.42% WO<sub>3</sub> over a drilled length of 1.50 m in E1425**
- **0.49% WO<sub>3</sub> over a drilled length of 2.15 m in E1427**
- **0.49% WO<sub>3</sub> over a drilled length of 2.15 m in E1429**
- **0.67% WO<sub>3</sub> over a drilled length of 0.50 m in E1430 with 0.45 g/t Au**
- **0.22% WO<sub>3</sub> over a drilled length of 1.20 m in E1432 with 2.18 g/t Au**
- **1.14% WO<sub>3</sub> over a drilled length of 2.00 m in E1432 with 1.56 g/t Au**

On January 15, 2015, the Corporation released the results from holes E1433 through to E1435, the final holes drilled during the Corporation's 2014 program at the Jersey-Emerald Tungsten-Zinc Property.

The Corporation completed 578.8 metres ("m") of drilling in three drill holes as a follow-up to the significant gold intercept in bismuthinite-bearing granite in hold E1411. Gold values returned from E1411 averaged 24.98 grams per tonne ("g/t") over 10.20 m from 116.8 to 127 m depth including 1.7 m of 63.71 g/t gold.

A value of 68.3 g/t gold was returned from a 0.65 m wide sample of granite-skarn breccia in hold E1433 that may correlate with the gold-bearing structure of E1411. A more prominent granite dyke, similar to that in E1411, returned 3.43 g/t gold over 1 m.

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Gold intercepts such as these continue to provide evidence that the property has the potential to host gold zones within or adjacent to tungsten bearing zones. The recent drilling did not conclusively extend or limit the gold mineralization intercepted in E1411. Further work is required to determine the orientation and extent of this elevated-grade gold target.

On March 2, 2015, the Corporation released the results of an updated resource estimate for tungsten on the Corporation's Jersey-Emerald property, located near Salmo, British Columbia.

The global tungsten ( $\text{WO}_3$ ) resource for the Property has increased 6% in the measured plus indicated (M+I) category, and 84% in the inferred category.

The new tungsten resource estimate for the Property, using a 0.15%  $\text{WO}_3$  cut-off grade, yields a total M+I resource of 3.071 million tons (Mt) averaging 0.341%  $\text{WO}_3$ , and an inferred resource of 5,480 MT averaging 0.273%  $\text{WO}_3$ .

On March 11, 2015, the Corporation reported it had reached an agreement with Sultan Minerals Inc. to amend the option agreement dated November 8, 2013 granting the Corporation an option to purchase 100% of the Jersey-Emerald Property for payments totaling \$4 million.

Pursuant to the Amending Agreement, the deadline for the payment of the option payment of \$350,000 due March 15, 2015 which represents the second installment of the original option payment of \$750,000 due November 8, 2014 has been extended to July 31, 2015. The first installment of \$400,000 was paid on schedule on November 8, 2014. All other terms of the Option Agreement remain unchanged.

On May 8, 2015, the Corporation received notice from the holder of the September 5, 2014 unsecured convertible debenture to indicated interest 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.

On July 2, 2015, the Corporation announced that its previous announced shares for debts application was 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 the issuance of shares pursuant to the shares for debt application, the debts owing to such creditors, in the amount of \$395,670 were fully extinguished.

The shares issued pursuant to this transaction will be subject to a hold period of 4 months and one day from the date of issuance.

On July 22, 2015, 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 has borrowed \$50,000 from Mr. Rice. The loan is repayable on October 31, 2015 and bears interest at 6.0% per annum. The Corporation will use the proceeds of the loan for working capital purposes.



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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.

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.

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.

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. 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

Pursuant to the Amending Agreement, aggregate option payments in the amount of \$1,600,000 due on December 31, 2015 will become payable on February 28, 2016. Additionally, the Amending Agreement requires that the Corporation announce possible financing arrangements in order to make the Option Payments by not later than January 25, 2016. All other terms of the Option Agreement remain unchanged.

### **Subsequent Events**

On February 16, 2016, the Corporation entered into an agreement with Sultan Minerals Inc. to amend the option agreement dated November 8, 2013 between Sultan and Margaux, as amended on each of January 22, 2014, October 26, 2015 and December 30, 2015, granting the Corporation to purchase 100% of the Jersey Emerald Property for payments totalling approximately \$4 million according to the terms set forth therein.

Pursuant to the Amending Agreement, aggregate option payments in the amount of \$1,600,000 due February 28, 2016 will be deferred and payable March 31, 2016 and an additional \$10,000 will be payable on February 22, 2016. Additionally, the Amending Agreement requires that the Corporation announce possible financing arrangements in order to make the remaining Option Payments by not later than March 31, 2016. All other terms of the Option Agreement remain unchanged.

In addition, the Corporation is pleased to announce that it has entered into a letter of intent ("LOI") with an international mining company to further develop the Corporation's Jersey Emerald Property. The LOI provides for two phases: 1) an initial feasibility/testing stage and 2) upon successful completion of phase 1, implementation of a full feasibility study for the commencement of full mining operations.

In connection with the LOI, the Corporation has entered into a finder's fee agreement with Christie Environmental Inc. which provides for a fee payable on any measurable benefits received by the Corporation from the Partner in association with securing a definitive agreement between the companies. The finder's fee will be comprised of a cash payment of 0.5% of the measurable benefit received by the Corporation and the issuance of 5% common share purchase warrants exercisable at a deemed price of \$0.20 per share for a period of five years from the date of issuance. The payment of the finder's fee is subject to acceptance by the TSX Venture Exchange.

### **Financial Instruments, Liquidity and Capital Resources**

The Corporation's financial instruments, consisting of cash, trade receivables, trade payables and loans, approximate fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at December 31, 2015, the Corporation has trade and other payables of \$261,164 due within 12 months and has cash of \$10,177.

In order to satisfy its existing liabilities and maintain further operations, The Corporation will require additional financing in order to fund its commitments, payables and debts and to carry out its ongoing drill program at its Jersey-Emerald Tungsten-Zinc Property. The Corporation will require \$3 million (CAD) to fully fund through 2016. Failure to obtain such financing on a timely basis could cause The Corporation to forfeit its interest in the Jersey-Emerald Tungsten-Zinc property, to miss certain acquisition opportunities and/or terminate its operations.

The Corporation includes equity, comprised of share capital including warrants, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions and to maintain the development

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program for the assets acquired pursuant to the Qualifying Transaction and the Jersey Emerald Property. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity, by securing strategic partners or assuming debt. During the three months ended December 31, 2015, the Corporation implemented several cost saving initiatives which include but are not limited to reduced management salaries and lower office rent expense.

**Off-Balance Sheet Arrangements**

The Corporation has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Corporation or engages in leasing or hedging services with the Corporation.

**Selected Quarterly Information**

The following selected financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Corporation's yearly and unaudited condensed interim financial statements. All dollar amounts are in Canadian dollars. Prior to the quarter ended December 31, 2011, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles. Note 18 of the financial statements for the year ended September 30, 2012 explains the impact of adopting IFRS on the Corporation's financial statements.

Fiscal Quarter Ended	Oil & Natural		Average Sales Price				Capital Expenditures
	Gas sales	Oil (bbls)	Gas (mcf)	BOE	Oil (\$/bbl)	Gas (\$/mcf)	
December 31, 2015	-	-	-	-	-	-	-
September 30, 2015	-	-	-	-	-	-	-
June 30, 2015	-	-	-	-	-	-	-
March 31, 2015	-	-	-	-	-	-	-
December 31, 2014	\$ 203	-	-	-	-	-	\$ 799,962
September 30, 2014	\$11,443	-	-	-	-	-	\$ 336,806
June 30, 2014	\$24,162	297	666	408	\$73.45	\$3.52	\$ 9,253
March 31, 2014	\$14,134	153	1,074	332	\$84.39	\$3.52	\$ 521,996
December 31, 2013	\$19,942	234	810	369	\$73.75	\$3.27	\$ -
September 30, 2013	\$10,336	145	668	187	\$53.12	\$3.94	\$ -
June 30, 2013	\$25,993	181	714	300	\$90.45	\$2.69	\$ -
March 31, 2013	\$29,277	307	2,283	687	\$77.46	\$2.41	\$ -
December 31, 2012	\$251,521	3,578	8,050	4,161	\$63.27	\$3.12	\$ 19,616
September 30, 2012	\$249,516	3,276	8,767	4,737	\$80.52	\$2.30	\$ 4,484
June 30, 2012	\$215,981	2,988	7,927	4,309	\$66.77	\$2.08	\$ 160,452
March 31, 2012	\$99,432	1,111	1,496	1,360	\$83.25	\$3.23	\$ 2,409,956
December 31, 2011	\$58,788	487	1,672	765	\$91.88	\$3.71	\$ 1,895,786

Fiscal Quarter Ended	Interest Income	Net loss	Basic & Diluted loss/Share
December 31, 2015	\$ -	\$ 178,615	\$ 0.01
September 30, 2015	\$ -	\$ 395,153	\$ 0.02
June 30, 2015	\$ -	\$ 153,221	\$ 0.01
March 31, 2015	\$ -	\$ 165,160	\$ 0.01
December 31, 2014	\$ -	\$ 147,140	\$ 0.01
September 30, 2014	\$ -	\$ 220,503	\$ 0.05
June 30, 2014	\$ -	\$ 123,704	\$ 0.01

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March 31, 2014	\$ -	\$ 189,805	\$ 0.01
December 31, 2013	\$ -	\$ 164,128	\$ 0.01
September 30, 2013	\$ -	\$ 142,674	\$ 0.14
June 30, 2013	\$ -	\$ 445,451	\$ 0.01
March 31, 2013	\$ -	\$ 250,848	\$ 0.01
December 31, 2012	\$ -	\$ 171,619	\$ 0.00
September 30, 2012	\$ -	\$ 881,951	\$ 0.01
June 30, 2012	\$ -	\$ 1,334,896	\$ 0.04
March 31, 2012	\$ 2,181	\$ 2,084,643	\$ 0.06
December 31, 2011	\$ 2,091	\$ 1,465,121	\$ 0.05

### Summary of Quarterly Results

For the quarter ended June 30, 2013, the Corporation had interest income of \$nil and a loss from operations of \$445,451 which was primarily the result of a \$155,077 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$56,664 of stock-based compensation. Additionally, the Corporation incurred an impairment of exploration and evaluation assets of \$251,938 during the quarter ended June 30, 2013 as a result of the Jumpbush lands in Alberta expiring.

For the quarter ended September 30, 2013, the Corporation had interest income of \$nil and a loss from operations of \$142,672 which was primarily the result of a \$108,342 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$82,475 for operating and production. Additionally, the Corporation incurred an impairment of exploration and evaluation assets of \$26,463 during the quarter ended September 30, 2013.

For the quarter ended December 31, 2013, the Corporation had interest income of \$nil and a loss from operations of \$164,128 which was primarily the result of a \$155,957 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$17,850 for operating and production.

For the quarter ended March 31, 2014, the Corporation had interest income of \$nil and a loss from operations of \$189,804 which was primarily the result of a \$282,951 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$51,615 for operating and production.

For the quarter ended June 30, 2014, the Corporation had interest income of \$nil and a loss from operations of \$123,704 which was primarily the result of \$367,090 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$108,204 for operating and production.

For the quarter ended September 30, 2014, the Corporation had interest income of \$nil and a loss from operations of \$220,503 which was primarily the result of \$163,185 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$60,760 for operating and production.

For the quarter ended December 31, 2014, the Corporation had interest income of \$nil and a loss from operations of \$147,140 which was primarily the result of \$96,435 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$90,202 for operating and production.

For the quarter ended March 31, 2015, the Corporation had interest income of \$nil and a loss from operations of \$165,160 which was primarily the result of \$132,000 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$9,319 for operating and production.

For the quarter ended June 30, 2015, the Corporation had interest income of \$nil and a loss from operations of \$153,221 which was primarily the result of \$122,711 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$21,296 for operating and production.

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For the quarter ended September 30, 2015, the Corporation had interest income of \$nil and income from operations of \$70,368 which was primarily the result of \$54,709 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$9,376 for operating and production.

For the quarter ended December 31, 2015, the Corporation had interest income of \$nil and a loss from operations of \$178,615 which was primarily the result of \$172,003 expense for General and Administrative expenses which included salaries, professional fees and office rent, among other items and \$2,329 for operating and production.

**Selected Annual Information**

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Corporation's unaudited condensed interim financial statements. All dollar amounts are in Canadian dollars. Prior to the quarter ended December 31, 2011, the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles. Note 18 of the financial statements for the year ended September 30, 2012 explains the impact of adopting IFRS on the Corporation's financial statements.

Fiscal year Ended	Net sales	Loss from Operations	Net Loss	Total Assets	Long-term Financial liabilities	Cash Dividends
September 30, 2015	\$ 203	\$ 564,111	\$ 395,153	\$1,766,164	\$ -	\$ -
September 30, 2014	\$ 69,681	\$ 735,199	\$ 698,140	\$1,826,067	\$ 314,535	\$ -
September 30, 2013	\$317,127	\$1,010,592	\$1,010,592	\$ 127,851	\$ 126,974	\$ -
September 30, 2012	\$623,717	\$5,766,621	\$5,766,621	\$1,310,917	\$ 771,437	\$ -

For the year ending September 30, 2012, the Corporation had net sales of \$623,717 which was an increase from the prior year that was primarily attributable to the revenues generated by the addition of the Viking-Kinsella, Alberta area well. The Corporation incurred losses from operations and a net loss of \$5,766,621 primarily due to general and administrative expenses and impairments recognized on unsuccessful drilling activities. The Corporation had assets of \$1,310,917 which primarily consisted of cash and oil and gas producing wells and liabilities of \$771,437 which were primarily due to trade and other payables and the note payable.

For the year ending September 30, 2013, the Corporation had net sales of \$317,127 which was a decrease from the prior year that was primarily attributable the disposition of the Viking-Kinsella, Alberta area well midway through the year. The Corporation incurred losses from operations and a net loss of \$1,010,592 primarily due to general and administrative expenses and impairments recognized on unsuccessful drilling activities. The Corporation had assets of \$127,851 which primarily consisted of cash, trade receivables and an oil and gas producing well and liabilities of \$126,974 which were primarily due to trade and other payables.

For the year ending September 30, 2014, the Corporation had net sales of \$69,681 which was a decrease from the prior year that was primarily attributable the disposition of the Viking-Kinsella, Alberta area well midway through the year. The Corporation incurred losses from operations and a net loss of \$698,140 primarily due to general and administrative expenses and impairments recognized on unsuccessful drilling activities. The Corporation had assets of \$1,826,067 which primarily consisted of cash, trade receivables and an option in the Jersey-Emerald Tungsten-Zinc Property and liabilities of \$620,095 which were primarily due to trade and other payables and the convertible debenture.

For the year ending September 30, 2015, the Corporation had net sales of \$203 which was a decrease from the prior year that was primarily attributable to the disposition of the Viking-Kinsella, Alberta area well. The Corporation incurred losses from operations and a net loss of \$395,153 primarily due to general and administrative expenses and impairments recognized on unsuccessful drilling activities. The Corporation had assets of \$1,766,164 which primarily consisted of cash, trade receivables and an option in the Jersey-Emerald Tungsten-Zinc Property and liabilities of \$348,585 which were primarily due to trade and other payables and the convertible debenture.

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<b>Results of Operations for the three months ended December 31, 2015,</b>		
	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Revenues</b>		
Petroleum and natural gas sales	-	203
	-	203
<b>Expenses</b>		
Operating and production	<b>2,329</b>	90,202
General and administrative	<b>172,003</b>	96,435
Share-based payments	<b>3,135</b>	9,06
Depreciation and depletion	<b>1,148</b>	1,723
Foreign exchange gain/loss	-	18
<b>Total expenses</b>	<b>178,615</b>	197,784
<b>Loss before other items</b>	<b>(178,615)</b>	(197,784)
Flow through share premium	-	50,441
<b>Net loss before tax</b>	<b>(178,615)</b>	(147,140)
Net loss and comprehensive loss attributable to shareholders	<b>(178,615)</b>	(147,140)
Basic and diluted loss per common share	<b>(0.01)</b>	(0.01)

For the three months ended December 31, 2015, the Corporation reported a loss of \$178,615 (2014 - \$147,140). The Corporation had operating expenses as well as general and administrative expenses and expenses relating to mining exploration.

*Oil and Gas Revenue*

Margaux's net revenue for the three months ended December 31, 2015 was \$nil (2014 - \$203). The decrease in revenue is primarily due to the sale of the Viking-Kinsella well and the shut-down of the well in the Jumpbush area of Alberta.

During the year ended September 30, 2011, the Corporation acquired a 37.5% interest in a producing well in the Jumpbush area of Southern Alberta. Additionally, during the three months and period ended December 31, 2011, Margaux added production from the Viking-Kinsella farm-in well.

On May 6, 2013 the Corporation closed the previously announced purchase and sale agreement to sell the Corporation's non-operated working interest in certain oil and gas assets in the Viking-Kinsella area of Alberta to a director and officer of the Corporation. Completion of the transaction was conditional upon receipt of approval from the Corporation's independent board and shareholders which was obtained during the year ended September 30, 2013. The transaction resulted in a loss on disposal of assets of \$137,779.

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*Operating and production*

The Corporation incurred operating and production costs of \$2,329 for the three months ended December 31, 2015 (2014 – \$90,202). The decrease for the three months ended December 31, 2015 is a result of decreased drilling activity at the Corporation's Jersey-Emerald Tungsten-Zinc Property.

*Total expenses*

Total expenses for the three months ended December 31, 2015 were \$178,615 (2014 –\$197,784). The decrease for the three months ended December 31, 2015 is a result of decreased general and administrative expenses and decreased operating and production expenses.

**PROPERTY AND EQUIPMENT**

	<b>Petroleum and natural gas assets \$</b>	<b>Computer equipment \$</b>	<b>Total \$</b>
<b>Cost</b>			
<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>Balance as at December 31, 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, 2014</b>	<b>272,399</b>	<b>11,357</b>	<b>283,756</b>
Charge for the year	-	7,777	7,777
<b>Balance as at September 30, 2015</b>	<b>272,399</b>	<b>19,134</b>	<b>291,533</b>
Charge for the period	-	1,148	1,148
<b>Balance as at December 31, 2015</b>	<b>272,399</b>	<b>20,282</b>	<b>292,681</b>
<b>Net book value</b>			
September 30, 2015	-	<b>13,015</b>	<b>13,015</b>
<b>December 31, 2015</b>	<b>-</b>	<b>11,867</b>	<b>11,867</b>

During the three months ended December 31, 2015, the Corporation capitalized \$nil (September 30, 2015 - \$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.

**EXPLORATION AND EVALUATION ASSETS**

	\$
Balance as at October 1, 2014	836,806
Acquisition costs	
Exploration	865,668
Balance as at September 30, 2015	<b>1,702,474</b>
Balance as at December 31, 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 three months ended December 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, November 5, 2014, March 11, 2015, October 30, 2015, and December 30, 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, 2014, a cash payment of \$400,000 (paid);
- d) on or before February 28, 2016, 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 ended September 30, 2015, the Corporation paid on an advance royalty payment of \$50,000. During the three months ended December 31, 2015, and 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 Corporations shares at the election date



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The Corporation incurred \$nil of E&E on the Property during the three months ended December 31, 2015 (2014 - \$863,156) relating to exploration drilling activity.

**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 December 31, 2015 was \$nil (September 30, 2015 - \$nil). The estimated costs have been discounted at a risk free rate of 1.13% and an inflation rate of 2% has been 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:

	<b>December 31, 2015</b>	<b>September 30, 2015</b>
	\$	\$
Balance, beginning of year	-	<b>27,589</b>
Liabilities disposed	-	(27,589)
<b>Balance, end of period</b>	-	-
	-	-

**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 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 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 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%

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- 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 months ended December 31, 2015 the Corporation has determined measurement uncertainty to not be significant.

**Loan**

	<b>December 31, 2015</b>	<b>September 30, 2015</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 bears 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 bears 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 announced it had 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 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 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.

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**Related Party Transactions**

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

As at December 31, 2015, the Corporation had an amount of \$97,873 due to directors and officers included in trade and other payables.

There were no other amounts owing to or from the Corporation involving any related parties at December 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:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	\$	\$
Short-term employee salary and benefits	<b>30,000</b>	30,000
Share-based payments	<b>3,135</b>	9,406
<b>Total</b>	<b>33,135</b>	39,406

**Outstanding Share Data**

**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.

<b>Issued</b>	<b>December 31, 2015</b>		<b>September 30, 2015</b>	
	<b>Common Shares</b>	<b>Amount</b>	<b>Common Shares</b>	<b>Amount</b>
Opening balance	21,021,255	\$5,540,199	18,242,905	\$4,954,342
Shares issued	1,250,000	250,000	-	-
(a)(b)(c)(d)(e)(h)				
Shares Exercised (f)(g)	-	-	2,778,350	585,857
Share issue costs	-	-	-	(13,200)
<b>Closing Balance</b>	<b>22,271,255</b>	<b>\$5,245,583</b>	<b>21,021,255</b>	<b>\$5,540,199</b>
<b>Warrants</b>				
Opening balance	730,000	108,779	730,000	108,779
<b>Closing balance</b>	730,000	108,779	730,000	108,779
<b>Total Share Capital</b>	-	<b>\$5,898,978</b>	-	<b>\$5,648,978</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 its 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 Company'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.

(h) On November 9, 2015, the Corporation announced that it completed a non-brokered private placement for \$250,000 at a price of \$0.20 per Common Share issued or 1,250,000 Common Shares.

#### **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 December 31, 2015.

#### **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 December 31, 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 December 31, 2015. Amortization is reflected as other income in the statement of comprehensive loss.

#### **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

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**For the three months ended December 31, 2015 and 2014**

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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>
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%

Share-based payments expense of \$3,135 for the three months ended December 31, 2015 (September 30, 2015 – \$20,903) 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
Granted (c)	100,000	\$0.20
Exercisable as at December 31, 2015	33,333	\$0.20
Outstanding at December 31, 2015	1,175,000	\$0.11

(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.

(c) On December 2, 2015, the Corporation issued 100,000 stock options to the Corporation's Chief Financial Officer in accordance with the Corporation's shareholder approved stock option plan. The options are exercisable at \$0.20 per share, expire in five years and vest as to one-third immediately and one-third on the first and second anniversaries on the grant date.

### Contributed Surplus

<b>Description</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Opening balance	\$ 4,407,378	\$ 4,386,475
Share-based payments	3,135	20,903
Closing balance	\$ 4,410,513	\$ 4,407,378

### Disclosure controls and internal controls over financial reporting

The management of the Corporation is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for the design and evaluation of internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the condensed interim financial statements for the three months ended December 31, 2015.

The management of the Corporation has filed the Venture Issuer Basic Certificate with the filings for the three months ended December 31, 2015 on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed interim financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

### Critical accounting policies and estimates

The preparation of the condensed interim financial statements is in conformity with IFRS. Preparing the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Note 3 of the Corporation's December 31, 2015 unaudited condensed interim financial statements provide greater detail regarding all of the significant accounting policies.

### **Future accounting standards**

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" as the initial phase of replacing IAS 39, "Financial Instruments: Recognition and Measurement". The standard revises and limits the classification and measurement models available for financial assets and liabilities to amortized cost or fair value. Previously multiple models were available. The 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, 2017.

### **Business Risks and Uncertainties**

The Corporation's production and exploration activities are concentrated in Western Canada where activity is highly competitive and includes companies ranging from smaller junior producers to the much larger integrated petroleum and mining companies. The Corporation is subject to various types of business risks and uncertainties, including:

- Finding and developing oil and natural gas reserves at economic costs
- Finding and developing mineral reserves at economic costs
- Production of oil and natural gas in commercial quantities
- Production of minerals in commercial quantities
- Marketability of oil and natural gas produced
- Marketability of minerals produced
- Substantial capital requirements and access to capital markets
- Environmental risks
- Insurance
- Reliance on operators and key employees
- Third party credit risk
- Changes in legislation and incentive programs

In order to reduce exploration risk, the Corporation strives to employ highly qualified and motivated professional employees with a demonstrated ability to generate quality proprietary geological and geophysical prospects. To help maximize drilling success, the Corporation combines exploration in areas that afford multi-zone prospect potential, targeting a range of low to moderate risk prospects with some exposure to select high risk, high reward opportunities.

The Corporation mitigates its risk related to producing hydrocarbons and minerals through the utilization of the most appropriate technology and information systems. In addition, the Corporation seeks to maintain operational control of the majority of its prospects.

Mining can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. In order to mitigate such risk, the Corporation conducts its operations at high standards and follows safety procedures intended to reduce the potential for personal injury to employees, contractors and the public at large.

The Corporation is exposed to financing risks such as not being able to raise sufficient funds to meet the required option payments. To mitigate this risk, the Corporation has intermediaries with valuable commercial relationships actively searching for ways to raise funds. The Corporation intends to raise the required funds through issuance of equity by securing strategic partners or assuming debt.

## **Outlook**

For the next 24 months, the Corporation intends to continue to obtain sufficient cash to develop the Jersey-Emerald Property acquired pursuant to the Option to Purchase Agreement with Sultan Minerals Inc. and evaluate additional direct or indirect acquisitions of assets. The Corporation intends to obtain the required funds and will attempt to raise additional funds through the issuance of equity, by securing strategic partners or assuming debt. The Corporation continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

## **Directors and Officers**

H. Tyler Rice, CEO, President, and Director  
James Letwin, Director and Chairman  
Doug Foster, Director  
Robert Derkitt, Director  
Edward Lawrence, Director