CMX GOLD & SILVER CORP.

REVISED INTERIM FINANCIAL STATEMENTS

SIX MONTH PERIODS ENDED JUNE 30, 2011 AND 2010

(Unaudited – Prepared by Management)

The attached interim financial statements have not been reviewed by the Company's auditors.

CMX GOLD & SILVER CORP.
REVISED INTERIM STATEMENT OF FINANCIAL POSITION
Unaudited – Prepared by Management

AS AT	June 30, 2011	December 31, 2010 (note 19)	January 1, 2010 (note 19)
ASSETS			
CURRENT			
Cash and cash equivalents	$ 30,964	$ 13,777	$ 36,118
Trade and other receivables	15,456	11,627	58,324
Prepaid expenses	15,000	4,667	--
	61,420	30,071	94,442
DEPOSIT (note 5)	--	--	125,000
EXPLORATION AND EVALUATION (note 6)	516,515	516,515	--
	$ 577,935	$ 546,586	$ 219,442
LIABILITIES			
CURRENT			
Trade and other payables	$ 127,117	$ 261,110	$ 182,055
Due to shareholders (note 7)	52,172	53,064	--
Dividends payable (note 8)	143,560	143,560	143,560
	322,849	457,734	325,615
WARRANT LIABILITY (note 9)	85,780	--	--
	408,629	457,734	325,615
SHAREHOLDERS' EQUITY (DEFICIENCY)			
SHARE CAPITAL (note 10)	3,152,319	2,661,047	2,171,916
WARRANTS (note 12)	182,155	112,250	97,531
DEFICIT	(3,165,168)	(2,684,445)	(2,375,620)
	169,306	88,852	(106,173)
	$ 577,935	$ 546,586	$ 219,442

Going concern (note 1)
Subsequent events (note 17)

Approved on behalf of the Board

Bruce Murray *("Signed")*

Jan Alston *("Signed")*

The accompanying notes are an integral part of these financial statements

CMX GOLD & SILVER CORP.
REVISED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Unaudited – Prepared by Management

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
EXPENSES				
Exploration and evaluation (note 6)	$ 252,547	$ --	$ 272,016	$ --
Management fees (note 7)	49,687	--	76,500	--
Professional fees	25,181	9,500	55,933	14,113
General and administrative	27,347	6,864	37,082	14,573
Listing and agent fees	22,682	4,131	27,477	6,453
Shareholder reporting	533	965	15,241	1,598
Interest and bank charges	304	36	397	57
Change in fair value of warrant liability (note 9)	(468)	--	(2,571)	--
LOSS BEFORE THE FOLLOWING ITEMS	(377,813)	(21,496)	(482,075)	(36,794)
OTHER ITEMS				
Gain (loss) on foreign exchange	(193)	70	1,352	(1,350)
NET LOSS AND COMPREHENSIVE LOSS	$ (378,006)	$ (21,426)	$ (480,723)	$ (38,144)
BASIC LOSS AND DILUTED LOSS PER SHARE	$ (0.018)	$ (0.004)	$ (0.026)	$ (0.005)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	21,227,878	5,873,254	18,531,348	8,359,442

The accompanying notes are an integral part of these financial statements

CMX GOLD & SILVER CORP.
REVISED INTERIM STATEMENTS OF CHANGES IN EQUITY
Unaudited – Prepared by Management

	Issued share capital #		**$**		**Warrants**		**Deficit**		**Total**
Balance, January 1, 2010	8,373,254	$	2,171,916	$	97,531	$	(2,375,620)	$	(106,173)
Cancellation of shares	(2,500,000)		(76,235)		(48,765)		--		(125,000)
Loss for the period	--		--		--		(38,144)		(38,144)
Balance, June 30, 2010	5,873,254	$	2,095,681	$	48,766	$	(2,413,764)	$	(269,317)
Balance, January 1, 2011	14,523,254	$	2,661,047	$	112,250	$	(2,684,445)	$	88,852
Shares for debt	2,091,740		76,643		27,076		--		103,719
Private placements issued for cash	3,340,000		122,419		42,829		--		165,248
Payment of Clayton finder's fee	897,280		45,210		--		--		45,210
Issued for Marietta option	2,500,000		247,000		--		--		247,000
Loss for the period	--		--		--		(480,723)		(480,723)
Balance June 30, 2011	23,352,274	$	3,152,319	$	182,155	$	(3,165,168)	$	169,306

The accompanying notes are an integral part of these financial statements

CMX GOLD & SILVER CORP.
REVISED INTERIM STATEMENTS OF CASH FLOWS
Unaudited – Prepared by Management

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss	$ (378,006)	$ (21,426)	$ (480,723)	$ (38,144)
Items not affecting cash				
Shares issued for exploration and evaluation	247,000	--	247,000	--
Management fees	49,688	--	49,688	--
Change in fair value of warrant liability	(468)	--	(2,571)	--
	(81,786)	(21,426)	(186,607)	(38,144)
Changes in non-cash working capital items (note 13)	(34,856)	31,071	38,545	34,729
	(116,642)	9,645	(148,061)	(3,415)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of share capital and warrants	138,248	--	165,248	--
	138,248	--	165,248	--
CHANGE IN CASH AND CASH EQUIVALENTS	21,606	9,645	17,187	(3,415)
CASH AND CASH EQUIVALENTS, beginning of period	9,358	23,058	13,777	36,118
CASH AND CASH EQUIVALENTS, end of period	$ 30,964	$ 32,703	30,964	$ 32,703

The accompanying notes are an integral part of these financial statements

CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 and changed its name from Encee Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name to CMX Gold & Silver Corp. on February 11, 2011. The Company is designated as a "reporting issuer" pursuant to the Alberta Securities Act and Regulations but is not listed on a public stock exchange. The Company is an exploration stage company engaged in the acquisition, exploration and development of silver and copper properties in the United States. The registered office of the Company is as follows:

CMX Gold & Silver Corp.
c/o Macleod Dixon LLP
3700, 400 Third Avenue SW
Calgary, Alberta
Canada T2P 4H2

The revised interim financial statements were authorized by the Board of Directors on December 1, 2011.

1. GOING CONCERN

The business of exploring resource properties involves a high degree of risk and, therefore, there is no assurance that current exploration programs will result in profitable operations. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenue from its mineral properties and, therefore, does not generate cash flow from its operations. Future operations are dependent upon the discovery of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete exploration and subsequent development of its properties, and upon future profitable production or proceeds from disposition of its properties.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards applicable to a going concern which assumes that the Company will realize the carrying value of its assets and discharge its obligations as they become due in the normal course of operations. For the nine month period ended June 30, 2011, the Company incurred a net loss of $480,723 (2010 - $38,144). As a result of the recurring losses over the Company's history, the Company has a deficit of $3,165,168 as at June 30, 2011 (December 31, 2010 - $2,684,445). At June 30, 2011, the Company had a working capital deficiency of $261,429 (December 31, 2010 - $427,663). The Company currently does not have the necessary financing in place to support continuing losses. Historically, the Company has financed its operations and property acquisitions through the use of funds obtained from share issuances. These matters raise significant doubt about the appropriateness of the use of accounting principles applicable to a going concern.

The Company's continuation as a going concern is dependent upon its ability to secure new financing arrangements and new equity issuances. There is no assurance that new capital will be available and if it is not, the Company may be forced to substantially curtail or cease operations. Although the use of the going concern assumption is appropriate, there can be no assurance that any steps the Company takes will be successful. To mitigate the working capital deficiency the Company plans to raise capital through equity issuance (see note 17).

These financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the Statement of Financial Position classifications that might be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

The Canadian Institute of Chartered Accountants Handbook was revised in 2010 to incorporate the International Financial Reporting Standards ("IFRS") and required publicly accountable enterprises to apply such standards effective for the years beginning on or after January 1, 2011. The Company has continued reporting on this basis in these interim financial statements.

These are the Company's first IFRS interim financial statements for the second quarter of the period covered by IFRS and have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-Time Adoption of International Financial Reporting Standard. These interim financial statements do not include all of the necessary annual disclosures in accordance with IFRS. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS 1, which also highlights the changes from the Company's 2010 annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements under IFRS, as the reader will be able to rely on the annual financial statements, which will be prepared in accordance with IFRS. Due to the early stage nature of the Company no transition elections were taken (see note 19).

The Company has consistently applied the same accounting policies in our opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if the policies had always been in effect. The impact due to the transition from Canadian GAAP to IFRS on our reported financial position, operating loss and comprehensive loss, cash flows and change in equity including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended December 31, 2010 was limited to changes in presentation format. The application of IFRS 1, which governs the first-time adoption of IFRS, did not effect our financial statements as of the transition date of January 1, 2010.

The policies applied in these interim financial statements are presented herein in Note 4 and are based on IFRS issued and effective as of 2011. Any subsequent changes to IFRS that are required to be adopted in our annual financial statements for the year ended December 31, 2011 could result in restatements of these interim financial statements.

Basis of measurement

These interim financial statements have been prepared on a historical cost basis, except for derivative instruments which are measured at fair value.

Functional and presentation currency

The functional currency of the Company is Canadian dollars, and all amounts are presented in Canadian dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements as future confirming events occur.

Amounts recorded for warrant valuations are based on management's estimates of share price volatility and the expected life of the options or warrants. Allowances for doubtful accounts are based on management's estimates and the estimated recoverability of accounts receivable in the future.

By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS, continued

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

Management's judgment is that until a property reaches the development stage, costs related to the exploration and evaluation of a property are best estimated to be non-recoverable and are therefore expensed in the period in which they occur. Only real property is capitalized to the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

Cash and cash equivalents

The Company's cash and cash equivalents consists of balances with financial institutions with maturities of three months or less at the date of purchase.

Exploration and evaluation of properties

Prospecting costs incurred prior to obtaining the rights to explore lands are expensed as incurred.

Costs of acquisition and exploration of mineral properties are expensed in the year in which they occur.

Land purchases and development costs will be capitalized on a property specific cash generating unit ("cgu") basis. Upon development of a cgu, the related costs subject to an impairment test, will be transferred from exploration and evaluation to development and producing. Costs capitalized together with the costs of production equipment will be depleted on a unit of production basis, based on estimated proved reserves of minerals upon the commencement of production for each cgu, should such reserves be found.

Each reporting period, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the cgu's recoverable amount. A cgu's recoverable amount is the greater of fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction.

Fair value less costs to sell is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cgu. When the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and written down to its recoverable amount.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or cgu is increased to its revised recoverable amount with an impairment reversal recognized in operations. The recoverable amount is limited to the original carrying amount less depreciation, depletion and amortization as if no impairment had been recognized for the asset or cgu for prior periods.

Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property. In addition, if there has been a delay in development activity for several successive years, a write down of those project capitalized costs will be charged to operations. The Company derecognizes assets at the earlier of disposal, or when no future economic benefit is expected. Any gain or loss on derecognition is recognized in operations when incurred.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Share based payments

The Company has a stock based compensation plan. Awards of options under the plan will be expensed based on the fair value of the options at the grant date. Fair values will be determined using the Black-Scholes option pricing model. Any consideration paid by employees on the exercise of stock options will be credited to share capital plus the amounts originally recorded within other reserves. As at year end, the Company had not issued any options under the plan.

Income taxes

Income tax is recognized in operations except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is recognized directly in shareholders' equity. Current income taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for income taxes. Under this method deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in the operations or in shareholders' equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Revenue recognition

Interest income is recognized on a pro rata basis over the term of the investment and when payment is reasonably assured.

Financial instruments and derivatives

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are identified by the Company through a review of typical financial transactions and risk management activities. The Company also reviews non-financial contracts for potential embedded derivatives. Once identified, the financial instruments are classified and measured as disclosed below.

Financial instruments are measured at fair value on initial recognition of the instrument except in specific circumstances. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "available for sale financial assets", "held to maturity investments", "loan and receivables" or "financial liabilities measured at amortized cost" as defined by the accounting standard.

Cash and cash equivalents and trade and other receivables are classified as "loans and receivables" and trade and other payables, due to shareholders and dividends payable are classified as "financial liabilities measured at amortized cost". Transaction costs are netted against the instruments and amortized to operations using the effective interest method.

The Company has derivative financial instruments in the form of warrants issued in US dollars which are classified as "fair value through profit or loss". Such derivative financial instruments are initially recognized at fair value at the date at which the derivatives are issued and are subsequently re-measured at fair value. These derivatives do not qualify for hedge accounting and changes in fair value are recognized in operations in the period incurred.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Warrants

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component.

The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black–Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to other reserves within equity. Warrants that have their term of expiries extended are not subsequently revalued.

Loss per share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted per share amounts are computed by giving effect to the potential dilution that would occur if stock options and share purchase warrants were exercised. The Company uses the treasury stock method to determine the dilutive effect of stock options and share purchase warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase shares at the average market price for the period. In net loss per share situations, the dilutive per share amount is the same as that for basic, as all are anti-dilutive.

Future accounting pronouncements

IFRS 7, Financial Instruments: Disclosures (effective on or after July 1, 2011)

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment is not expected to significantly impact the Company. Disclosures are not required for comparative periods before the date of initial application of the amendments.

IFRS 9 Financial Instruments (effective January 1, 2013)

The standard is the first step in the process to replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 regarding the recognition of financial assets and financial liabilities.

IFRS 10 Consolidated Financial Statements (effective January 1, 2013)

This standard is issued to supersede IAS 27, “Consolidated and Separate Financial Statements” and SIC 12, “Consolidation – Special Purpose Entities. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, Joint Arrangements (effective January 1, 2013)

This standard is issued to supersede IAS 31, “Interest in Joint Venture” and SIC 13, “Consolidation of Jointly Controlled Entities – Non Monetary Contributions by Ventures”. This standard is intended to provide a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

IFRS 12, Disclosure of Interest in Other Entities (effective January 1, 2013)

This standard specifies disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 13, Fair Value Measurement (effective January 1, 2013)

The main provisions for this standard include defining fair value, setting out in a single standard a framework for measuring fair value and specifying certain disclosure requirements about fair value measurements.

IAS 12, Income Taxes (effective January 1, 2012)

This standard has been amended on December 20, 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset.

IAS 27, Separate Financial Statements (effective January 1, 2012)

This has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, Investments in Associates and Joint Ventures (effective January 1, 2012)

This standard prescribes the accounting for investments in associates and sets out the requirements for application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (effective January 1, 2013)

This summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

This summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

The Company is currently assessing the impact that the adoption of IFRS 7 may have on its financial statements.

5. **DEPOSIT**

The Company announced on December 5, 2008, that it entered into an arm’s-length letter of intent with Silver Royal Apex, Inc. (“Silver Royal”) to acquire its 50% interest in the Silver Valley Two Mile Joint Venture, located in Shoshone County, Idaho. As part of the agreement, the Company issued 2,500,000 units valued at $125,000, to be held as a refundable deposit. The letter of intent was terminated effective June 30, 2010 by mutual agreement of the parties. The previously issued 2,500,000 units were returned to the Company on termination of the agreement (refer to notes 10 and 12).

6. **EXPLORATION AND EVALUATION**

Clayton property

In 2010, the Company purchased the Clayton Mineral property for a total consideration of $516,515 for 29 patented mineral claims and 2 patented mill sites located in the State of Idaho, USA. Pursuant to the purchase agreement, the Company issued 2,500,000 shares at a price of USD$0.10 per share and made a cash payment of US$250,000.

As part of the transaction, the Company agreed to pay a finder’s fee of $30,000 to be settled by cash and $45,210 to be settled by the issuance of 897,280 common shares accompanied with a two year warrant to purchase 3,000,000 common shares at USD$0.10 per share. The fair value of the warrants was calculated at $88,351 (see note 9).

The valuation method used to calculate the fair value of the warrants was the Black-Scholes model with the following assumptions; a term of two years, a risk free borrowing rate (per Bank of Canada) of 1.67% and volatility of 146%. As at December 31, 2010, a total finder’s fee of $163,215 was accrued in accounts payable and accrued liabilities and expensed to mineral property expenditures.

6. EXPLORATION AND EVALUATION, continued

Marietta property

On April 15, 2011, the Company entered into an option agreement with Azteca Gold Corp. by issuing 2,500,000 common shares for the right to earn up to a 50% interest in the Marietta Property located in Nevada, USA. The agreement also requires the Company to incur USD$2,000,000 of expenditures over a two year period from the date the Company commences trading on the TSX Venture Exchange. An amendment to the option agreement stipulates that if the listing does not occur by March 17, 2012, after such date either party has the right to terminate the option agreement, in which event the 2,500,000 common shares of the Company issued to Azteca Gold Corp. will be returned for cancellation.

The Company also incurred costs associated with these properties. These costs have been expensed during the year.

Total expenditures on properties held:

Acquisition cost – Clayton – Patented Claims	$	516,515
Exploration expenditures in 2010 – Clayton – finders' fees		163,215
Exploration expenditures in 2011 – Marietta acquisition costs		247,000
– report writing, site visits		25,016
Total expenditures to date	$	435,231

All exploration expenditures have been expensed in the years in which they occurred.

7. DUE TO SHAREHOLDERS

During the period ended June 30, 2011, the Company paid management fees of $76,500 (2010 - $nil) to a corporation controlled indirectly by a director of the Company.

The Company settled $40,000 of debt due a corporation controlled indirectly by a director of the Company with the issuance of 800,000 units, each unit consisting of one common share and one common share purchase warrant exercisable at $0.15 per share, expiring January 18, 2013.

The Company completed a $15,000 private placement with a director of the Company with the issuance of 300,000 units, each unit consisting of one common share and one common share purchase warrant exercisable at $0.15 per share, expiring on May 6, 2013.

These transactions were measured at the amount of consideration established and agreed upon by the related parties.

At June 30, 2011, the Company owed $52,172 (December 31, 2010 - $53,064) to shareholders for management fees, which are non-interest bearing and payable within the next 12-month period.

There were no related party transactions during the period ended June 30, 2010.

8. DIVIDENDS PAYABLE

In 2006, the Company sold certain investments and declared a cash dividend payable to shareholders of record on September 30, 2006. Some shareholders failed to keep their addresses up to date on the shareholders' record and consequently, the Company was unable to determine the whereabouts of these shareholders. The aggregate amount of dividends payable to these shareholders is $143,560. The last time missing shareholders were located by the Company was in 2007. It is management's intention to pay the missing shareholders who come forward and establish their share ownership. Under the *Unclaimed Personal Property Act and Vested Property Act* (Alberta) any unclaimed funds held by the Company at September 1, 2013 must be paid to the Government of Alberta to be held for the benefit of the shareholders.

9. WARRANT LIABILITY

Warrants that have their exercise price denominated in currencies other than the Company's functional currency of Canadian dollars are accounted for as derivative financial liabilities and are recorded at the fair value at each reporting date with the change in fair value for the period recorded in the statement of operations.

Balance at issue date of March 25, 2011	$	88,351
Change in fair value		(2,571)
Balance at June 30, 2011	$	85,780

Warrants to purchase 3,000,000 common shares at USD$0.10 per share, having an expiration date of 2 years from the day the Company is listed for trading on a Canadian stock exchange, were issued as part of the finder's fee accrued with respect to the Clayton property purchase. These warrants were initially valued at $88,351 (note 6). The valuation method used was the Black-Scholes option pricing model with the following assumptions: a term of two years, a risk free borrowing rate (per Bank of Canada) of 1.4% and volatility of 115%.

10. SHARE CAPITAL

Authorized

Common shares:
The common voting shares are entitled to dividends in such amounts as the Directors may from time to time declare and, in the event of liquidation, dissolution or winding-up of the Company, are entitled to share pro rata in the assets of the Company.

Class A voting preferred shares:
Non-cumulative annual dividend at 8% of the issued price
Convertible into two Common voting shares
Redeemable at the issue price

Class B voting preferred shares:
Non-cumulative annual dividend at 8% of the issued price
Convertible into two Common voting shares
Redeemable at a price of $10 per share

The preferred shares rank in priority to the common shares as to the payment of dividends and as to the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Preferred shares may also be given such other preference over the common shares as may be determined for any series authorized to be issued.

There were no Class A or Class B shares issued as at June 30, 2011 or December 31, 2010.

On June 30, 2010, 2,500,000 previously issued units consisting of 2,500,000 common shares and 2,500,000 share purchase warrants were returned to treasury.

On December 16, 2010, the Company issued 2,500,000 common shares at US$0.10 per share as part of the consideration related to the purchase of the Clayton property for a total value of US$250,000.

On December 16, 2010, the Company issued 4,800,000 units at $0.05 per unit for gross proceeds of $241,925. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on December 16, 2012.

On December 29, 2010, the Company issued 1,350,000 common shares at $0.10 per share in settlement of debt in the amount of $135,000.

On January 13, 2011, the Company issued 1,100,000 units at $0.05 per unit for settlement of $55,000 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on January 13, 2013.

10. SHARE CAPITAL, continued

On March 8, 2011, the Company issued 540,000 units at $0.05 per unit for gross proceeds of $27,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on March 8, 2013.

On March 8, 2011, the Company issued 470,000 units at $0.05 per unit for settlement of $22,816 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on March 8, 2013.

On March 25, 2011, the Company issued 451,740 units at $0.05 per unit for settlement of $22,403 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on March 25, 2013.

On March 25, 2011, the Company issued 897,280 common shares at US$0.05 per share as settlement of the accrued finder's fee of $45,210 with respect to the Clayton property purchase.

On May 5, 2011, the Company issued 2,500,000 common shares at $0.10 per share as payment for the Marietta joint venture option.

On May 6, 2011, the Company issued 2,800,000 units at $0.05 per unit for gross proceeds of $138,248. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on May 6, 2013.

On May 6, 2011, the Company issued 70,000 units at $0.05 per unit for settlement of $3,500 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.15 per share expiring on May 6, 2013.

11. STOCK OPTIONS

The total number of stock options granted according to the employee stock option plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting. The option price per share and vesting periods shall be determined by the Board of Directors at the time that the option is granted. The exercise prices are determined by the estimated market price on the date of the grant.

As at June 30, 2011 and December 31, 2010, the Company had not yet issued any stock options under the plan.

12. WARRANTS

The Company estimates the fair value of warrants using the Black-Scholes option pricing model with the following assumptions: a term of two years, a risk free borrowing rate (per Bank of Canada) of 1.4% (except for the warrants expiring May 6, 2013 where a risk free rate of 1.3% was used) and volatility of 115%.

On June 30, 2010, 2,500,000 previously issued warrants were cancelled and returned to treasury. The associated fair value of $48,765 was deducted against warrants and reallocated to share capital.

Warrants to purchase 4,800,000 common shares at $0.15 per share, having an expiration date of December 16, 2012 were issued as part of a private placement completed on December 16, 2010. These warrants have been valued at $63,484.

Warrants to purchase 1,100,000 common shares at $0.15 per share, having an expiration date of January 13, 2013 were issued as part of a shares for debt settlement completed on January 13, 2011. These warrants have been valued at $14,410.

Warrants to purchase 540,000 common shares at $0.15 per share, having an expiration date of March 8, 2013 were issued as part of a private placement completed on March 8, 2011. These warrants have been valued at $6,853.

12. **WARRANTS, continued**

Warrants to purchase 470,000 common shares at $0.15 per share, having an expiration date of March 8, 2013 were issued as part of a shares for debt settlement completed on March 8, 2011. These warrants have been valued at $5,965.

Warrants to purchase 451,740 common shares at $0.15 per share, having an expiration date of March 25, 2013 were issued as part of a shares for debt settlement completed on March 25, 2011. These warrants have been valued at $5,803.

Warrants to purchase 2,800,000 common shares at $0.15 per share, having an expiration date of May 6, 2013 were issued as part of a private placement completed on May 6, 2011. These warrants have been valued at $35,976.

Warrants to purchase 70,000 common shares at $0.15 per share, having an expiration date of May 6, 2013 were issued as part of a shares for debt settlement completed on May 6, 2011. These warrants have been valued at $899.

Warrants to purchase 2,500,000 shares at $0.25 per share, having an expiration date of May 28, 2011 were issued as part of the private placements completed in 2009. During the period, the Company extended the expiration date of the warrants by two years.

	Warrants Outstanding	Weighted Average Exercise Price - CDN
Balance, January 1, 2010	5,000,000	$0.25
Cancelled on refund of deposit	(2,500,000)	$0.25
Issued with private placements	4,800,000	$0.15
Balance, December 31, 2010	7,300,000	$0.18
Issued with shares for debt	1,551,740	$0.15
Issued with private placements	1,010,000	$0.15
Issued for finder’s fee (note 9)	3,000,000	USD$0.10
Issued with private placements	2,870,000	$0.15
Balance, June 30, 2011	15,731,740	$ 0.16

Warrants Outstanding and Exercisable	Exercise Price CDN	Expiry Date
4,800,000	$0.15	December 16, 2012
1,100,000	$0.15	January 13, 2013
1,010,000	$0.15	March 8, 2013
451,740	$0.15	March 25, 2013
2,870,000	$0.15	May 6, 2013
2,500,000	$0.25	May 28, 2013
3,000,000	USD$0.10	2 years from commencement of trading
15,731,740	$0.16	

13. NON-CASH INVESTING AND FINANCING TRANSACTIONS

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Changes in non-cash operating working capital items				
Trade and other receivables	$ 2,121	$ 21,610	$ (1,345)	$ 52,551
Prepaid expenses	(15,000)	--	(10,333)	--
Trade and other payables	(21,977)	9,461	50,223	(17,822)
	$ (34,856)	$ 31,071	$ 38,545	$ 34,729

During the six month period ended June 30, 2011, the Company issued 897,280 shares and 3,000,000 warrants to purchase common shares as payment for the accrued finder's fee payable of $133,215 with respect to the purchase of the Clayton Property and the Company issued 2,500,000 shares at a deemed value of $247,000 for the purchase of the Marietta Joint Venture Option (Notes 6 and 10).

During the six month period ended June 30, 2011, the Company settled $55,000 in shareholder loans with the issuance of 1,100,000 units, each unit consisting of one common share and one common share purchase warrant entitling the holder to purchase one common share at $0.15 per share, having an expiration date of January 13, 2013.

During the six month period ended June 30, 2011, the Company settled $48,719 in accounts payables with the issuance of 991,740 units, each unit consisting of one common share and one common share purchase warrant entitling the holder to purchase one common share at $0.15 per share, having expiration dates of March 8, March 25 and May 6, 2013.

During the six month period ended June 30, 2010, the Company cancelled 2,500,000 shares and warrants with a deemed value of $125,000 (note 5).

14. SEGMENTED INFORMATION

The Company has the following geographical segments:

	Canada	United States
		June 30, 2011
Identifiable assets	$ 61,420	$ 516,515
Exploration expenditures	--	272,016
		June 30, 2010
Identifiable assets	$ 38,476	$ --

15. FINANCIAL INSTRUMENTS

The Company is exposed to a variety of financial risks including credit risk, liquidity risk, and market risk.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

15. **FINANCIAL INSTRUMENTS, continued**

Fair value of financial instruments

	June 30, 2011 Carrying value	June 30, 2011 Fair value	December 31, 2010 Carrying value	December 31, 2010 Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 30,964	$ 30,964	$ 13,777	$ 13,777
Trade and other receivables	15,456	15,456	11,627	11,627
	$ 46,420	$ 46,420	$ 25,404	$ 25,404
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	$ 127,117	$ 127,117	$ 261,110	$ 261,110
Dividends payable	143,560	143,560	143,560	143,560
Shareholder loans	52,172	52,172	53,064	53,064
Fair value through profit or loss				
Warrant liability	85,780	85,780	--	--
	$ 408,629	$ 408,629	$ 457,734	$ 457,734

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and shareholder loans approximate fair value due to the short term nature of these instruments. The Company's warrant liability classified as fair value through profit or loss is included in Level 3 of the hierarchy for fair value instruments.

Financial risk

a) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and trade and other receivable. Cash is held with reputable chartered banks from which management believes the risk of loss is minimal.

Included in trade and other receivables are taxes receivable from Canadian government authorities. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum credit risk exposure associated with the Company's financial assets is the carrying value.

b) Liquidity risk

Liquidity risk is that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient resources to meet liabilities when due. As at June 30, 2011, the Company had a net working capital deficiency of $261,429 (December 31, 2010 - $427,663). Management of the Company is continuously monitoring its working capital position and will raise funds through the equity markets as they are required. However, there is no certainty that the Company will be able to obtain funding by share issuances in the future. The Company is presently seeking to raise capital via a prospectus equity offering.

The following amounts are the contractual maturities of financial liabilities and other commitments as at June 30, 2011:

	Total	2012	Thereafter
Trade and other payables	$ 127,117	$ 127,117	$ --
Shareholder loans	52,172	52,172	--
Dividends payable	143,560	143,560	--
	$ 322,849	$ 322,849	$ --

15. FINANCIAL INSTRUMENTS, continued

c) Market risk

Market risk is the risk of loss that may arise from changes in the market factors such as interest rates, commodity and equity prices and foreign currency rates.

i. Interest rate risk

The Company has cash balances and its current policy is to invest excess cash in investment-grade short-term money market accounts. The Company periodically monitors the investments it makes and is satisfied with the credit worthiness of its investments. Interest rate risk is minimal as interest rates are anticipated to remain at historically low levels with little fluctuation and any excess cash is invested in money market funds. Fluctuations in interest rates do not materially affect the Company as it does not have significant interest-bearing instruments.

iii. Foreign currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash held in U.S. funds. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Foreign currency risk could adversely affect the Company, in particular the Company’s ability to operate in foreign markets. Foreign currency exchange rates have fluctuated greatly in recent years. There is no assurance that the current exchange rates will mirror rates in the future. The Company currently has minimal foreign currency risk although in the future foreign currency risk may affect the level of operations of the Company. This may also affect the Company’s liquidity and its ability to meet its ongoing obligations.

As the Company currently holds minimal United States currency a change in the exchange rate between the US dollar and the Canadian dollar would not have a significant effect on the Company liquidity or working capital.

16. CAPITAL MANAGEMENT

The Company’s objectives in managing its capital will be:

i. To have sufficient capital to ensure that the Company can continue to meet its commitments with respect to its mineral exploration properties and to meet its day to day operating requirements in order to continue as a going concern; and

ii. To provide a long-term adequate return to shareholders.

The Company’s capital structure is comprised of shareholders’ equity.

The Company will be an exploration stage company which involves a high degree of risk. The Company has not determined whether its proposed properties contain economically recoverable reserves of ore and currently will not earn any revenue from its mineral properties and therefore will not generate cash flow from operations. The Company’s primary source of funds will come from the issuance of capital stock. The Company’s policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments.

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company’s management to sustain future development of the Company. The Company has no long-term debt and is not subject to externally imposed capital requirements. There have been no changes in the Company’s capital management in the current year.

17. **SUBSEQUENT EVENTS**

On October 19, 2011, the Company filed a preliminary prospectus with the Alberta, Ontario, British Columbia, and Saskatchewan Securities Commissions.

18. **RECLASSIFICATIONS**

Certain amounts disclosed for the prior periods have been reclassified to conform with current period presentation.

19. **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As noted in Note 2, these are the Company's second interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 4 have been applied on a consistent basis in preparing the financial statements for the period ended June 30, 2011, the comparative information presented in these financial statements for the period ended June 30, 2010 and in the preparation of the comparative statement of financial position at December 31, 2010 and an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

FIRST TIME ADOPTION OF IFRS (IFRS 1)

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1, the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle.

Reconciliation to Previously Reported Financial Statements

No reconciliations are necessary as there were no adjustments made at transition to IFRS and there were no mandatory or optional exemptions taken.