

*A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in the provinces of Alberta, British Columbia, Saskatchewan and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the amended and restated prospectus is obtained from the security regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This amended and restated prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States. This amended and restated prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States.*

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED JANUARY 13, 2012, AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS DATED OCTOBER 19, 2011**

**Initial Public Offering**

**January 13, 2012**

# **CMX GOLD & SILVER CORP.**

**MINIMUM \$2,650,000  
13,250,000 UNITS  
MAXIMUM \$4,000,000  
20,000,000 UNITS**

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**PRICE: \$0.20 PER UNIT**

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This amended and restated prospectus is being filed by CMX Gold & Silver Corp. (the "**Corporation**" or "**CMX**") to qualify the initial public offering (the "**Offering**") of a minimum of 13,250,000 units in the capital of the Corporation (the "**Units**") for total gross proceeds to the Corporation of \$2,650,000 (the "**Minimum Offering**") and a maximum of 20,000,000 Units for total gross proceeds to the Corporation of \$4,000,000 (the "**Maximum Offering**") at a price of \$0.20 per Unit (the "**Offering Price**") pursuant to an agency agreement (the "**Agency Agreement**") dated as of [●], 2012, between the Corporation and Union Securities Ltd. (the "**Agent**"). Each Unit will consist of one common share in the capital of the Corporation ("**Common Share**") and one non-transferable Common Share purchase warrant (a "**Warrant**"), which are qualified for distribution by this prospectus. Each Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of \$0.35 per Common Share, expiring 24 months (the "**Expiry Date**") following the Closing Date (as defined herein). The Expiry Date is subject to acceleration - see "*Capital Structure of the Corporation - Warrants*".

	<b>Price to the Public<sup>(1)</sup></b>	<b>Agent's Fee<sup>(2)</sup></b>	<b>Net Proceeds to the Corporation<sup>(3)</sup></b>
Per Unit .....	\$0.20	\$0.016	\$0.184
Minimum Offering <sup>(4)</sup> (13,250,000 Units) .....	\$2,650,000	\$212,000	\$2,438,000
Maximum Offering (20,000,000 Units) .....	\$4,000,000	\$320,000	\$3,680,000

**Notes:**

(1) The Offering Price has been determined by negotiation between the Corporation and the Agent.

(2) The Agent will be paid a fee in cash (the "**Agent's Fee**") of 8% of all gross proceeds raised by the Agent and 2% of all gross proceeds raised by the Corporation pursuant to the Offering. The Corporation will also grant non-transferable agent's options to the Agent ("**Agent's Options**"), entitling the Agent to purchase that number of Units (the "**Agent's Units**") equal to 10% of the number of Units sold by the Agent and 2% of the number of Units sold by the Corporation pursuant to the Offering. The Agent's Options will be exercisable at an exercise price equal to the Offering Price for 24 months from the Closing Date. The Agent will also receive a corporate finance fee of \$10,000 (the "**Corporate Finance Fee**"), of which \$5,000 is a non-refundable fee that has been paid, and \$5,000 is payable at Closing. See "*Plan of Distribution*". This Prospectus will qualify the Agent's Options

issued to the Agent. The Corporation will also pay the Agent's expenses, including reasonable legal fees and disbursements. See "*Plan of Distribution*".

- (3) Before deducting expenses of the Offering, which are estimated to be approximately \$100,000, which will be paid by the Corporation from the proceeds of the Offering. See "*Use of Proceeds*".
- (4) There will be no Closing unless a minimum of 13,250,000 Units are sold. If subscriptions for a minimum of 13,250,000 Units have not been received within 90 days following the date of issuance of a receipt for the final prospectus, or such other date as the regulatory authorities may permit, this Offering may not continue and subscription proceeds will be returned to Subscribers, without interest or deduction, unless an amendment to the final prospectus is filed. The proceeds from subscriptions will be received by the Agent or such other registered dealers or brokers as are authorized by the Agent pending the Closing.

**There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".**

**As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on (i) the Toronto Stock Exchange; (ii) a U.S. Marketplace; or (iii) a marketplace outside of Canada and the U.S.**

**An investment in the Units is subject to a number of risks that should be considered by a prospective Subscriber. See "Risk Factors".**

The Agent offers the Units on a commercially reasonable best efforts basis, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on behalf of the Corporation by Norton Rose Canada LLP, and on behalf of the Agent by Burstall Winger LLP. See "*Plan of Distribution*".

This Offering is not underwritten and is subject to the receipt by the Agent of subscriptions for the minimum Offering in the amount of \$2,650,000. In the event that subscriptions totalling \$2,650,000 are not received within 90 days following the issuance of the receipts for the final prospectus or such other date as the regulatory authorities may permit and to which the Corporation and the Agent may agree, then all of the subscription funds received will be promptly returned to the Subscribers by the Agent, without interest or deduction unless otherwise consented to by the Subscribers.

<u>Agent's Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period or Acquisition Date</u>	<u>Exercise Price or Average Acquisition Price</u>
Agent's Option	2,000,000 Agent's Shares	24 months from the Closing Date	\$0.20/Unit

Note:

- (1) In addition to the Units, this Prospectus also qualifies for distribution the Agent's Option issued to the Agent. See "*Plan of Distribution*".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing securities offered hereunder are expected to be available at the closing of the Offering (the "**Closing**"), which is expected to occur not later than 90 days after a receipt for the final prospectus unless an amendment to the final prospectus is filed and the regulator has issued a receipt for the amendment.

Mr. Robert L. Russell and Mr. Randal Squires, two of the directors providing a certificate under Part 5 of National Instrument 41-101 - *General Prospectus Requirements* reside outside of Canada. Although Mr. Russell and Mr. Squires have appointed Norton Rose Canada LLP as their agent for service of process in Canada it may not be possible for investors to enforce judgements obtained in Canada against such directors.

The head office of CMX is located at 31 Stranraer Place S.W., Calgary, Alberta, T3H 1H5 and the mailing address is P.O. Box 60019, 677 Cougar Ridge Drive S.W., Calgary, Alberta, T3H 5J0. The registered office of CMX is located at 3700, 400 - 3rd Avenue S.W., Calgary, Alberta, T2P 4H2. CMX is currently a reporting issuer in each of the provinces of British Columbia, Alberta and Ontario, and will become a reporting issuer in Saskatchewan upon receiving a receipt for the final prospectus.

The Agent:  
Union Securities Ltd.  
Suite 1750, 300 - 5th Avenue S.W.  
Calgary, Alberta T2P 3C4  
Tel: 403-215-2180 Fax: 403-237-5546

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## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Prospectus, such statements use such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate" and other similar terminology. These statements reflect the Corporation's current expectations regarding future events and operating performance and speak only as of the date of this Prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed below and under "Risk Factors". Although the forward-looking statements contained in this Prospectus are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Prospectus and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, neither the Corporation, nor the Agent assume any obligation to update or revise them to reflect new events or circumstances.

In particular, this Prospectus contains forward-looking statements pertaining to the following:

- investment objectives and strategy;
- the development plans of the Corporation;
- the Corporation's intentions, results of operations, levels of activity, future capital and other requirements and expenditures (including the amount, nature and sources of funding thereof);
- competitive advantages;
- business prospects and opportunities;
- exploration plans and budgets;
- the future price of silver or other metals;
- the estimation of mineral resources;
- government regulation of mining operations;
- dependence on personnel; and
- expectations regarding market prices and costs.

With respect to forward-looking statements contained in this Prospectus, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to find commercial quantities of minerals;
- the impact of increasing competition; and
- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus:

- the Corporation's limited history;
- the Corporation's negative operating cash flow;
- the risks associated with exploration and mining operations;
- fluctuations of metal prices;
- key-man and liability insurance, uninsurable risks;
- future financing requirements;
- environmental regulations;
- dependence on limited properties;
- title to properties;
- governmental and regulatory requirements;
- adequate infrastructure;

- costs of land reclamation;
- absence of public trading market;
- currency exposure;
- competition;
- conflicts of interest; and
- the market for the Common Shares.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Canada LLP, counsel to the Corporation and Burstall Winger LLP, counsel to the Agent, the Common Shares and Warrants offered hereunder and the Common Shares issuable upon exercise of the Warrants will be, at the time of their issuance, "qualified investments" under the Tax Act for trusts governed by a registered retirement savings plan (a "RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account ("TFSA") (each an "Exempt Plan"), provided that:

- in the case of the Common Shares, the Common Shares are listed on a designated stock exchange (which includes the TSXV) at the time of their issuance;
- in the case of the Warrants, the Common Shares are listed on a designated stock exchange (which includes the TSXV) at the time of issuance of the Warrants, and the Corporation and any person who does not deal at arm's length (within the meaning of the Tax Act) with the Corporation is not an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Exempt Plan at such time; and
- in the case of the Common Shares issuable on the exercise of the Warrants, the Common Shares are listed on a designated stock exchange (which includes the TSXV) at the time of their issuance.

Notwithstanding that Common Shares and Warrants may be qualified investments as described above, the holder of a trust governed by a TFSA or the annuitant under a RRSP or RRIF that holds Common Shares or Warrants will be subject to a penalty tax if such Common Shares or Warrants are a "prohibited investment" for the purposes of the Tax Act. The Common Shares and Warrants will generally be a "prohibited investment" if the holder or the annuitant, as the case may be, does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Prospective holders should consult their own tax advisors regarding their particular circumstances.

### CURRENCY

Dollar references in this Prospectus are in Canadian dollars unless otherwise indicated. In instances where amounts originally presented in U.S. dollars have been converted to Canadian dollars in this Prospectus, the rate of exchange for the U.S. dollar, expressed in Canadian dollars, is Canadian \$1.00 = US\$1.00.

The following table sets forth the average exchange rates for the nine month periods ended September 30, 2011 and 2010 and the years ended December 31, 2010 and December 31, 2009 based on the Bank of Canada noon rate for United States dollars. The rates are set forth as U.S. dollars per one Canadian dollar. The exchange rates disclosed have been rounded.

	<b>Nine Months ended September 30,</b>		<b>Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
High for the period	US\$1.0583	US\$1.0039	US\$1.0054	US\$0.9716
Low for the period	0.9626	0.9278	0.9278	0.7692
End of the period	0.9626	0.9711	1.0054	0.9555
Average rate during the period	1.0227	0.9659	0.9709	0.8757

## GLOSSARY

When used in this Prospectus, the following terms have the following meanings ascribed thereto:

"**1933 Act**" means the *U.S. Securities Act of 1933*, as amended;

"**ABCA**" means the *Business Corporations Act (Alberta)*, as amended;

"**Agency Agreement**" means the Agency Agreement between the Corporation and the Agent dated [•], 2012 with respect to the Offering as more particularly described under the heading "*Plan of Distribution*";

"**Agent**" means Union Securities Ltd.;

"**Agent's Fee**" means a fee of 8% of the gross proceeds from the sale of the Units raised by the Agent and 2% of the gross proceeds from the sale of the Units raised by the Corporation, pursuant to the Offering to be paid to the Agent;

"**Agent's Options**" means the options granted to the Agent pursuant to the Agency Agreement, entitling the Agent to purchase that number of Agent's Units equal to 10% of the number of Units sold by the Agents and 2% of the number of Units sold by the Corporation, pursuant to the Offering exercisable at a price of \$0.20 per Unit for a period of 24 months from the Closing Date;

"**Agent's Units**" means the Units, if any, to be issued to the Agent on exercise of the Agent's Options;

"**associate**" has the meaning ascribed thereto in the *Securities Act (Alberta)*;

"**Azteca**" means Azteca Gold Corp., a corporation incorporated under the ABCA;

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation;

"**Business Day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are not generally open for business;

"**Clayton Exploration Project**" means the exploration project on the Clayton Property as described in the Clayton Report;

"**Clayton Property**" means the property located approximately 1.5 miles from the town of Clayton in Custer County, in central Idaho;

"**Clayton Report**" means the March 31, 2011 technical report of the Clayton Property compliant with NI 43-101 prepared by J.A. Thomson Consulting, Ph.D., LG, LLC.;

"**Closing**" means closing of the offering of Units which is expected to occur not later than 90 days after a receipt for the final prospectus unless an amendment to the final prospectus is filed and the regulator has issued a receipt for the amendment;

"**Closing Date**" means the date on which the Closing occurs;

"**CMX**" or the "**Corporation**" means CMX Gold & Silver Corp. (formerly known as Liard Resources Ltd.), a corporation incorporated under the ABCA;

"**Common Shares**" means the common shares in the capital of the Corporation;

"**control**" and related terms including "**controlling**" and "**controlled**", shall mean the possession, directly or indirectly, by or on behalf of a person or group of persons acting jointly or in concert, of the following in respect of another person: (i) in the case where the other person is a corporation, the power to vote more than 50% of the securities having ordinary voting power for the election of directors of such corporation; (ii) in the case where the other person is a limited partnership, the power to control the general partner of

the limited partnership; and (iii) in the case where the other person is other than a corporation or limited partnership, any of: (1) the power to exercise more than 50% of the voting rights in such person; or (2) the right to receive more than 50% of the distributions made by that person;

**"Corporate Finance Fee"** means the corporate finance fee payable to the Agent pursuant to the Agency Agreement in the total amount of \$10,000, of which \$5,000 is a non-refundable fee that has been paid and \$5,000 is payable at Closing;

**"Corporation"** or **"CMX"** means CMX Gold & Silver Corp., a corporation incorporated under the laws of the Province of Alberta;

**"CRA"** means the Canada Revenue Agency and any successor thereto;

**"Escrow Agreement"** means the escrow agreement to be entered into pursuant to NP 46-201 among the Escrowed Shareholders, the Corporation and Olympia Trust Company;

**"Escrowed Shareholders"** means the Shareholders who are directors or officers or who purchased Common Shares for less than \$0.05 per Common Shares (and who are not otherwise excluded pursuant to NP 46-201);

**"Escrowed Securities"** means those Common Shares and common share purchase warrants required to be escrowed pursuant to NP 46-201 and TSXV Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions*;

**"Expiry Date"** means the expiry date of the Warrants, which is the earlier of 24 months from the Closing Date or in the event that the Common Shares trade for 20 consecutive trading days at \$0.70 or more on the facilities of the TSXV, 30 days from the Notice Date;

**"IPO"** means the initial public offering of the Units of the Corporation;

**"Listing Date"** means the date on which the Common Shares are listed on the TSXV;

**"Marietta Exploration Project"** means the exploration project on the Marietta Property as described in the Marietta Report;

**"Marietta Property"** means the property situated within the Marietta Mining District, Mineral County, Nevada;

**"Marietta Report"** means the April 7, 2011 technical report of the Marietta Property compliant with NI 43-101 prepared by J.A. Thomson Consulting, Ph.D., LG, LLC.;

**"Material Shareholder"** means a Shareholder holding a sufficient number of Common Shares to materially affect the control of CMX;

**"NI 41-101"** means National Instrument 41-101 - *General Prospectus Requirements*;

**"NI 43-101"** means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*;

**"NI 52-110"** means National Instrument 52-110 - *Audit Committees*;

**"Notice Date"** means the date that the Corporation, by way of news release, publicly announces that it is exercising its option to give notice to holders of Warrants that the Warrants will expire 30 days from the day the news release is disseminated;

**"NP 46-201"** means National Policy 46-201 - *Escrow for Initial Public Offerings*;

**"Offering Price"** means \$0.20 per Unit;

**"Offering"** means the initial public offering of a minimum of 13,250,000 Units and up to a maximum of 20,000,000 Units of the Corporation as described in this Prospectus;

**"Option"** means an option to acquire Common Shares granted pursuant to the Option Plan;

**"Option Agreement"** means the option agreement entered into April 18, 2011 and dated effective March 17, 2011, as amended on November 15, 2011, between Azteca and the Corporation, pursuant to which the Corporation has been granted the option to earn up to a 50% right, title and interest in and to the Marietta Property by incurring up to US\$2,000,000 in exploration expenditures in exchange for 2,500,000 Common Shares at a deemed price of \$0.10 per Common Share;

**"Option Plan"** means the stock option plan of the Corporation approved on January 28, 2011;

**"person"** includes any individual, partnership, firm, trust, body corporate, government, governmental body, agency or instrumentality, unincorporated body of persons or association and pronouns have a similarly extended meaning;

**"Prospectus"** means this amended and restated prospectus of the Corporation dated January 13, 2012;

**"SEC"** means the U.S. Securities and Exchange Commission;

**"Securities Act"** means the *Securities Act* (Alberta), as amended;

**"Securities Authorities"** means, collectively, the securities commissions or similar securities regulatory authorities in each of the Provinces and Territories of Canada and the SEC in the U.S.;

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com);

**"Shareholder"** means a holder of Common Shares;

**"Subscriber"** means a subscriber for Units hereunder;

**"subsidiary"** has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by CMX);

**"Tax Act"** means the *Income Tax Act* (Canada) as amended;

**"TSX"** means the Toronto Stock Exchange;

**"TSXV"** means the TSX Venture Exchange Inc.;

**"U.S."** means the United States of America;

**"Units"** means the units of the Corporation offered for sale under this Prospectus whereby each unit is comprised of one Common Share and one Warrant;

**"Warrant"** means the non-transferable Common Share purchase warrant of the Corporation comprising part of the Units; each Warrant will entitle the holder thereof to acquire one Common Share in the capital of the Corporation at an exercise price of \$0.35 until the Expiry Date, subject to accelerated expiry in the circumstances outlined herein;

**"Warrant Indenture"** means the warrant indenture to be entered into between the Corporation and Olympia Trust Company; and

**"Warrant Trustee"** means Olympia Trust Company, the warrant trustee pursuant to the Warrant Indenture.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements appearing elsewhere in this Prospectus. Certain capitalized terms used but not defined in this summary are defined elsewhere in this Prospectus.*

### **The Offering**

**The Corporation:** CMX is an exploration stage company engaged in the acquisition, exploration and development of silver and gold/copper properties in the U.S. The Corporation was incorporated under the ABCA on July 30, 1986. See "*The Corporation - General*".

**The Offering:** The Corporation is offering to the public, through the Agent, a minimum of 13,250,000 Units and up to a maximum of 20,000,000 Units at a price of \$0.20 per Unit for aggregate gross proceeds of a minimum of \$2,650,000 and up to a maximum of \$4,000,000. Each Unit is comprised of one Common Share and one Warrant (which are qualified for distribution by this Prospectus), and each Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of \$0.35 per Common Share until the Expiry Date, subject to accelerated expiry. See "*Plan of Distribution*" and "*Capital Structure of the Corporation - Warrants*".

**Agent's Compensation:** The Agent will be paid the Agent's Fee in the amount of 8% of the gross proceeds from the sale of the Units raised by the Agent and 2% of the gross proceeds from the sale of the Units raised by the Corporation, pursuant to the Offering.

The Corporation will also grant Agent's Options, entitling the Agent to purchase that number of Agent's Units equal to 10% of the number of Units sold by the Agent and 2% of the number of Units sold by the Corporation, pursuant to the Offering. The Agent's Options will be exercisable at an exercise price equal to the Offering Price for 24 months from Closing.

The Agent will also receive the Corporate Finance Fee of \$10,000, of which \$5,000 is a non-refundable fee that has been paid, and \$5,000 is payable at Closing.

The Corporation will also pay the Agent's expenses, including reasonable legal fees.

See "*Plan of Distribution*".

**Qualification for Distribution:** In addition to the Units, this Prospectus also qualifies the Agent's Options issued to the Agent. See "*Plan of Distribution*".

**Use of Proceeds:** Assuming the issuance of the minimum of 13,250,000 Units, the estimated net proceeds to be received by the Corporation will be \$2,338,000 after the deduction of the Agent's Fee of \$212,000 and the estimated expenses of the Offering of \$100,000, including the Corporate Finance Fee. Assuming the issuance of the maximum of 20,000,000 Units, the estimated net proceeds to be received by the Corporation will be \$3,580,000 after the deduction of the Agent's Fee of \$320,000 and the estimated expenses of the Offering of \$100,000, including the Corporate Finance Fee.

The net proceeds payable to the Corporation will be used to pay for exploration and development programs on the Corporation's mineral properties and for general working capital purposes. See "*Use of Proceeds*". The exploration and development programs will be on the Clayton Property and the Marietta Property, which are located in the U.S. In the event that only the Minimum Offering is raised, the Corporation will need to raise further capital in order to complete Phase 1b of the exploration program for the Marietta Property. Proceeds from the Minimum Offering will only be sufficient to fund Phase 1a of the exploration program. See "*Use of Proceeds*" and "*Marietta Property-Budget*".

**Eligibility for Investment:**

See "*Eligibility for Investment*".

**Risk Factors:**

There is currently no market through which the Common Shares and Warrants may be sold and Subscribers may not be able to resell securities purchased under this Prospectus. An investment in the Units involves a high degree of risk and should be considered highly speculative due to the nature of the Corporation's business and its relatively early stage of development and should only be considered by persons who can afford to lose all or some of their investment. Other risk factors associated with an investment in the Units are listed under the heading "*Risk Factors*".

**Selected Financial Information:**

The following tables set out selected financial information for the Corporation for the period and as at the date indicated. These financial statements are qualified in their entirety by the Corporation's audited financial statements, which are included as Appendix A attached to this Prospectus. See "*Management's Discussion and Analysis*".

The following tables set out selected financial information concerning CMX before and after giving effect to the Offering.

Statement of Operations and Comprehensive Loss

	<b>CMX for the Year Ended December 31, 2010</b>	<b>CMX as at December 31, 2010 After Giving Effect to the Offering<sup>(1)</sup></b>
	<b>(audited)</b>	<b>(unaudited)</b>
Revenue	\$nil	\$nil
Net and comprehensive loss for the year	\$308,825	\$308,825
Basic and diluted loss per share	\$0.042	\$0.007

Balance Sheet

	<b>CMX as at December 31, 2010</b>	<b>CMX as at December 31, 2010 After Giving Effect to the Offering<sup>(1)</sup></b>
	<b>(audited)</b>	<b>(unaudited)</b>
Total assets	\$546,586	\$3,812,412
Total liabilities	\$457,734	\$143,560
Shareholders' equity	\$88,852	\$3,668,852

Note:

(1) Assuming maximum gross proceeds of \$4,000,000.

Following the completion of the Offering, CMX will have approximately \$2,338,000 in available funds if the minimum Offering is completed and \$3,580,000 in available funds if the maximum Offering is completed, such funds to be used as follows:

<b>Purpose</b>	<b>Maximum Offering</b>	<b>Minimum Offering</b>
Current Clayton exploration plans <sup>(1)</sup>	\$996,250	\$996,250
Current Marietta exploration plans <sup>(2)</sup>	1,063,250	298,750
General and administrative expenses for next 12-month period	420,000	420,000
Applied to working capital	765,485	287,985
Total	<u>\$3,244,985</u>	<u>\$2,002,985</u>

Notes:

(1) The current Phase 1 Clayton budget is US\$996,250.

(2) The current Phase 1a Marietta budget is US\$298,750; the current Phase 1b Marietta budget is US\$764,500

(3) The rate of exchange used for the Canadian dollar, expressed in U.S. dollars, is Canadian \$1.00 = US\$1.00.



## THE CORPORATION

### General

CMX Gold & Silver Corp. is an exploration stage company engaged in the acquisition, exploration and development of silver and gold/copper properties in the U.S. The Corporation was incorporated under the ABCA on July 30, 1986 as 352060 Alberta Inc. It changed its name to Northcor Enterprises Ltd. on October 31, 1986, to Encee Group Ltd. on May 11, 1987, to Liard Resources Ltd. on August 6, 1996 and finally to CMX Gold & Silver Corp. on February 11, 2011.

The head office of CMX is located at 31 Stranraer Place S.W., Calgary, Alberta, T3H 1H5. The registered office of CMX is located at 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2. CMX is a reporting issuer in each of the provinces of British Columbia, Alberta and Ontario, and will become a reporting issuer in Saskatchewan upon receiving a receipt for the final prospectus.

The Corporation's only subsidiary, CMX Gold & Silver Corp., is wholly-owned and was incorporated on October 11, 2011 pursuant to the laws of the State of Idaho.

## BUSINESS OF THE CORPORATION

### General

The Corporation's business is the identification, acquisition, exploration and development of mineral properties, primarily in the U.S.

### History

CMX started as an investment holding company with shareholdings in public junior oil and gas exploration and production companies. In 1987, CMX was one of a group of companies that issued shares under a Securities Exchange Take-Over Bid Circular and subsequently became a reporting issuer. Three other companies of the group have previously been listed on a recognized exchange: Canadian Northcor Energy Ltd. (subsequently Purcell Energy Ltd.) in 1987 on the Vancouver Stock Exchange (as it then was), Kemano Gold Corp. in 1988 (Kemano Gold Corp. was subsequently merged with Canadian Northcor Energy Ltd. in 1993 to form Purcell Energy Ltd.), and Target Carbons Ltd. on the Alberta Stock Exchange (as it then was). In 2003, the Corporation began winding down its operations with the view to selling off its assets and distributing the proceeds amongst the Shareholders. In 2004, the Securities Authorities in Alberta, Ontario and British Columbia issued cease trade orders (the "**Orders**") against CMX for failing to meet certain continuous disclosure obligations. Specifically, the Orders were issued as a result of the Corporation's failure to file its annual audited financial statements for the year ended December 31, 2003 and the first quarter interim unaudited financial statements for the period ended March 31, 2004 (collectively, the "**Financial Statements**"), and for failing to send the Financial Statements to each Shareholder. In 2006, substantially all of the Corporation's investments were sold with the net proceeds being distributed to the Shareholders as dividends. In 2007 and 2008 the Corporation was inactive, other than to assess new business opportunities in the later months of 2008.

In March 2009, the Corporation, after a period of inactivity, completed the filing of the Financial Statements and the Orders were revoked on April 27, April 28 and May 4, 2009 by the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission, respectively.

On April 23, 2009, the Shareholders of the Corporation approved the plan of arrangement with respect to the acquisition of a 50% interest in a mineral property located in the State of Idaho. The other 50% interest was held by Azteca, the operator of the property. As one of the conditions to the transaction, on May 28, 2009 the Corporation completed a private placement with the issuance of 5,000,000 units at a price of \$0.05 per unit, each unit comprised of one Common Share and one Common Share purchase

warrant with each Common Share purchase warrant entitling the holder to purchase one Common Share for \$0.25 per Common Share for a period of two years, for total proceeds of \$250,000. On August 9, 2010, the Corporation announced that the acquisition had been cancelled upon the mutual agreement of both parties when a number of conditions could not be satisfied. One-half of the 5,000,000 units sold pursuant to the private placement were returned to treasury and cancelled.

On December 16, 2010, the Corporation completed private placements of 4,800,000 units at a price of \$0.05 for aggregate gross proceeds of US\$240,000. The units were comprised of one Common Share and one Common Share purchase warrant with each Common Share purchase warrant entitling the holder to purchase one Common Share for \$0.15 per Common Share for a period of two years.

On February 22, 2011, the Corporation announced that it had acquired an exploration project, the Clayton Property located in the state of Idaho, for a cost of US\$500,000. The Corporation paid US\$250,000 in cash and issued 2,500,000 Common Shares at US\$0.10 per Common Share as payment for the Clayton Property. In connection with this acquisition, CMX issued an additional 897,280 Common Shares to Azteca as a finder's fee and agreed to grant an option to purchase 3,000,000 Common Shares at a price of US\$0.10 per Common Share exercisable for a period of two years from the Listing Date.

In addition to the December 2010 private placements and the issuance of Common Shares for payment in part for the Clayton Property acquisition, over the first five months of 2011 the Corporation closed several private placements and issued securities in settlement of certain debts aggregating 6,781,740 Common Shares for total consideration of \$406,587. See "*Prior Sales*".

On April 18, 2011, the Corporation entered into the Option Agreement with Azteca to earn up to a 50 percent interest in the Marietta Property in west-central Nevada. CMX issued to Azteca 2,500,000 Common Shares at a deemed price of US\$0.10 per Common Share as an option payment. Pursuant to the Option Agreement, CMX agreed to incur an aggregate of US\$2,000,000 in exploration expenses on the property over a period of two years from the Listing Date. On November 15, 2011, the Corporation and Azteca agreed to amend the Option Agreement to provide that the listing must occur by March 17, 2012. If the listing does not occur prior to March 18, 2012, then each party has the right to terminate the Option Agreement and, in such event, Azteca will return the 2,500,000 Common Shares for cancellation.

Pursuant to the Option Agreement, CMX will earn a 30 percent interest in the Marietta Property by spending at least US\$1,000,000 in exploration expenses on the Marietta Exploration Project. Further exploration expenditures of at least US\$1,000,000 will earn CMX an additional 20 percent interest in the property. After earning a 50 percent interest, the Corporation will have the option of obtaining operatorship under a joint venture by spending another US\$500,000 within six months of exercising such option. CMX and Azteca have agreed to an area of interest consisting of all mineral claims, mining leases or other mineral interests lying within a distance of two kilometres from the external perimeter of the Marietta Property.

As of date hereof, the Corporation has 23,352,274 Common Shares issued and outstanding.

#### *Production*

The Corporation is at the development stage and cannot yet predict, based on the current status of the Marietta Exploration Project and the Clayton Exploration Project, as more fully described in the Marietta Report and the Clayton Report, when or if either property will reach a productive state.

#### *Competitive Conditions*

The Corporation operates in a highly competitive industry. In an environment of generally rising precious metals prices and favorable equity market conditions the Corporation expects to encounter significantly increased competitive conditions. The Corporation may encounter challenges accessing qualified

exploration personnel, drilling contractors and drill rigs, mineral properties and access to capital during the plan phases of both the Marietta Exploration Project and the Clayton Exploration Project.

### *Specialized Skills and Knowledge*

The Corporation's business requires specialized skills and knowledge in the areas of geology, exploration planning, drilling and regulatory compliance. The Corporation has been able to engage and retain qualified professionals capable of providing the requisite knowledge base for current and future planning.

### *Cycles*

Worldwide cycles of economic growth, interest rates, inflation rates and other economic factors can have a profound impact on the demand and realizable sale prices for precious metals and base metals over time. Relatively high metals prices improve the probability that the Marietta Property and the Clayton Property can be developed into economic producing properties. In contrast, relatively low metals prices can reduce the probability that a mineral deposit could be developed into a producing property. The relative attractiveness of the Marietta Property and Clayton Property is therefore highly dependent on metals prices and overall macroeconomic activity. Consequently, mineral exploration activity is closely tied to the worldwide markets for precious metals and base metals.

The Corporation's ability to bring the two properties into a productive state is largely dependent on access to external equity and debt financing and therefore the Corporation's business is highly sensitive to macroeconomic changes over time. During times of economic growth and favorable equity market conditions the Corporation's access to capital is better than during times of poor economic growth and weak equity market conditions. Therefore, the Corporation's ability to explore for precious metals and base metals is highly sensitive to changing equity market conditions.

### *Employees*

As at the end of the most recent financial year-end, the Corporation had one full-time employee and had engaged one consultant.

### **Clayton Property**

The Clayton Report dated March 31, 2011, was prepared at the request of CMX so as to conform to NI 43-101. The information below has been extracted from the Clayton Report and provides a summary of the physical setting, geology, mining history, and mineral exploration potential of the Clayton Exploration Project and provides recommendations for exploration. Certain figures and tables from the Clayton Report are included in this Prospectus. The remaining figures and tables are contained in the full Clayton Report, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Most of the information about the property and surrounding areas are given in U.S. terms and units, although metric units are also used at times. References to currency are in U.S. dollars.

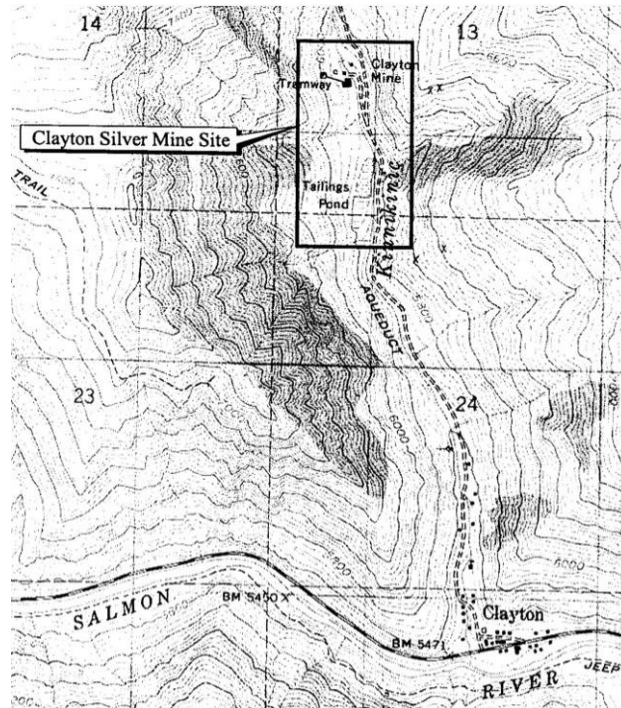
### *Clayton Property Description and Location*

The Clayton Exploration Project is located approximately 1.5 miles from the town of Clayton in Custer County, in central Idaho in parts of Sections 11, 12, 13, 14, 23, 24, and 25, T. 11 N., R. 17 E. The mine is located in Section 13, T. 11 N., R. 17 E, within the U.S.G.S. 7.5 minute Clayton topographic quadrangle map (the "**Clayton Silver Mine**"). The 565 acre property is located along Kinnikinic Creek, a tributary to the Salmon River. The property encompasses private land as well as patented lode claims within lands under the jurisdiction of the U.S. Bureau of Land Management ("**BLM**"). The property consists of 29 patented mining claims and 2 patented mill sites. Lode mining claims include the following: Ella Group – Mineral Survey No. 3144A, Camp Bird Group – Mineral Survey No. 3196, Rose Group – Mineral Survey No. 3327 and the Rose No. 4 Lode Claim – Mineral Survey No. 3336.

Main rock types in the immediate vicinity of the mine consist of Paleozoic age (Cambrian-Ordovician) sedimentary rocks including the Kinnikinic Quartzite, Ella Dolomite and the Clayton Mine Quartzite. The Ella Dolomite is the host rock for the mineralization at the Clayton Silver Mine and the adjacent Rob Roy property to the north of the Clayton Silver Mine. Rocks of the Cretaceous Idaho batholith are exposed to the west and the youngest rocks that cover the Paleozoic sedimentary rocks and the Idaho batholith are Eocene Challis volcanic rocks which are poorly exposed in the ridges to the west of the mine. The Paleozoic rocks are deformed into a northwest trending asymmetric anticline (the "**Clayton Anticline**"). Ore deposits appear to be restricted to the east flank of this fold and are associated with shear zones that parallel bedding in the Ella Dolomite. Regional thrust faults, high angle normal and reverse longitudinal faults, and transverse strike slip faults have been identified in the region. The latter faults cut the former structures and the anticline.

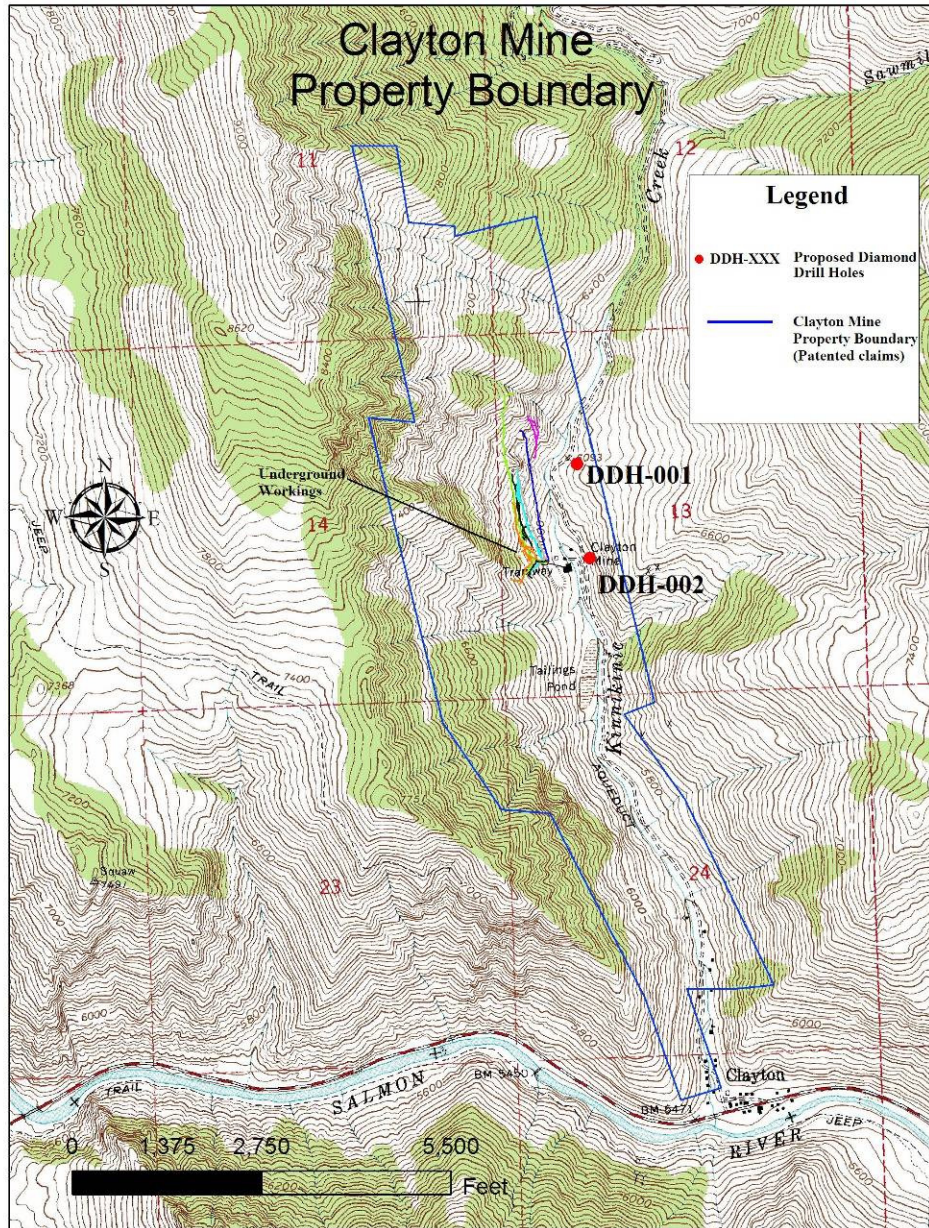
A topographic map illustrating the mine site is shown in Figure 2. An outline of the claim block and the patented and unpatented claims are shown in Figure 3. Claims are available for surface and drilling exploration to CMX Gold & Silver Corp.

**Figure 2:** Topographic map of the mine site.





**Figure 3:** Clayton Silver Mine Exploration Project location map with boundary of patented claims and proposed diamond drill holes.



### *Accessibility, Climate, Local Resources, Infrastructure And Physiography*

The Clayton Exploration Project is located in south-central Idaho near Clayton within the Bayhorse Mining District, Custer County, Idaho. The area is readily accessible from U.S. Highway 75, approximately two miles north of the town of Clayton along Kinnikinic Creek. The closest major airports to the Clayton Exploration Project area are in Boise, Idaho (101 miles from the site) and Challis, Idaho (24 miles from the site). The current population of the town of Clayton is 20 according to the sign seen as the town is approached. The nearby town of Challis, Idaho has a population of 909. Custer County has a population of 4,185.

The Clayton Exploration Project area is located in the upper drainage basin of the Salmon River along Kinnikinic Creek, a tributary to the Salmon River in an arid desert and mountainous region. The valley of Kinnikinic Creek near the site is narrow with walls rising more than 1,000 ft. above the creek. The town of Clayton is at 5,471 ft. elevation. The hoist at the mine sits at approximately 6,000 ft. elevation. Climate summaries for Challis, Idaho (from 1895 to 1996) show average annual temperatures ranging from 30.1 to 58.1 (F), average total precipitation of 7.38 in., and average total snowfall of 17.1 in. Strong winds are a frequent occurrence at the mine site – primary wind directions are from the south and the east. Winters are characterized by light snowfall and some subzero conditions whereas the summers are hot and dry.

At the present time, the underground workings of the mine are flooded with water and the adit is plugged. Little practical infrastructure remains on the surface of the mine with the exception of several old wood frame buildings, the hoist, and a large metal storage shed. Equipment still on site includes the hoist, milling equipment (ball mill, floatation tanks), a generator, and water powered electrical generator. Some of the milling equipment may be operational after refurbishment. Supplies, equipment, and services to carry out exploration and mine development projects are available in Challis and Boise, Idaho.

### *History*

The Clayton Silver Mine, discovered in 1877, and historically one of the most active mines in the Bayhorse Mining District in central Idaho, was an underground Pb-Zn-Cu-Ag mine. The town of Bayhorse, located a few miles southwest of Challis, Idaho, is currently a State Park. The Bayhorse Mining District was most active between 1882 and the 1890s. A smelter for the district operated in Clayton from 1880 to 1902 and reopened again in 1912. Renewed activity and productivity in the Bayhorse Mining District occurred between 1920 and 1925. Prospect mining at the Clayton Silver Mine site began in 1927 by the Clark Mining Company, at which time the property consisted of 25 patented and seven unpatented claims and was known as the Camp Bird Group. Mining was sporadic until 1935. The Clayton Silver Mine, one of nearly 50 in the district, was largely operational from 1935 through 1986. From 1935 to 1985, the mine produced approximately 6.7 million ounces of silver, 83.5 million pounds of lead, an estimated 28.9 million pounds of zinc, 1.4 million pounds of copper and nearly 1,454 ounces of gold.

**Table 1:** Production figures for the Clayton Silver Mine (from Office of Mineral Exploration ("OME") docket no. 6324 and Table 5 of Mitchell, 2010).

Year	Tons of ore	Silver (oz)	Lead (lbs)	Zinc (lbs)	Copper (lbs)	Gold (oz)	Comments
1935 - 1962	821,853	3,365,396	54,974,720	17,265,808	650,830	1,116	
1963	21,600	119,105	1,360,000	178,000	28,000	23	Cu, Pb, and Zn calculated
1964	23,531	144,275	1,378,000	206,000	36,000	27	Cu, Pb, and Zn calculated
1965	26,658	130,877	858,000	126,000	37,000	31	Cu, Pb, and Zn calculated

Year	Tons of ore	Silver (oz)	Lead (lbs)	Zinc (lbs)	Copper (lbs)	Gold (oz)	Comments
1966	57,442	246,591	1,514,000	164,000	68,000	54	Cu, Pb, and Zn calculated
1967	68,500	226,000	1,624,000	800,000	56,000		Cu, Pb, and Zn calculated
1968	83,049	290,472	2,724,000	1,104,000	76,000		Cu, Pb, and Zn calculated
1969	81,455	228,824					
1974		113,000	1,290,000				Pb calculated
1975		190,000					
1980		71,900	510,888		19,790		
1981	55,258	103,600	666,660		34,620		
1982		55,900	431,830		18,250		
1983	52,800	177,500					
1984	76,110	226,417	1,397,531	73,576	148,295		
1985	102,258	261,931	1,800,000				

The Clark Mining Company leased and mined the property in 1927. The mine was operated by the Clayton Mines, Inc. of Wallace, Idaho, under the ownership of the Clayton Mining Company from 1935 to 1986. By the end of 1952, the Clayton Silver Mine had produced 1,944,807 ounces of silver, 33,622,737 pounds of lead, 8,518,631 pounds of zinc, 317,641 pounds of copper, and 704 ounces of gold and reserves were estimated at 108,500 tons.

A new production record for the first quarter of 1983 was reached (16,676 tons of ore). The 6.9 magnitude 1983 Borah Peak earthquake, with an epicenter 25 miles from Clayton, caused water to accumulate in the underground workings (1,100 ft. level) and suspended mining operations. According to a 1983 Annual Report produced by Clayton Silver Mines, Inc., the earthquake did not cause physical damage to the mine or surface facilities. A large-capacity pumping system allowed for continued operations in 1984, however, the mine closed on May 24, 1986, primarily due to low metal prices. In 1984, the mine employed 40 people.

According to the 1983 Clayton Silver Mines, Inc. Annual Report, the proven mineral reserves, including broken mineralization, as of December 31, 1983, were estimated at approximately 353,000 tons. This year-end mineral reserve estimate included only mineralization developed above the 1,100 ft. level of the Clayton Silver Mine. The company had intended to do further exploration of the main shoot from the 1,100 ft. level. According to company records, the average grade was 3.8 ounces of Ag per ton. Cut-off grade was 1 ounce per ton. It is noted that this 1983 estimate has not been verified by CMX Gold & Silver Corp. as a current mineral resource or reserve.

In 1991 a major shareholder of the Clayton Silver Mines, Inc. exchanged his shares for shares in El Salvadorian mines controlled by Southern Star Consolidated Corp. (Palm Beach Gardens, Florida). The name of the company owning the mine site was changed to the Clayton International Resources/Southern Star Consolidated Corp. After 1991, the Versailles Real Estate Corporation (Panama City, Republic of Panama) assumed ownership of the site. CMX Gold & Silver Corp. acquired 100% ownership of the Clayton Silver Mine property effective December 17, 2010 from Versailles Real Estate Corporation.

Few mines in the district remain operational today. However, the open pit Thompson Creek Mine and concentrator (porphyry molybdenum deposit) is located approximately five miles from the Clayton Silver Mine and employed over 300 people as of 2007. The Thompson Creek Mine has been in production

since 1983 and is the largest employer of Custer County, Idaho. Most employees live in the local Challis community.

In 1985, the Idaho Department of Environmental Quality ("**IDEQ**") collected samples from the site for analysis and noted that water samples of treated and untreated adit discharge showed elevated concentrations of arsenic, cadmium, copper, iron, lead and zinc. In 1985, the U.S. Environmental Protection Agency ("**EPA**") also noted that water samples had elevated lead, zinc, copper and cadmium that exceeded national water quality criteria. These, and subsequent studies prompted the Idaho Bureau of Environmental Health and Safety to test blood, urine, and hair samples from 20 Clayton residents to be analyzed for lead and arsenic in 1995 – with the exception of one sample (with slightly elevated blood lead level), all showed normal concentrations. The EPA removed potentially hazardous materials from the site in 1999. In 1999, the Idaho Department of Lands sealed the top 20 feet of the mine shaft with a polyurethane foam plug, then covered the plug with soil. A bat gate was also installed over the horizontal mine opening adjacent to the mine shaft.

In 2001, the EPA and the Idaho office of the BLM (with assistance from the IDEQ and the U.S. Fish and Wildlife Service), completed a time-critical removal action (remediation) to stabilize mine tailings to prevent erosion into Kinnikinic Creek, control infiltration of water into tailings and seepage of water from tailings, and to minimize wind erosion. The purpose of the remediation was to prevent erosion of the 13-acre pile of fine-grained flotation mill tailings and other mine waste by wind and water to protect aquatic life in Kinnikinic Creek and the Salmon River (including bull trout, Chinook salmon, steelhead and cutthroat trout) and to reduce the risk of airborne particulate exposure to humans. The site was and is not a National Priorities List site and the BLM addressed the site as part of their Abandoned Mine Lands Project.

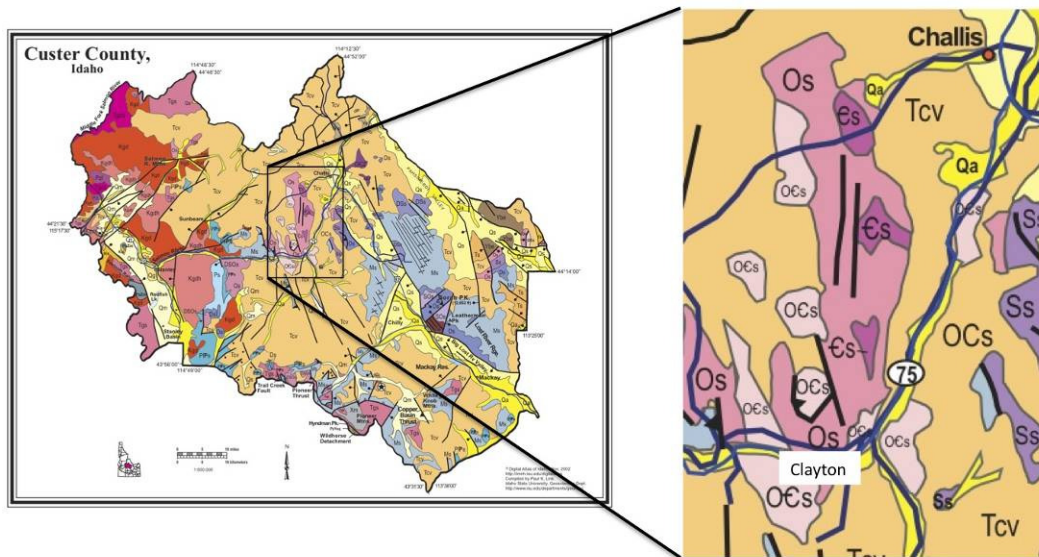
A recent environmental study of the Clayton Silver Mine site reported that carbonate-hosted deposits like the Clayton Silver Mine are associated with near-neutral waters that contain relatively low concentrations of base metals. Stabilization of the solid mine waste and mill tailings and additional remediation at the site has reduced production of sediment into Kinnkinic Creek and airborne particles that could potentially impact aquatic and terrestrial ecosystems and pose potential human health threats.

#### *Geological Setting And Mineralization*

The Clayton Exploration Project is situated in the Bayhorse Mining District, to the west and southwest of the town of Challis in central Custer County, ID. Some of the mines in this area, including the Clayton Silver Mine, contain mineralized shear zones or as mineralized replacement lenses in Paleozoic calcareous rocks. The regional geology of Custer County, ID is illustrated in Figure 4. The area highlighted to the right of the geologic map shown in Figure 4 shows Cambrian and Ordovician sedimentary rocks, Silurian sedimentary rocks, and Mississippian sedimentary rocks. These Paleozoic units (quartzites, dolomites and slates) were deposited in a shallow sea in a transitional environment. The rocks are overlain by Eocene Challis Volcanics. Young alluvial deposits are also shown.

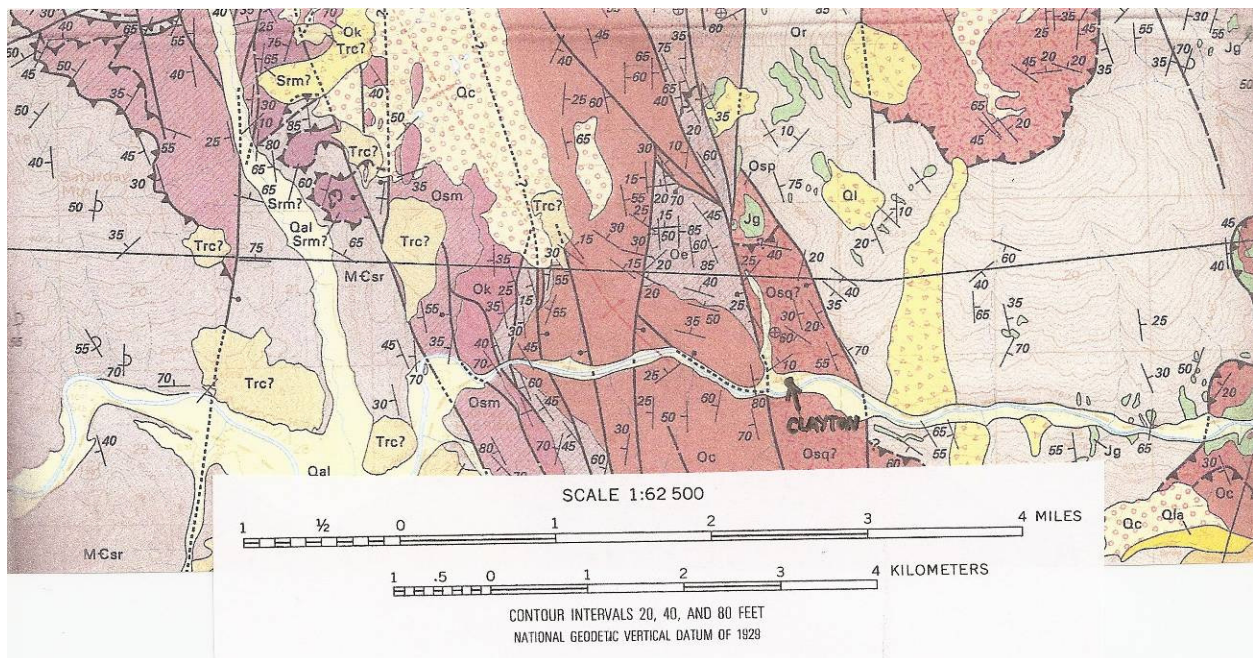


**Figure 4:** Geologic map of Custer County, Idaho and Clayton area (from Digital Geology of Idaho).



The Clayton Silver Mine is located within the Ordovician Ella Dolomite. Underground workings show an irregular mineralized zone within shaley dolomite sandwiched between two quartzites. The middle Ordovician Kinnikinick quartzite overlies the Ella Dolomite and a Lower Ordovician or older feldspathic quartzite (Clayton Mine Quartzite). There is a disconformity between the Ella Dolomite and the Clayton Mine Quartzite. Figure 5 shows the geology of the Clayton area.

**Figure 5:** Geology of the Clayton area (from Hobbs et al., 1991).

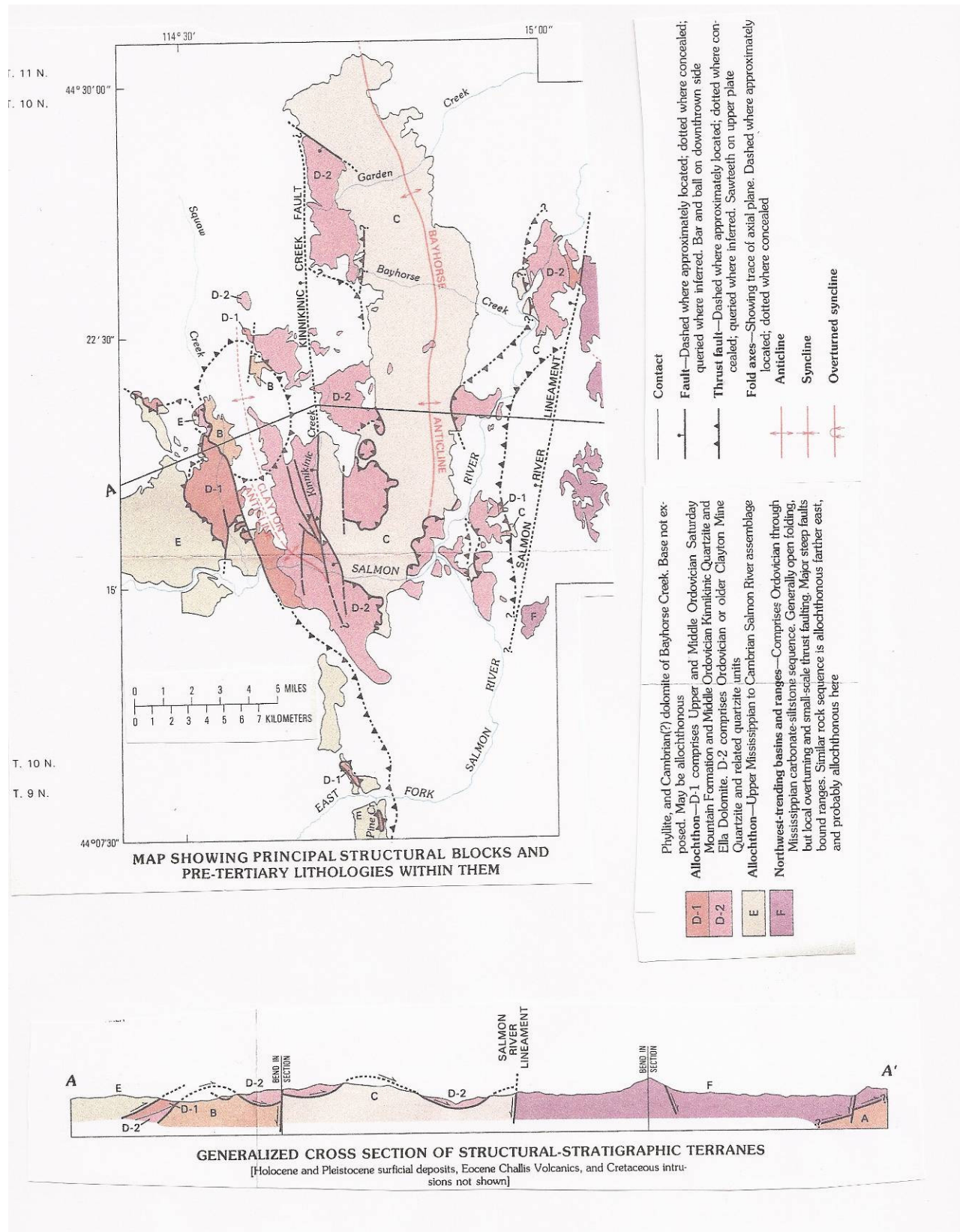


In the vicinity of the Clayton Silver Mine, the Paleozoic rocks have been folded into the Clayton Anticline and mineralization is best developed on the eastern flank of the fold. Faults include regional thrust faults, high angle reverse and normal faults, which are parallel to the structural trend of the rocks, and high

angle strike-slip faults. The rocks in the Clayton Silver Mine lie below the regional thrust faults, which may have served as a trap for hydrothermal fluids. Longitudinal faults are mineralized. Strike-slip faults cut the existing structures as well as the anticline.

Figure 6 shows the terrane map in the vicinity of the Clayton Silver Mine. The figure also illustrates the location of the Clayton Anticline.

**Figure 6: Terrane map of the Clayton Mine area.**





The mineralization in the Clayton deposit, in order of decreasing abundance, includes galena, pyrite, sphalerite, tetrahedrite, chalcopyrite, pyrargyrite, and arsenopyrite. Gangue minerals include siderite, quartz, and calcite. The deposits in the Paleozoic sedimentary terrane are within or closely related to high-angle faults and are mainly replacements along fractures and bedding planes of the calcareous rocks. The minerals occur as disseminations, clots and lenses. The individual mineralized deposits are generally tabular and vary in size but none are larger than a few thousand tons. They also state that the assessment criteria for such deposits are the presence of carbonates, presence of high-angle faults or fractures, an indication of base- or precious-metal mineralization, and the presence of hypabyssal igneous bodies. There is only one small gabbroic intrusion in the vicinity of the Clayton Silver Mine; all other criteria are met. There may be a close relationship between Cretaceous and Tertiary intrusions and many of the precious- and base-metal deposits in the Paleozoic rocks in the area. Metals, likely transported by hydrothermal fluids in meteoric convection cells, precipitated from solution in suitable sites. In the Clayton area, these hydrothermal fluids were precipitated in highly fractured zones of the Ella Dolomite and replacement of the host rock by siderite. The source of metals in base and precious metal deposits of central Idaho using lead isotopic data has been investigated. The results of the studies and prior fluid inclusion and stable isotope studies support a genetic model that involves shallow crustal sources for metals and sulfur, mobilized by meteoric water-dominated hydrothermal systems. They further subdivide the deposits in which the metals were derived from an igneous source into Carriestown and non-Carriestown types. The Clayton Silver Mine is characterized as a Carriestown type derived from middle crustal sources.

#### *Deposit Types*

Economic minerals mined in the Bayhorse Mining District occur in mineralized shear zones or as replacement lenses in calcareous rocks. The host rocks from most of the mines in the district are the Ramshorn Slate and the Bayhorse Dolomite. Some of the deposits are associated with granitic intrusive rocks. Sulfides, such as galena, sphalerite, pyrite, tetrahedrite and chalcopyrite are found in the deposits. Both the galena and tetrahedrite are argentiferous. Fluorspar deposits have also been exploited in some of the mines.

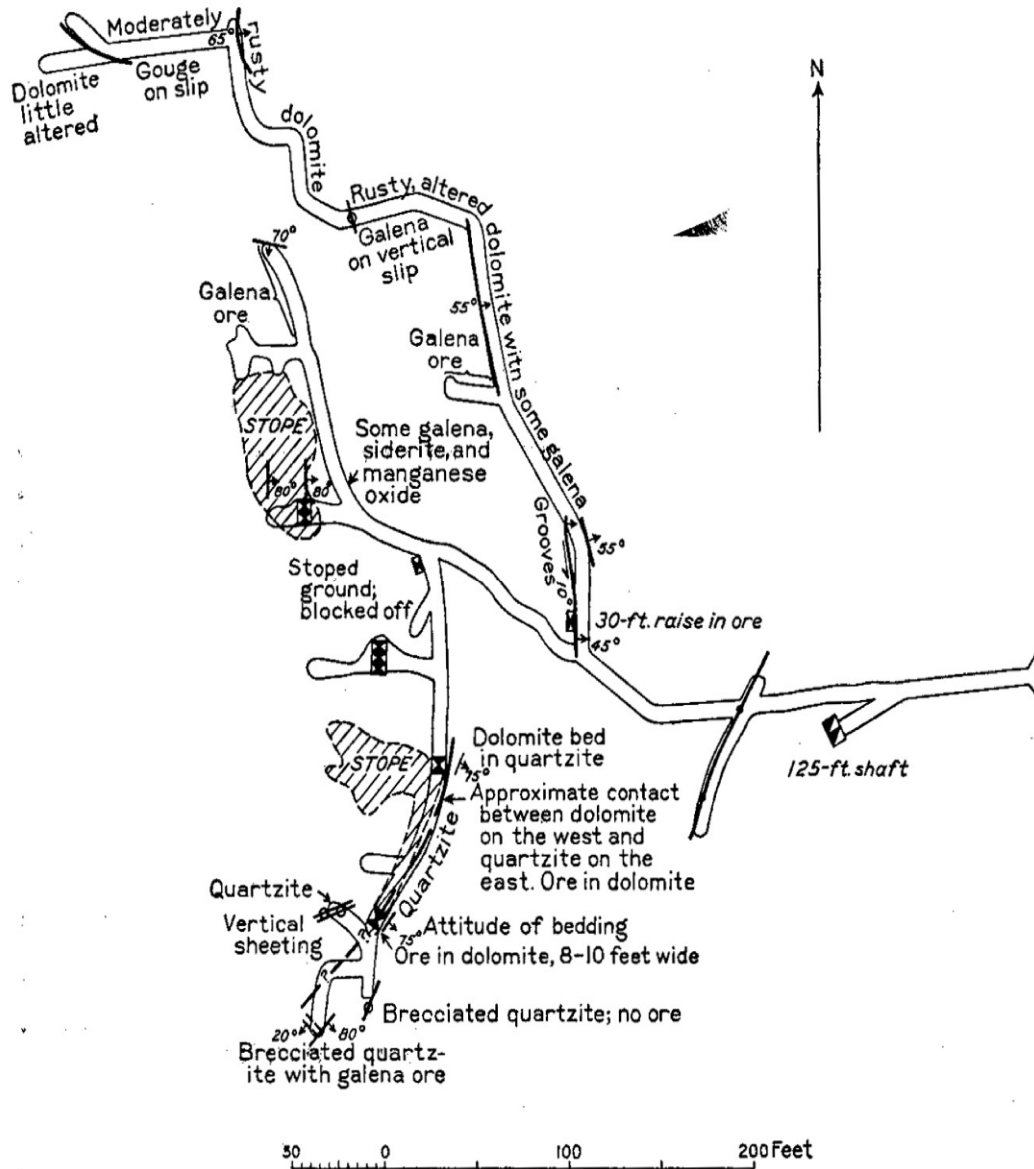
At the Clayton Silver Mine, Pb-Zn-Cu-Ag mineralization occurs in replacement and open space filling deposits, which show both structural and stratigraphic controls. The tabular mineralized zones are associated with shear zones that are parallel to the bedding of a quartz-rich horizon within the Ella Dolomite. Folding and faulting have altered the original nature of the mineralization. The mineralized shoots are characterized by galena, pyrite, sphalerite, tetrahedrite, chalcopyrite, pyrargyrite, and arsenopyrite, which are developed in a siderite gangue.

During the 50 or so years of operations, several mineralized areas have been developed within the Clayton Silver Mine.

Exploration

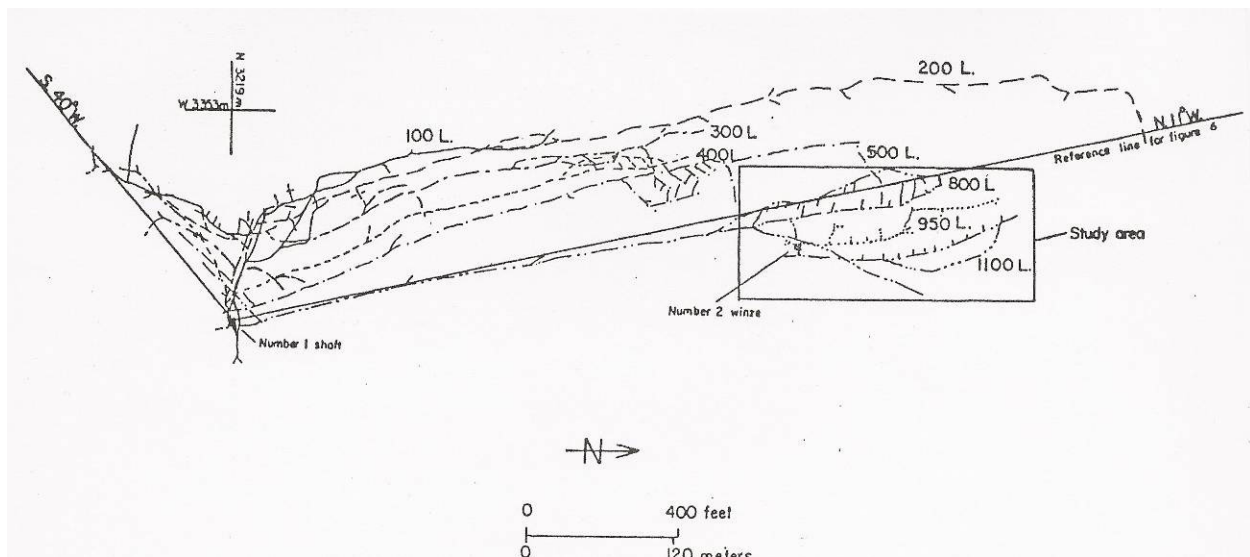
The Clayton Silver Mine, in 1935, was a branching tunnel over 1,200 ft. in length. A shaft was sunk to 124 ft. depth (Fig. 7). The deposit was worked for an additional 50 or so years and several mineralized areas were developed.

Figure 7: Geologic sketch map of the Clayton Silver Mine, September 1935.

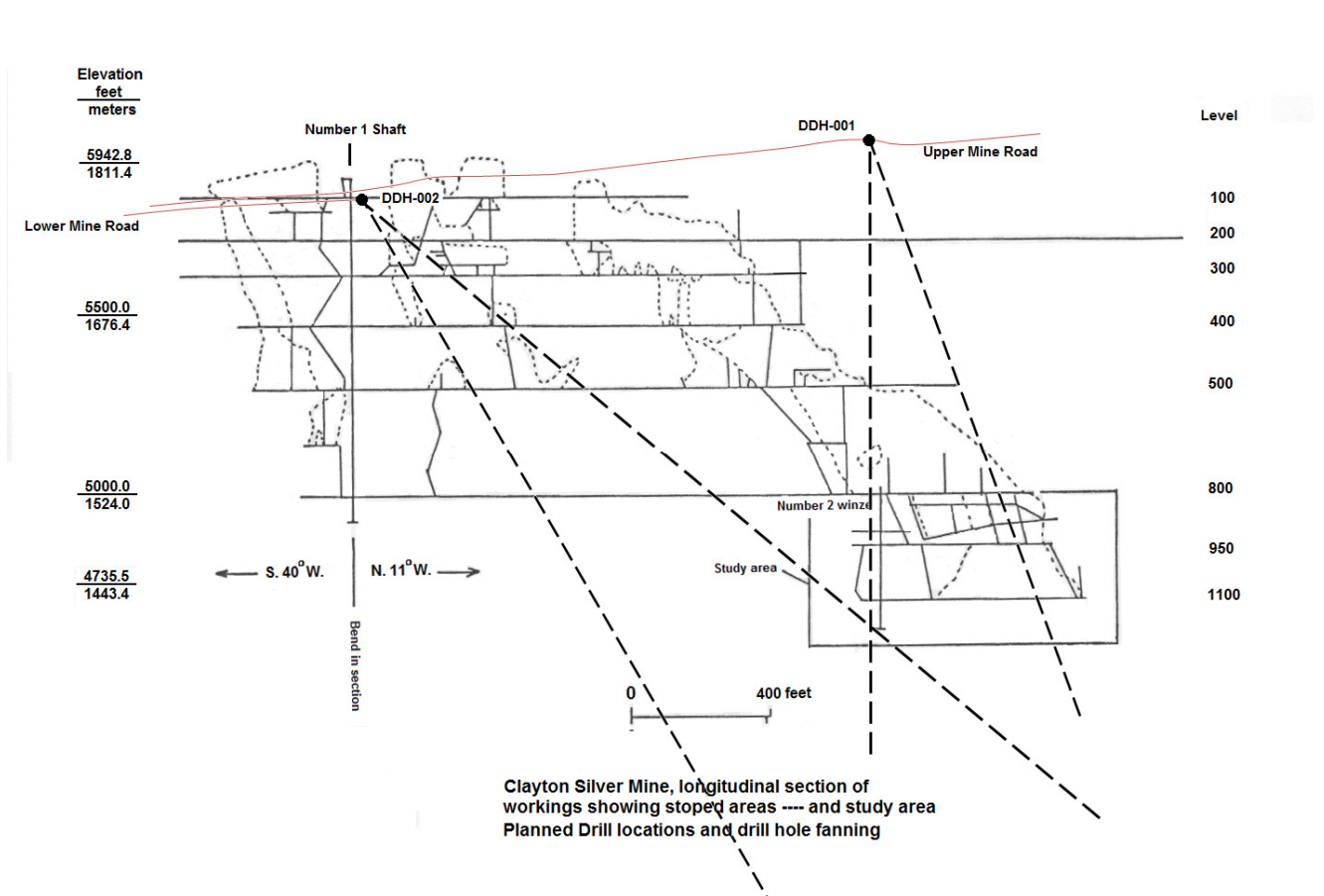




**Figure 10:** Clayton Silver Mine, plan view of underground workings showing the area.



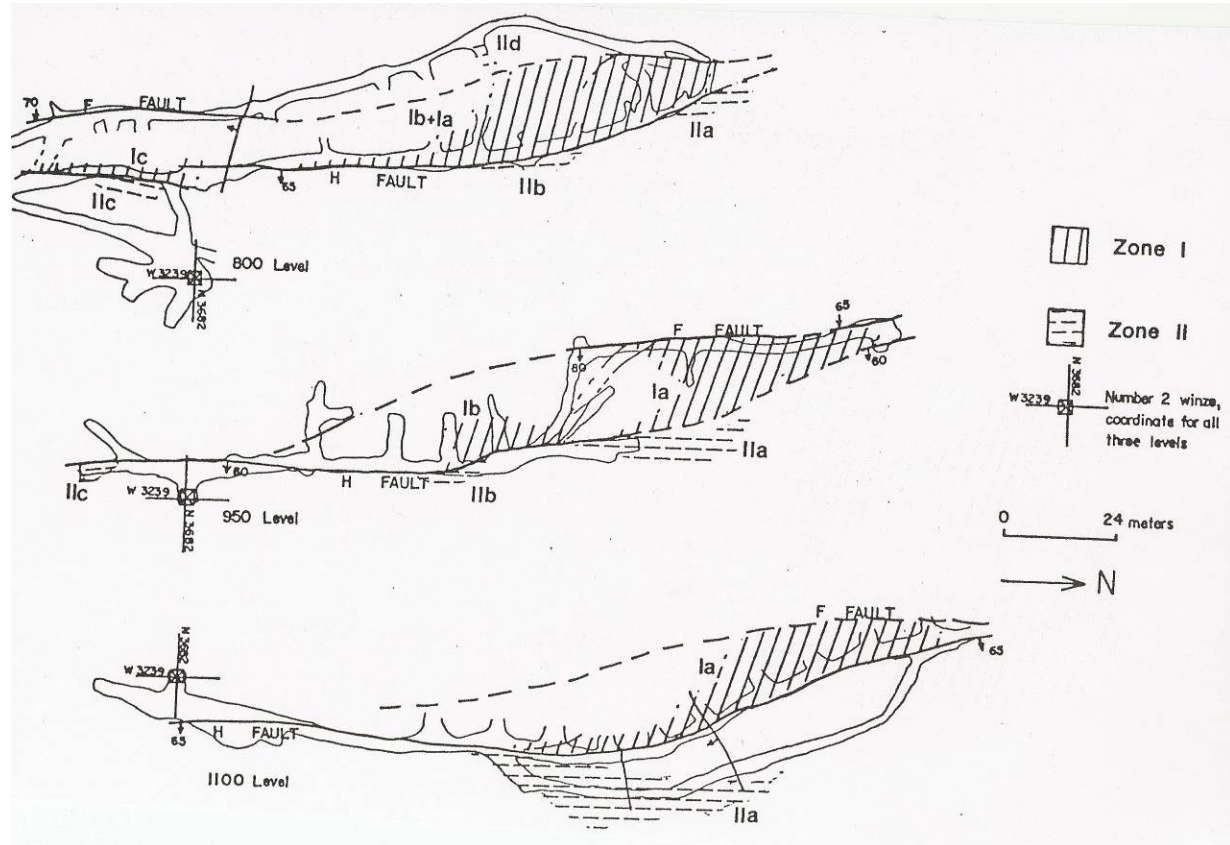
**Figure 11:** Clayton Silver Mine, longitudinal section of the underground workings showing stoped areas (dashed lines). The locations of proposed drill locations are also shown.



The Clayton shear zone, at depth, separates the mineralization into two zones, called Zones I and II, with associated seven identified mineralized shoots (Ia, Ib, Ic in Zone I and IIa, IIb, IIc, IIId in Zone II). The

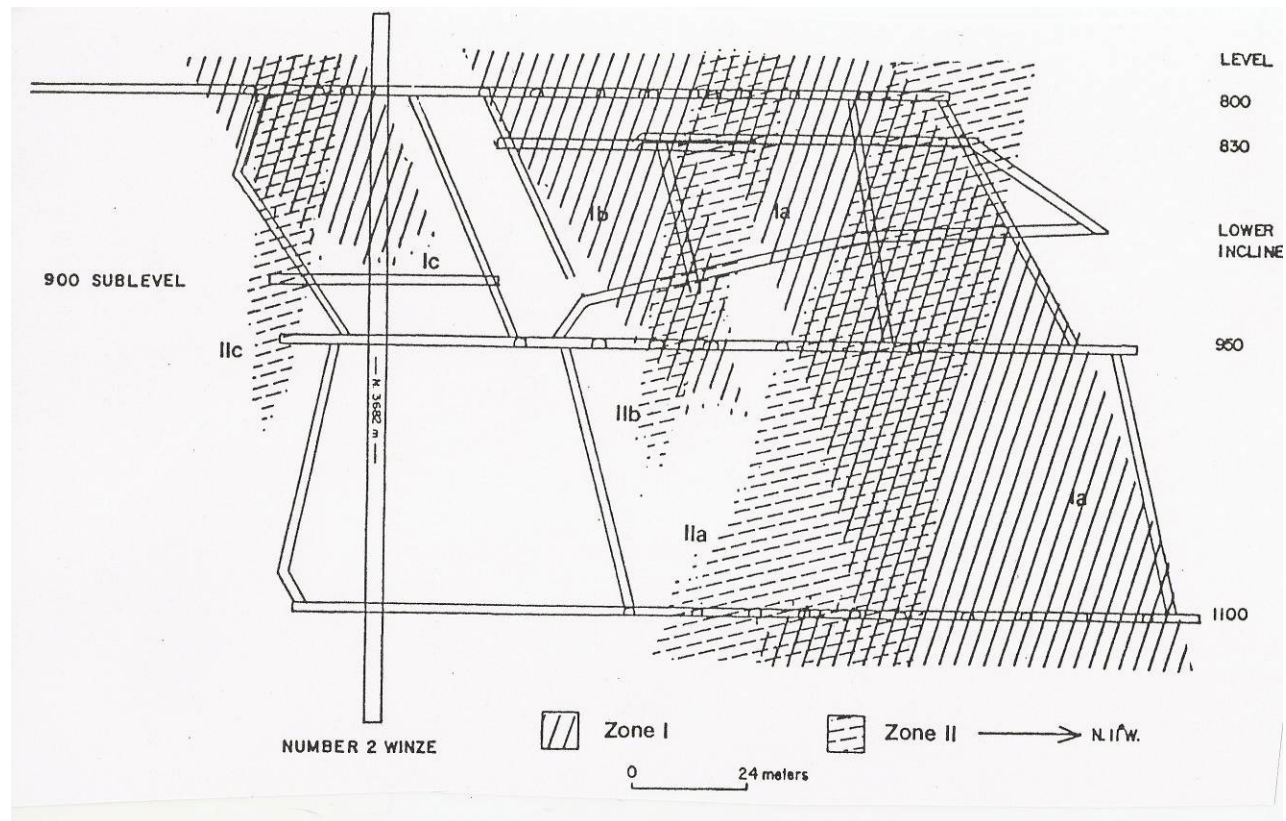
Clayton shear zone developed post mineralization. Figure 12 illustrates mineralization in plan view and Figure 13 shows a longitudinal section.

**Figure 12:** Clayton Silver Mine with mineralization in plan view for the north 800 ft. , 950 ft. and 1,100 ft. levels.





**Figure 13:** Clayton Silver Mine longitudinal showing mineralized shoots projected to the hanging wall fault.



The two zones have similar mineralogy, but differ in terms of their structural orientation. The mineralization in Zone I had been mined continuously to the 1,100 ft. level. Based on drill intersections, it is known to extend at least 427 ft. (130 m.) below the 1,100 ft. level. The strike length of the mined zone averages 410 ft. (125 m.) for all levels and the width is variable due to the nature of replacement. Massive sulfide lenses associated with areas of massive siderite replacement in Zone II (similar to those in Zone I) yielded the highest silver grade.

### *Drilling*

To date, CMX Gold & Silver Corp. has not done any drilling on the Clayton Exploration Project. Recommendations are to procure complete drilling records from previous ownership (if they exist) and to initiate an exploratory drilling program to elucidate the extent of mineralization beyond the 1,100 ft. level, both to the north and to depth. Historical drilling records from the 1960s are discussed below. Later records of drilling have not been located.

### *Historical Drilling Records*

Some historical drill records have been located in published dockets, specifically OME docket no. 6324; information collected about mining properties including applications, reports, results, correspondence, maps, etc. dockets for mining properties in Idaho (for companies that applied for exploration assistance from the Federal Government) are available through the U.S.G.S.

A 1970 report provided to the OME (Spokane), includes a table of drilling operations that took place in 1964 and 1965 to explore a shear zone in the dolomite for silver-bearing mineralization on the 800 ft. level of the Clayton Silver Mine. Drilling began in April of 1964 to the projected 1,500 ft. level. Figure 14 shows the drill hole data extracted from this report and Figure 15 shows the locations of the drill holes. Eleven holes penetrated the mineralized zone below the 800 ft. level at the 1,050 ft., 1,175 ft., 1,300 ft. and 1,400 ft. levels. The mineralized zones penetrated exhibited various widths and silver values. Drilling showed a zone containing approximately 600,000 tons between the 800 ft. and 1,300 ft. levels.

**Figure 14:** Data extracted from a 1970 report showing diamond drill hole data from a drilling operation done in 1964 and 1965 (OME docket no. 6324). Drill hole locations are shown in Figure 15.

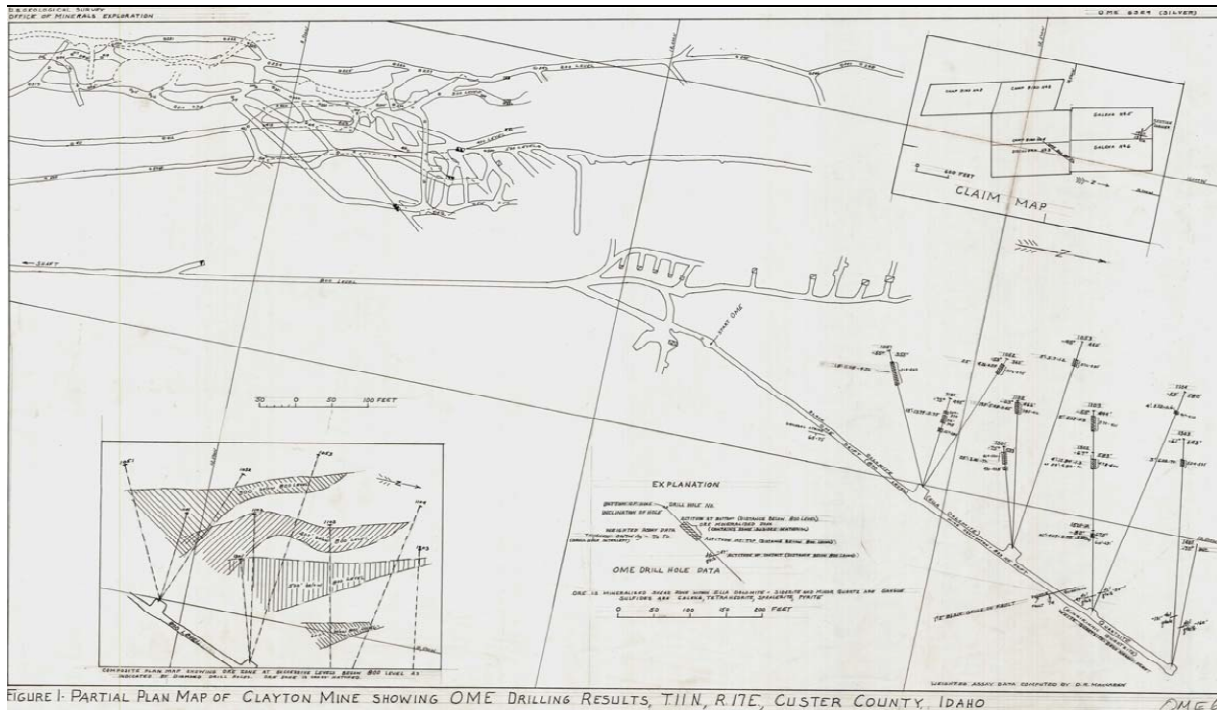
Table 1 - Diamond Drill Hole Data

Hole No.	Start Date	Finish Date	Length Feet	Bearing Angle	Inclination Angle	Ore Zone Intercept <sup>1/</sup>		Normal Thickness <sup>2/</sup> of Ore Zone Feet
						Hanging Wall Feet	Footwall Feet	
1101	4/10/-	5/5/64	445	N. 85° W.	-73°	281	390	79
1052	5/6/-	5/21/64	360	N. 70° W.	-53°	318	345	22
1051	5/25/-	6/23/64	355	S. 65° W.	-55°	261	314	46
1053	6/25/-	7/22/64	440	N. 84° W.	-45°	391	403	12
1102	7/23/-	8/20/64	460	S. 81° W.	-63°	431.5	463	23
1301			553	S. 73-1/2° W.	-75°	498	538	24
1302	9/23/-	10/26/64	583	S. 79° W.	-67°	524	567.5	32
1103			494	S. 79° W.	-55°	454	485	31
1104			580	N. 80° W.	-53°	465	510	45
1303	12/11/64	1/12/65	643	S. 81° W.	-61°	598	613	13
1401	1/14/65	2/8/65	Inc.	Due W.	-70°	Hole abandoned at 512 -- too high water pressure		
1501-A	Drilled in March, 1965		675	S. 70° W.	-80°	611	642	18

<sup>1/</sup> Ore zone characterized by siderite and quartz gangue. In some holes sulfides were found in rock on hanging wall of indicated ore zone.

<sup>2/</sup> Measured at right angles to the assumed dip of the ore zone (data from Operator's monthly reports).

**Figure 15:** 1964 and 1965 drill hole locations to explore the mineralization below the 800 ft. level of the Clayton Mine (OME docket no. 6324).



Drill core logs, assays and averages are available in the OME docket no. 6324. Additional drilling was done in the 1980s, although these drill records and assays have not been located.

#### *Sample Preparation, Analyses and Security*

To date, no samples have been collected on the Clayton Silver Mine site by CMX Gold & Silver Corp., or its contractors. Future sampling, analyses, and quality control activities will be in compliance with standard industry best practice methods.

#### *Data Verification*

To date, there has been no sampling by CMX Gold & Silver Corp., or its contractors and thus no data verification has been conducted on the Clayton Silver Mine site. Future quality control measures and data verification will be in compliance with standard industry best practice methods.

#### *Mineral Processing and Metallurgical Testing*

At the time of this report, no mineral processing or metallurgical testing has been done by CMX Gold & Silver Corp. or its contractors. This is an early phase of exploration to initiate a drilling program.

Grades calculated from production and smelter records (1934 – 1935) show approximate average grades of 112.13 g/mt Ag, 1.9% Pb, 0.6% Zn, 0.3% Cu and 0.03 ppm Au. Grades calculated for 1982 – 1985 are

98.06 g/mt Ag, 0.90% Pb, 0.18% Zn, 0.04% Cu, and 0.03 ppm Au. Mining of specific mineralized shoots in the Clayton shear zone increased grades for silver and lead to 137.00 g/mt Ag and 1.0% Pb.

#### *Mineral Resource Estimates*

To date, no mineral resource has been estimated for the Clayton Exploration Project by CMX Gold & Silver Corp. or their contractors. This is an early phase of exploration to initiate a drilling program.

#### *Interpretation And Conclusions*

The Clayton Exploration Project represents an early stage exploration target considered prospective for the discovery of lead and silver mineralization. The area is well constrained with geologic mapping and underground workings are developed. The Clayton Silver Mine was exploited for over fifty years and could be brought back on-line. The Clayton Exploration Project will be focused on exploring the Clayton structures in the currently unexplored region below the 1,100 ft level of the mine. Based on drill intersections, the most recently mined area is known to extend at least 427 ft. (130 m.) below the 1,100 ft. level. The exploration plan is divided into two phases, Phase 1 and Phase 2, which are discussed below.

#### *Recommendations*

The Clayton Report recommends that future mine owners should procure all drill records and records pertaining to mineralization already discovered and exploited in the Clayton Silver Mine that are available from previous ownership. Further, the report recommends the initiation of the Phase 1 drilling program to examine rocks not yet explored below the 1,100 ft. level of the Clayton Silver Mine in order to estimate the extent of the mineralization beyond the 1,100 ft. level. Figures 3 and 11 illustrate the proposed drill locations. The Idaho Department of Water Resources must be notified prior to commencement of any mining or milling operations or prior to deposition of any tailings on the reclaimed impoundment. Drilling on private ground can likely begin immediately.

#### *Budget*

The Clayton Exploration Project is a 100% venture by CMX. The Clayton Exploration Project plan will focus on the Clayton Anticline below the 1,100 ft level of the Clayton Silver Mine that has been relatively unexplored and not part of the Clayton Production. The exploration plan is divided into two phases, Phase 1 and Phase 2.

Phase 1 will consist of geological analysis and data recovery of existing geological/geophysical data and recovery of old records left at the site or in the hands of former employees. Some data is available in the Defense Minerals Exploration Administration and OME dockets, but retrieval of drill records from the 1980's would be beneficial. It will also include exploration, geologic data analysis and drill hole targeting on the patented property. Drilling will include approximately three drill holes (1,500 – 2,500 ft. each maximum) on the Clayton patented property representing 5,400 ft of initial drilling. The drilling and assaying and initial geological work will be approximately a six month effort.

Phase 2 (following successful completion of Phase 1) proposes to drill eight additional holes to delineate probable ore reserves for the mine, representing 20,000 ft of additional in-field exploration drilling. With the current reserves of approximately 300,000 tons, the goal of the proposed two-phase exploration program would be to delineate approximately an additional 1.5 to 3 million tons of ore in the Clayton Silver Mine.

Tables 2 and 3 illustrate the proposed program budgets for the project designed to reach the objectives outlined above.

Table 2 - Proposed Clayton Exploration Project budget – Phase 1. All amounts in U.S. dollars.

<b>Phase 1: 5 Months</b>			
<b>Exploration Office</b>	<b>\$/mo</b>	<b>Months</b>	<b>Total \$</b>
<b>Project Manager</b>	<b>12,500</b>	<b>5</b>	<b>62,500</b>
<b>Geologist (\$/mo)</b>	<b>8,000</b>	<b>5</b>	<b>40,000</b>
<b>Geologist - Assistant</b>	<b>4,000</b>	<b>5</b>	<b>20,000</b>
<b>Expense Item</b>	<b>Unit Cost</b>	<b>QTY</b>	<b>Amount</b>
Field/travel	\$10,000	1	\$10,000
Field vehicles	\$5,000	1	\$5,000
Geochemical samples (\$/sample)	\$50	100	\$5,000
Metallurgy/QA	\$15,000	1	\$15,000
Geologist (\$/mo) – Consulting	\$2,000	2.5	\$5,000
Field assistants (\$/mo)	\$1,500	2.5	\$3,750
Environmental audit/permits	\$5,000	1	\$5,000
Drill road/site preparation (Hours)	\$90	100	\$9,000
Road Maintenance	\$8,000	1	\$8,000
Gyro, drill hole survey	\$10,000	1	\$10,000
Drilling Mobilization/ Demobilization	\$5,000	2	\$10,000
Drilling (target footage, \$/ft),	\$130	5400	\$702,000
Geochem Assays (ICP & Fire Assay)	\$75	1000	\$75,000
Aerial photography	\$0	0	\$0
Surface access agreement	\$5,000	1	\$5,000
			<b>\$996,250</b>

Table 3 - Proposed Clayton Exploration Project budget – Phase 2. All amounts in U.S. dollars.

<b>Phase 2: 12 Months</b>			
<b>Exploration Office</b>	<b>\$/mo</b>	<b>Months</b>	<b>Total \$</b>
<b>Manager</b>	<b>12,500</b>	<b>12</b>	<b>150,000</b>
<b>Geologist (\$/mo)</b>	<b>8,000</b>	<b>12</b>	<b>96,000</b>
<b>Geologist - Assistant</b>	<b>5,000</b>	<b>12</b>	<b>60,000</b>
<b>Expense Item</b>	<b>Unit Cost</b>	<b>QTY</b>	<b>Amount</b>
Field/travel	\$10,000	3	\$30,000
Field vehicles	\$5,000	1	\$5,000
Geochemical samples (\$/sample)	\$50	100	\$5,000
Metallurgy/QA	\$15,000	1	\$15,000
Geologist (\$/mo) – Consulting	\$2,000	6	\$12,000
Field assistants (\$/mo)	\$1,500	6	\$9,000
Environmental audit/permits	\$5,000	1	\$5,000
Drill road/site preparation (Hours)	\$90	100	\$9,000
Road Maintenance	\$8,000	1	\$8,000
Gyro, drill hole survey	\$10,000	1	\$10,000
Drilling Mobilization/ Demobilization	\$5,000	4	\$20,000
Drilling (target footage, \$/ft),	\$150	20000	\$3,000,000
Geochem Assays (ICP & Fire Assay)	\$75	4000	\$300,000
Aerial photography	\$5,000	0	\$0
Surface access agreement	\$15,000	1	\$15,000
			<b>\$3,749,000</b>

## ***Marietta Property***

The Marietta Report dated April 7, 2011, was prepared at the request of CMX so as to conform to NI 43-101. The information below has been extracted from the full Marietta Report and provides a summary of the physical setting, geology, mining history, and mineral exploration potential of the Marietta Exploration Project and provides recommendations for exploration. Certain figures and tables from the Marietta Report are included in this Prospectus. The remaining figures and tables are contained in the full Marietta Report, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Most of the information about the property and surrounding areas are given in U.S. terms and units, although metric units are also used at times. References to currency are in U.S. dollars.

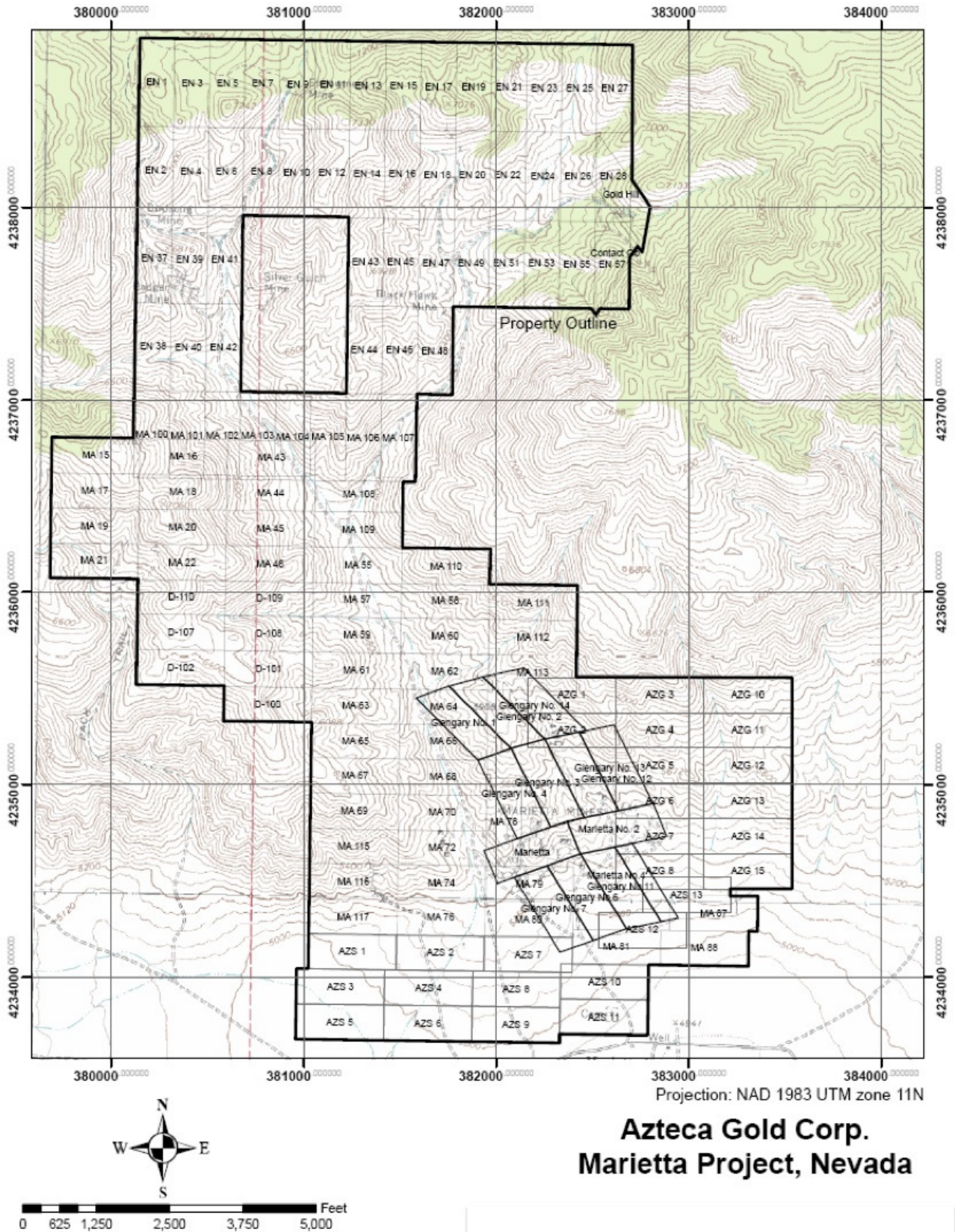
### ***Marietta Property Description and Location***

The mineral rights currently held within the Marietta Exploration Project by Azteca are through a buyout agreement with MSM Resources LLC of Seattle, Washington. An underlying 1% net smelter royalty was retained by the prior owners of the 13 patented claims. There are 13 federal patented claims and 143 unpatented federal lode mining claims comprising the Marietta Exploration Project. CMX has reached an agreement with Azteca which provides CMX Gold & Silver Corp. an option to earn up to a 50% ownership and ultimately operatorship of the Marietta Exploration property currently 100% owned by Azteca.

The claims are located in un-surveyed sections 17, 18, 19, 20, 29, 30, 31 and 32, T 5 N, R 33 and un-surveyed sections 24 and 25, T5N, R32E, Mineral County, Nevada. A claim map for the Marietta Exploration Project is illustrated in Figure 16.



**Figure 16:** Claim map of the Marietta Exploration Project, Mineral County, Nevada.

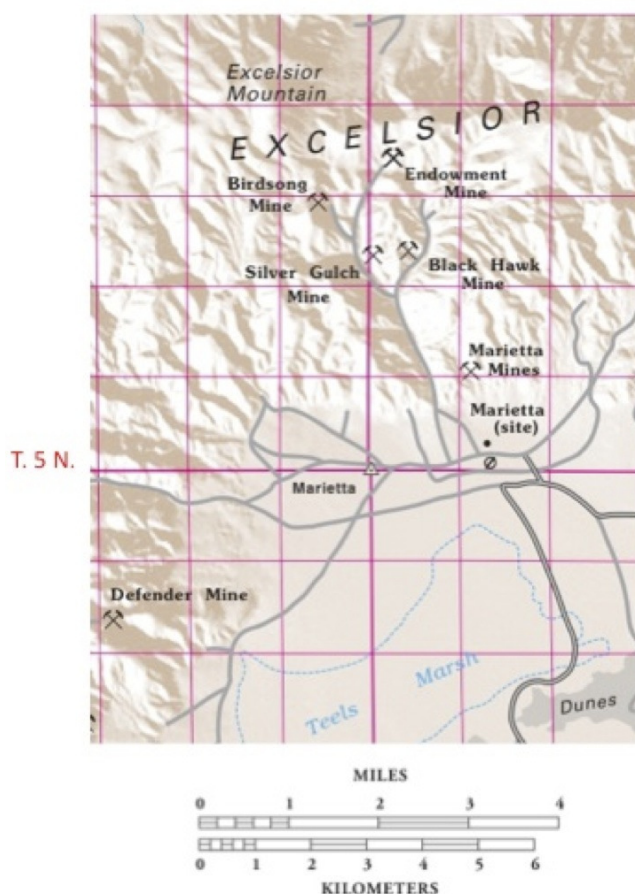


*Accessibility, Climate, Local Resources, Infrastructure, And Physiography*

The Marietta Exploration Project is located in the Marietta Mining District, Mineral County, Nevada on the south flanks of the east-central Excelsior Mountains, north and west of Teels Marsh (Fig. 17). The historic mineral properties are located in a canyon north of the Marietta town site, although other mines in the vicinity are considered part of the Marietta Mining District.

The area is accessible from Reno, Nevada, via Interstate 80, to U.S. Highway 50 east, to U.S. Highway 95 south, to Nevada State Route 360 west, to the Marietta turn off, then approximately nine miles (14.5 km.) west on an improved dirt road to the town site of Marietta. From the town site of Marietta, unimproved dirt roads lead north into the project area. Figure 17 illustrates the location of the Marietta, as well as other mines in the vicinity, some of which are discussed below.

**Figure 17:** Location map of the Marietta mine area.



The elevation at the Marietta Exploration Project property ranges from 5,040 feet at the town site to 7,400 feet at the Endowment Mine locality. The Marietta Exploration Project property is in a high desert to sub-alpine area with annual rainfall of less than 15 inches. Temperatures are moderate and range from cool to cold during the winter with occasional snowfalls while summer temperatures are warm. Vegetation is limited to sage, juniper, and pinion pine with sparse native grasses.

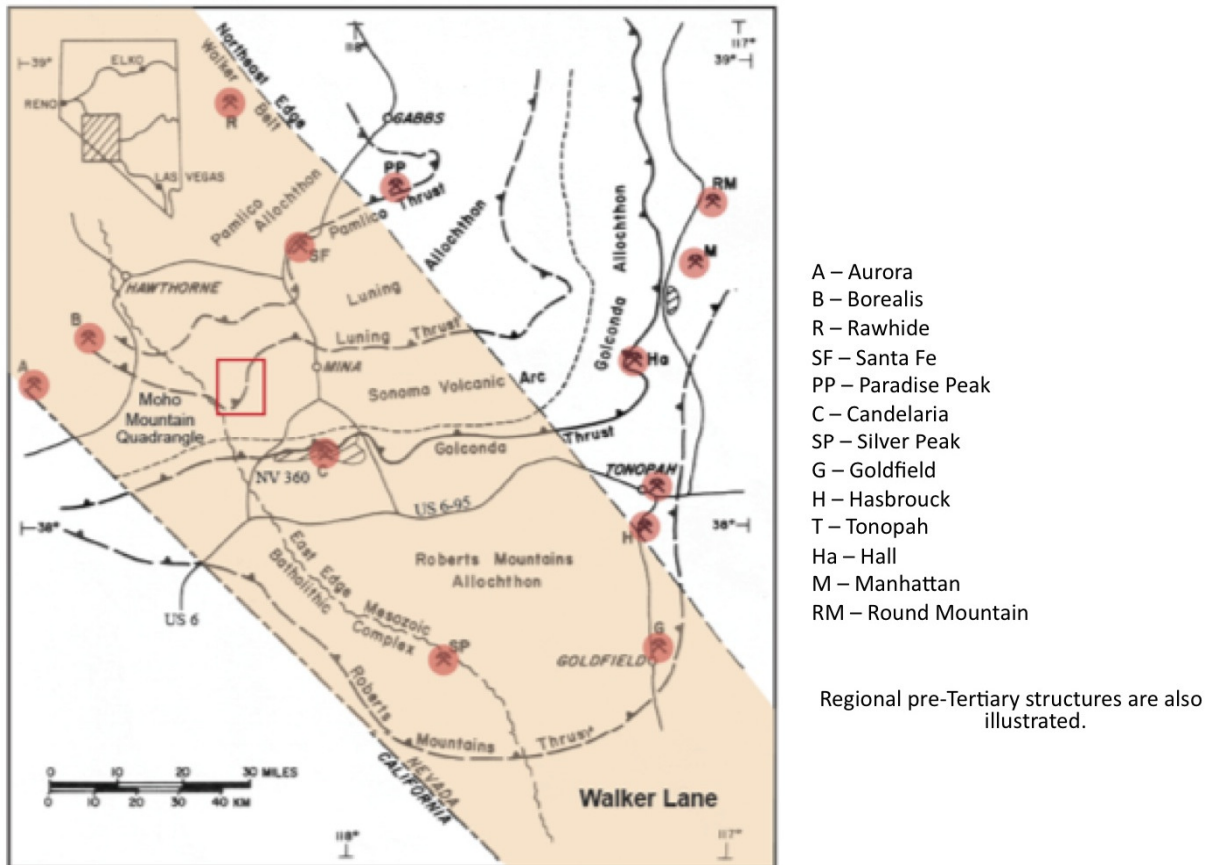
The town of Marietta is virtually uninhabited. Food, lodging and fuel are available in Hawthorne and Tonopah, 57 and 62 miles away, respectively. Necessary supplies, equipment and services for exploration and mine development are available in Reno, Winnemucca, and Elko, Nevada. A trained mining workforce is available in the aforementioned communities.



## History

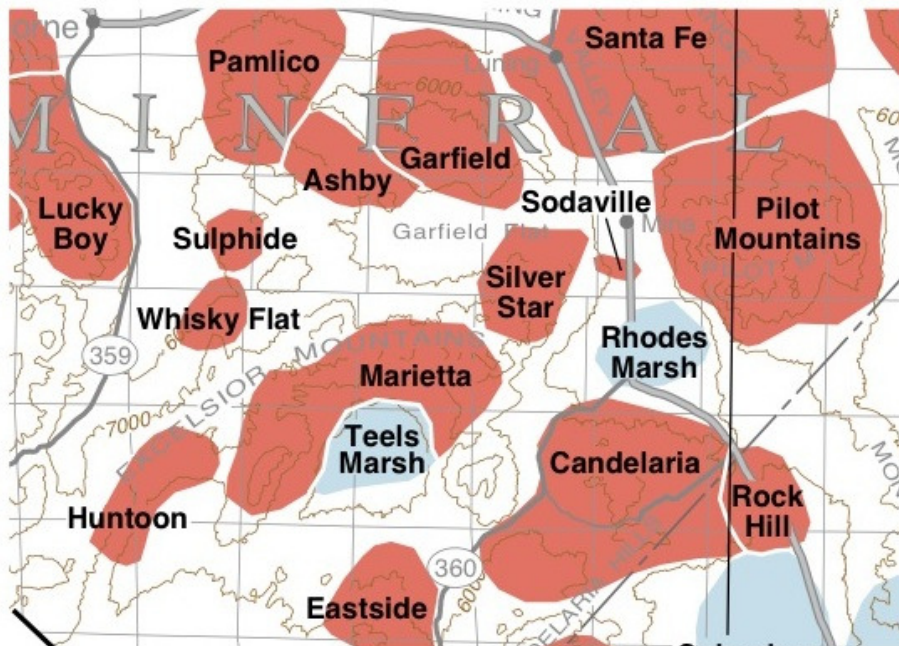
Mining in Mineral County, Nevada began with the discovery of silver and gold deposits in the Aurora District in 1860 (Fig. 18). This was followed by the discovery of similar deposits in Candelaria and Silver Star (currently referred to as the "**Marietta Mining District**"). The property lies within the southern part of the Moho Mountain Quadrangle (Fig. 18).

**Figure 18:** Mining districts in the Walker Lane area of Nevada.



The first mining in what is now referred to as the Marietta Mining District began as early as 1867 (borax and salt were mined from Teels Marsh) to the south of the Moho Mountain quadrangle. Figure 19 illustrates the location of the Marietta Mining District with respect to Teels Marsh and other mining districts in the area.

**Figure 19:** Location of the Marietta Mining District relative to other districts in a portion of Mineral County, Nevada.



The greatest mining activity occurred between 1865 and 1875. By 1956, the total production of silver, gold and tungsten was about \$75 million (in 1960 dollars), primarily from the Aurora and Candelaria Districts. Mining continued intermittently through the 1980s but largely ceased by 1956. In addition to silver, gold, and tungsten, the district produced lead and copper with nearly half of the value in tungsten. The area is dotted with numerous shafts, adits and declines driven into altered rock in the Marietta area, but no production records remain. Old workings exploiting NW-trending silver and lead veins that date from the 1870s to the 1950s are found approximately two miles NNW of the Marietta mines. These veins cut sedimentary and volcanoclastic rocks of the Jurassic Dunlap Formation.

#### Historic Mining and Prospects in the Area

There are several old mine workings on the Marietta Exploration Project property including the Endowment Mine, Sultana Mine, Yellowstone Prospect, and the Black Hawk Mine. Refer to Figure 20 for the locations of these mines and prospects relative to the property boundary. Figure 17 shows the locations of the Endowment and the Black Hawk Mines. The mining history of each is presented below. The London Silver Lead Mines Company location is also discussed.

##### 1) Endowment Mine

The earliest metallic mining discovery in the Marietta Mining District was the Endowment Mine prior to 1877. Between 1877 and 1885 the Endowment Mine produced rich silver and lead ore. During this time, estimates of production range from \$78,000 to \$1.5 million; actual figures are not obtainable. The property sat idle until 1923. In 1924 contract miners operated on the site. The Endowment mine has been developed by several thousand feet of workings including three winzes and numerous stopes and raises on five different levels. No modern exploration has been carried out on the property at this location.

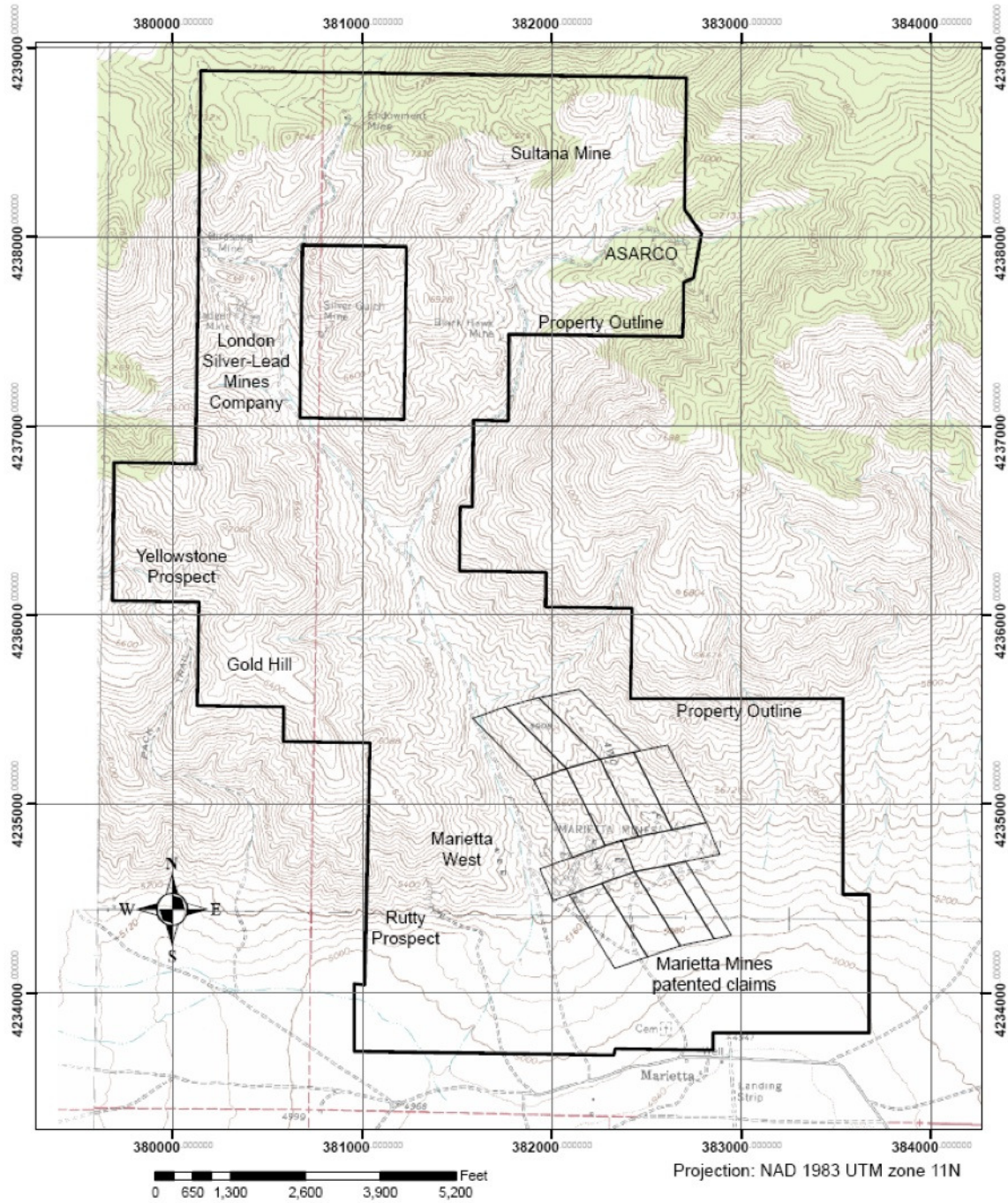
## 2) Sultana Mine

The Sultana Mine is located about 2,400 ft. east of the Endowment Mine. The Sultana Mine is a narrow NW-trending vein that dips 80° to the NE. It had some past production on narrow high angle structures, but no records of production are available.

American Gold Resources Corp. ("**American Gold**") drilled 11 reverse circulation ("**RC**") holes in the area in the mid-1980s. Along with drilling, underground mapping and sampling was completed in the mid-1980s. In the late 1980s Phelps Dodge drilled 5 holes in the Sultana area. The drill hole locations are known but the results are not available. In 1989, Battle Mountain Gold optioned the ground and drilled 6 holes in the area and 4 elsewhere at unknown locations. Drill roads were reclaimed.



Figure 20: Historic mine and prospect locations within the Marietta Exploration Project property.



**Azteca Gold Corp.**  
**Marietta Project, Nevada**

### 3) Yellowstone Prospects

Very little data is available for this area prior to the work by American Gold in the mid-1980s. American Gold conducted geologic mapping and rock chip sampling, soil sampling, induced polarization surveys and drilling. American Gold drilled the area of the Yellowstone Prospect workings with 12 RC holes prior to 1989. Six of these drill hole locations are known and were designed to test the down dip extension of a mineralized structure. It is reported they drilled induced polarization conductivity highs on the hill to the NE of the Yellowstone Mine with little success.

High-grade gold mineralization can be found on the surface just west of the main adit at the Yellowstone mine. Visible gold in outcrop can also be found on claim D-108. No drilling has been done on the D claims.

### 4) Black Hawk Mine

Very little information is available on the Black Hawk Mine. It is described as a NW-trending, vertical argentiferous galena vein hosted in clastic sedimentary rocks. The mineralogy of the vein includes galena, pyrite, sphalerite, tetrahedrite, chalcopyrite, cerussite, anglesite and covellite in a quartz gangue.

### 5) London Silver-Lead Mines Company Location

The London Silver Lead Mines Company consists of a collection of several mines namely the Badger, Birdsong, Rip Van Winkle and the Silver Gulch mines, the latter not a part of the Marietta Report. These mines are located in the NE quarter of un-surveyed section 24, T5N, R32E in Mineral County, NV.

The London Silver-Lead Mines Company produced a small amount of silver and lead prior to 1915 from the Badger Mine. No production is reported from the two other mines in the Marietta Report. A new company, Gold Gulch Mining and Milling Company in 1928, had a new mill built at the Marietta town site. Only several tons of ore were processed at the mill.

In the mid-1980s the area was explored by American Gold with mapping and sampling of the underground workings of the Birdsong Mine.

### 6) Rutty Prospect

The prospect property was owned by Joe Rutty beginning in 1910; he had completed 4,000 ft. of workings by hand along with mining and milling of ore. Mr. Rutty made a simple living from this small mine. The mine was developed for gold between 1910 and 1930. The veins supposedly contained native gold and pyrite in a quartz±siderite gangue. The veins (generally less than a foot wide) trend N35°E to N35°W and have steep dips.

### 7) Roy Ladd Prospect

ASARCO LLCs interest in the area began in 1985 and came to fruition in 1988 with the completion of 2,515 ft. in 10 RC holes in the Roy Ladd area at the NE area of the claim block (labeled ASARCO, Fig. 20). Prior to drilling, an extensive rock chip-sampling program was completed with in the existing claim block. ASARCO staked 15 lode claims over and surrounding the 5 Roy Ladd claims.

## *Geological Setting And Mineralization*

### Regional Geology

The Marietta Exploration Project property is situated in the Marietta Mining District, Mineral County, NV in the western part of the state near the margin of the Basin and Range province. The Marietta Mining District is located in the east-central Excelsior Mountains. The project site is situated within the NW-trending Walker Lane Mineral Belt of the western Basin and Range province, which hosts numerous gold and silver deposits. Mining districts and mineral deposits located within the Walker Lane Mineral Belt include the Comstock Lode, Tonopah District, Goldfield District, and the Rawhide, Paradise Peak, and

Bullfrog Mines (some of which are shown in Figure 18). These districts have produced significant quantities of precious and base metals over the past 125 years.

The Walker Lane Mineral Belt and the Eastern California Shear Zone is a zone of transtension between the central Basin and Range and the Sierra Nevada microplate. The zone is characterized by complex deformation and localized bimodal volcanism.

Regionally, Triassic to Jurassic age argillites, calcareous sandstones and limestones have been intruded by stocks and sills of Cretaceous age. Hornfels and skarns have developed as large aureoles around intrusive bodies. The region is characterized by low angle thrusts and high angle normal and strike slip faults.

The oldest units exposed in the Marietta Mining District consist of the Permian metavolcanic and metasedimentary rocks of the Mina Formation and the Black Dyke Formation. The Mina and Black Dyke Formations are interpreted to be in thrust contact with the Jurassic Dunlap Formation. The Permian formations are interpreted to be the upper plate of the thrust sheet whereas the Jurassic Dunlap Formation is interpreted to be the lower plate. Both the upper and lower plates have been intruded by dikes and masses of granodiorite, quartz monzonite, and granite porphyry between Moho Mountain and the Marietta mines area. The Excelsior Mountains are underlain by Cretaceous granitic rocks to the west of the Marietta Exploration Project area. West of Moho Mountain a small area of the district is covered by Tertiary andesite.

The Marietta mines District is underlain by the Jurassic Dunlap Formation within the Excelsior-Coaldale block, which is bound to the north and south by EW trending left lateral faults (Rattlesnake and Marietta faults, respectively).

### Property Geology

The mines and prospects of the Marietta mines (located 1 km north of the Marietta town site) are within clastic rocks of the Dunlap Formation and along a thrust fault that separates the Dunlap (above) from metavolcaniclastic and metavolcanic rocks (below). The base of the footwall andesite is not exposed in the Marietta area.

The stratigraphy at the Marietta Exploration Project property is comprised essentially of two rock types; metamorphosed volcanic rocks below and weakly metamorphosed sedimentary rocks above.

The upper plate consists of bedded to massive sequences of chert pebble conglomerate. The unit is variously purple, violet or light green to light gray, with local interbeds of laminated to thick bedded, light brown to gray sandstone. Epidote crystals are present on some fractures. These siliciclastic rocks form the majority of the low ridges in the mapped area. The unit is very broken and locally crushed, particularly near low angle structures.

A unit identified as calc-silicate was found on the western edge of the project area that occurs between conglomerate and sandstone units. The contact is variously sheared and/or brecciated. The calc-silicate rocks are fine grained, dark green and locally calcareous. This unit contains bedding defined by concentrations of various minerals and forms bold outcrops.

Colluvium covers most slopes with up to 3 m of material. Alluvium is generally thin in many of the small draws but can be in excess of 10 m thick in the larger valleys. Alluvial fans of unknown thickness have formed at the front of the range.

The lower plate metavolcanic sequence consists of two rock types; a trachytic unit composed of plagioclase crystals (to 2 cm) in a fine-grained matrix and a fine-grained massive flow unit. The trachytic unit is dark green, except where it is hydrothermally altered. Local concentrations of epidote are found on fractures and veins.

All rocks in the project area have been subjected to regional greenschist facies metamorphism prior to hydrothermal alteration. Hydrothermal alteration has produced differing mineralogy in the two principal

lithologies. Alteration within the sedimentary rocks is characterized by limonitic staining along structures. In areas where alteration is intense, local and rarely larger areas of silicification are observed. Silicification is well developed in areas of open-spaced brecciation. In silicified rocks, goethite veins up to 1 cm thick are present along with hematite staining. Occasionally, drusy quartz is present along bedding.

There are two alteration types present. The primary type is quartz-sericite-pyrite alteration. This alteration is recognizable by the outcrops of dark brown to black bouldery material. The primary mineral make up of this material is sericite and/ or kaolinite, goethite, and quartz with common concentrations of black manganese oxides, red hematite and rarely copper carbonates (azurite and malachite).

Underlying this zone is a thick zone of white kaolinite. Low angle shears are frequently present in this material. Iron oxide stains are common and in many areas cause the white clays to turn pink. Goethite has replaced pyrite cubes and striated modified pyrite cubes to 5 mm are common in the white clays. This style of alteration is found everywhere at the contact between the sedimentary rocks and the volcanic rocks and in most areas is 1 m or less in thickness. Where it underlies the quartz-sericite-pyrite alteration, the kaolinite alteration is in excess of 10 m thick.

Copper carbonates are most readily developed in unaltered or only weakly altered metavolcanic rocks, often below areas of argillic alteration. Local concentrations yield malachite and azurite crystals to 2 mm. The highest concentration of malachite was found in unaltered dark green metavolcanic rocks NE of the main mining areas.

Quartz veins are found throughout the area concentrated in areas of intense hydrothermal alteration. The veins are primarily massive white quartz and may be layered with pyrite and chalcopyrite. Pyrite and chalcopyrite are often found dispersed in unaltered metavolcanic rocks, usually in pods of subhedral and euhedral crystals. These sulfides are often altered to goethite and/ or malachite with malachite forming green stains haloing the sulfide pods.

### Structure

The project area is cut by numerous small- and large-scale structures. The structure of the area can be divided simplistically into low angle structures (with dips less than 50 degrees) and high angle structures (dips greater than 50 degrees). The low angle structures likely formed earliest. They are common in both the sedimentary and volcanic units. These structures are seldom planar. Often they are discontinuous and exhibit complex curved surfaces. Low angle structures in the sedimentary unit are characterized by crushed rock and are frequently accompanied by a limonitic clay core. In the volcanic unit, the low angle structures often exhibit plastic deformation and hydrothermal alteration. Kaolinite or sericite clays are frequently developed.

The high angle structures are characterized by three strike directions: NNW, WNW, and ENE. The most important strike direction is the NNW set, which acts as the primary feeders and veins. The dips vary in direction and degree. Many sulfide-bearing quartz veins have this orientation as well. The main mineralized zone also trends NNW out of the central alteration area. The WNW trending set of high angle structures cut and offset the low angle structures. These faults are recognized in underground exposures by crush zones and minor clay development.

### *Mineralization*

At least three types of mineralization have been identified at the Marietta Exploration Project site. They recognized two gold systems and a third copper-rare earth system. Mesothermal quartz veins have been identified with up to 49.2 g/t (1.435 opt) gold up to 66 g/t (1.925 opt) from surface samples. These are crosscut by a later, high angle shear hosted, epithermal gold system with values to 17.3 g/t (0.504 opt) gold. The strike length of the epithermal gold system is greater than 1,000 meters. The extent of the high-grade quartz vein system has not yet been determined. Gold mineralization is almost entirely hosted within the metamorphosed sandstones and conglomerates located in the central and western portion of the region.

## Deposit Types

The Marietta Exploration Project site is situated in the Walker Lane Mineral Belt, a geographical district in southwest Nevada measuring 600 km long by 130 km wide (see Fig. 18). The region is defined as a NW-trending structural corridor controlling numerous epithermal precious metal deposits such as the Comstock Lode, Round Mountain, Aurora, Rawhide and Goldfield as well as porphyry copper deposits such as Yerington. It is estimated that the district contains, in production and resources, over 46.7 million ounces of gold and over 436 million ounces of silver. The deposit types at the project site are high grade, medium width veins with the dominant minerals of quartz, iron oxides and sulfides.

More recent work in the Marietta mines area suggest that a possible source for the hydrothermal fluids that produced the veins may be a hidden porphyry system with an associated intrusive at depth. This is discussed further below.

## *Exploration*

Since the establishment of the Marietta Mining District in the early 1860s (which mined oxidized lead and silver ores north of the town of Marietta), and subsequent underground mining over the next 20 or 30 years (mostly at the Endowment Mine and the London Lead Silver Mines), mining operations were essentially reduced to a small scale into the 1960s. In the 1960s, some drilling was done to test for a possible porphyry deposit at depth (exploration company unknown; only three core holes from this program have been located).

Modern precious metal exploration began in mid-1985 with the exploration of precious metals by American Gold, Phelps Dodge Corporation, Battle Mountain Gold Company and in the early 1990s by ASARCO. Numerous drill roads were constructed and drilling occurred during this period along with surface and underground mapping and sampling and induced polarization surveys. In 2005, MSM Resources LLC had a ground magnetic and gravity survey made along with detailed underground mapping and sampling of seven of the larger, historical workings in the Marietta mines area.

In mid-2005, the seven underground workings in the Marietta area were mapped and sampled by CGF Consultants, Inc. at the request of MSM Resources LLC. A total of 2,864 feet of underground mapping was completed along with the collection and analysis of 139 rock chip samples. Most samples were along the ribs and 20 ft. long.

A regional gravity survey and a magnetic survey on four grids were completed by Big Sky Geophysics for MSM Resources LLC in 2005. According to Big Sky Geophysics, the regional magnetic data appear to show a regional structure trending NW-SE. Additionally, the gravity data suggests a strong gravity high approximately where the Marietta ground magnetic survey is located.

Recent exploration by contractors to Azteca, has consisted of geologic mapping, soil sampling, an induced polarization and resistivity survey, ground magnetic, and pre-collar drilling.

## *Drilling*

Previous drilling in the Marietta mines includes drill holes in the 1960s by an unknown company with unknown results. In late 1984 – early 1985, Vector Resources Inc. of Vancouver, Canada, drilled several holes in the Gold Hill area south of the Yellowstone Prospect. Along with the several holes drilled, dozer work and sampling was conducted. In the mid-1980s, American Gold drilled approximately 17 RC holes in the Sultana Mine area and the Yellowstone Prospect area. Phelps Dodge Corporation drilled 5 RC holes in the Sultana area. Battle Mountain Gold Company drilled 6 RC holes in the Sultana Mine area in 1989. In 1989, Fleet Koutz with ASARCO, drilled 10 RC holes on the Roy Ladd prospect east of the Sultana Mine.

In 2007, Azteca contracted WDC Exploration & Wells of Montclair, California, to drill 4 RC pre-collar holes in the Marietta area. The four RC holes have been cased to their total depth for future core drilling. Table 4 provides the collar coordinates, elevations and depths.



The author of the Marietta Report examined the core logs (prepared by M2 Technical Services, Inc., Spokane, Washington) and notes that they lack significant geological data. No mineralization was encountered; sparse oxidation was noted. The logs report primarily poor recovery of sedimentary units of the Dunlap Formation (sandstones and conglomerates). Andesitic and trachytic rocks were encountered in MAR07-RC002 (at 225 ft.) and in MAR07-RC003 (at 125 ft.).

**Table 4:** Drill hole collar coordinates, elevations and depths.

Hole	Northing	Easting	Elevation, ft.	Depth
<b>MAR07-RC-001</b>	4234883	382573	5359	70
<b>MAR07-RC-002</b>	4234526	382428	5155	330
<b>MAR07-RC-003</b>	4234772	382578	5312	135
<b>MAR07-RC-004</b>	4235014	382434	5452	40

#### *Sampling Preparation, Analyses and Security*

The sampling procedures and security for the sample collected by CGF Consulting Geologist were for the underground workings. A very competent geologist (Gregory C. Ferdock) collected the samples and there is no reason to question the reliability of the work and security of the samples. The samples were sent to ALS Chemex Labs, Ltd. in Reno, Nevada.

The samples collected in 2008 were collected using accepted industry standards and were secure at all times. These samples were shipped to ALS Chemex Labs, Ltd. in Reno, Nevada for results. The 2008 rock and soil samples were shipped to American Analytical Services, Inc. in Osburn, Idaho for analysis. These samples were secured at all times.

M2 Technical Services, Inc. collected soil samples over the immediate Marietta mines area in 2007. The purpose of the sampling was to define the trace element geochemistry over the three different mineralized zones. The "C" horizon was sampled from the thin soil cover. Approximately 0.7 liters of material was collected, labeled and a Universal Transverse Mercator ("**UTM**") coordinate assigned to the sample, secured and then shipped. The rock chip samples were collected over a measured horizontal or vertical distance or labeled as a grab sample. The samples were collected on structures and mineralized horizons to identify the content for commodities of economic interest, associated trace elements, and zoning of various elements.

The soil samples in the Marietta West area were collected over andesite with a thin soil horizon. Approximately 0.7 liters of material were collected for analysis with an aluminum tag affixed to a nearby bush. All samples were assigned a number and an associated UTM coordinate in North American Datum 83 units. The samples were then shipped to ALS Chemex Labs, Ltd. or American Analytical Services, Inc.

#### *Data Verification*

The Marietta Exploration Project is in the early stages of exploration. The underground sampling and mapping and some of the geophysical work was conducted prior to involvement of Azteca in the Marietta Exploration Project. These services were conducted by persons competent in the mineral industry with no reason to question the reliability of the work conducted by CGF Consultants and Big Sky Geophysics.

The data collected after Azteca involvement was conducted by Larry McMaster or overseen by Larry McMaster, a registered professional geologist.

### *Mineral Processing And Metallurgical Testing*

At the time of the Marietta Report, no mineral processing or metallurgical testing has been done by CMX or its contractors. This is an early phase of exploration to initiate a drilling program.

### *Mineral Resource Estimates*

The Marietta Exploration Project is an exploration stage project. There is insufficient work completed to make a meaningful estimate of mineral resources on the property. No economic analyses have been applied to determine a mineral reserve.

### *Interpretation and Conclusions*

The Marietta Property represents an early stage exploration target considered prospective for the discovery of high-grade gold-copper mineralization. The Marietta Exploration Project is a collection of silver-gold prospects and mines in a Jurassic bimodal volcanic pile. Although no intrusive rocks are exposed in the Marietta Project area, part of the property may be underlain by porphyry intrusive(s) based on mineralogy, alteration and geophysical data.

The Marietta area has had the greatest focus of Azteca exploration to date. From the mapping and sampling done to date, it is evident that the mineralized areas at the surface are not sufficient to be a stand-alone operation. The data presented Marietta Report suggests the possible presence of a source for the hydrothermal veins in the area. This source may be a porphyry intrusion at depth and further work is needed to verify this interpretation.

### *Recommendations*

The two magnetic highs north of the present survey coverage are compelling and require verification. Several magnetic survey profiles should be undertaken to cross both highs to provide verification and confirm locations. The profiles should be planned so as to mitigate problems related to the rugged terrain in the area. Finally, existing drill data and geologic information, if available, should be compiled and reviewed in light of the geophysical results. The sulfides interpreted along the major northwest structure may be of interest. Certainly, drill holes could be readily located to test the various chargeability anomalies

At the Marietta area, the lack of an intrusive target within the depth search of the present induced polarization survey requires a review of the drilling program presently in place. A deeper search with induced polarization with a 300 meter dipole spacing would search to depths that could target 1,500 ft. drill holes toward a possible intrusive.

Additional work could focus on the Endowment, Sultana and ASARCO mines and prospects, which would need a consolidation of existing data. Mapping, rock chip, soil sampling and possibly modeling this data may enhance the understanding of the existing data and create new targets. The Endowment Mine has never been drilled. The potential for disseminated mineralization in the East Winze area would be a primary target.

The London Silver-Lead Company recommendation for future work on the Marietta Project is to follow up on the exploration of the veins extending onto the Azteca holdings. The preliminary work of incorporating the existing data with new mapping and sampling can generate drill targets with bulk tonnage potential.

### *Budget*

The Marietta Exploration Project is a 100%-funded venture by CMX. The Marietta Exploration Project plan will focus on new diamond drilling from existing drill pads (aforementioned pre-collar locations.) with those sites being targeted by existing and new geophysical testing (magnetic and induced polarization), surface sampling and geologic modeling of the Marietta area. The exploration plan is divided into three phases, *Phase 1a*, *Phase 1b* and *Phase 2*.

*Phase 1a* will consist of geological analysis and data recovery of existing geological/geophysical data, development of an integrated 3-D geologic model from existing data and through execution on new magnetic and induced polarization geophysical testing. Work will also include exploration, geologic data analysis and drill hole targeting on the patented property. *Phase 1a* is approximately a 2 - 3 month program with a budget of approximately \$298,750.

*Phase 1b* is the initial drilling program based on the *Phase 1a* targeting recommendations. Drilling will include approximately 3 drill holes (1,500 – 2,500 ft. each maximum estimated) on the Marietta patented property representing 5,000 ft. of initial drilling targeting potential deeper porphyry and upper vein targets. The drilling and assaying and initial geological work will be approximately a 3 - 4 month effort with an estimated cost of \$764,500. *Phase 1a* and *Phase 1b* will be completed in series, with the minor *Phase 1a* funding coming in early and informing the more expensive *Phase 1b* exploration diamond drilling program.

*Phase 2* (following successful completion of *Phase 1a* and *Phase 1b*) proposes to drill 8 - 10 additional holes, representing 20,000 ft feet of additional in-field exploration drilling.

**Table 5:** Proposed Marietta Exploration Project budget – *Phase 1a*.

<b>Phase 1a: 2 - 3 months</b>			
<b>Exploration Office</b>			
<b>Geo Project Manager</b>			<b>\$31,250</b>
<b>Geologist</b>			<b>\$20,000</b>
<b>Geologist - Assistant</b>			<b>\$10,000</b>
<b>Expense Item</b>	<b>Unit Cost</b>	<b>QTY</b>	<b>Amount</b>
Field/travel	\$10,000	1	\$10,000
Field vehicles	\$5,000	1	\$5,000
Geochemical samples (\$/sample)	\$50	100	\$5,000
Geophysics - IP (Induced polarization)	\$80,000	1	\$80,000
Geophysics - IP Magnetics	\$70,000	1	\$70,000
3-D Geological modeling	\$25,000	1	\$25,000
Geologist (\$/mo) - Consulting	\$10,000	2	\$20,000
Field assistants (\$/mo)	\$3,000	2.5	\$7,500
Environmental audit/permits	\$5,000	1	\$5,000
Aerial photography & survey	\$5,000	1	\$5,000
Surface access agreement	\$5,000	1	\$5,000
			<b>\$298,750</b>

**Table 6:** Proposed Marietta Exploration Project budget – *Phase 1b*.

<b>Phase 1b: 3 - 4 months</b>			
<b>Exploration Office</b>			
<b>Geo Project Manager</b>			<b>\$37,500</b>
<b>Geologist</b>			<b>\$24,000</b>
<b>Geologist - Assistant</b>			<b>\$12,000</b>
<b>Expense Item</b>	<b>Unit Cost</b>	<b>QTY</b>	<b>Amount</b>
Field/travel	\$10,000	1	\$10,000
Field vehicles	\$5,000	1	\$5,000

Geochemical samples (\$/sample)	\$50	100	\$5,000
Geologist (\$/mo) - Consulting	\$10,000	2	\$20,000
Field assistants (\$/mo)	\$3,000	2.5	\$7,500
Environmental audit/permits	\$5,000	1	\$5,000
Drill road/site preparation (Hours)	\$90	100	\$9,000
Road Maintenance	\$4,500	1	\$4,500
Gyro, drill hole survey	\$10,000	1	\$10,000
Drilling Mobilization/ Demobilization	\$5,000	2	\$10,000
Drilling (target footage, \$/ft),	\$100	5000	\$500,000
Core Prep, logging, split & sampling	\$5	5000	\$25,000
Geochem Assays (ICP & Fire Assay)	\$75	1000	\$75,000
Surface access agreement	\$5,000	1	\$5,000
			<b>\$764,500</b>

**Table 7 - Proposed Marietta Exploration Project budget draft – Phase 2.**

<b>Phase 2: 12 Months</b>			
<b>Exploration Office</b>	<b>\$/mo</b>	<b># Months</b>	<b>Total \$</b>
<b>Geo Project Manager</b>	<b>12,500</b>	<b>12</b>	<b>150,000</b>
<b>Geologist (\$/mo)</b>	<b>8,000</b>	<b>12</b>	<b>96,000</b>
<b>Geologist - Assistant</b>	<b>5,000</b>	<b>12</b>	<b>60,000</b>
<b>Expense Item</b>	<b>Unit Cost</b>	<b>QTY</b>	<b>Amount</b>
Field/travel	\$10,000	3	\$30,000
Field vehicles	\$5,000	1	\$5,000
Geochemical samples (\$/sample)	\$50	100	\$5,000
Metallurgy/QA	\$15,000	1	\$15,000
Geologist (\$/mo) - Consulting	\$5,000	6	\$30,000
Field assistants (\$/mo)	\$5,000	6	\$30,000
Environmental audit/permits	\$5,000	1	\$5,000
Drill road/site preparation (Hours)	\$90	100	\$9,000
Road Maintenance	\$15,000	1	\$15,000
Gyro, drill hole survey	\$25,000	1	\$25,000
Drilling Mobilization/ Demobilization	\$5,000	4	\$20,000
Drilling (target footage, \$/ft),	\$100	20000	\$2,000,000
Core Prep, logging, split & sampling	\$5	20000	\$100,000
Geochem Assays (ICP & Fire Assay)	\$75	4000	\$300,000
Surface access agreement	\$5,000	1	\$5,000
			<b>\$2,900,000</b>

### **DIRECTORS AND OFFICERS**

The Board of Directors of CMX consists of Jan Alston, Bruce J. Murray and Robert L. Russell. Additionally, the following persons have been appointed officers of CMX: Jan Alston as President, Chief Executive Officer and Corporate Secretary, Randal Squires as Chief Financial Officer.

The following are the names, municipalities of residence, shareholdings and principal occupations within the previous five years of the directors and officers of CMX, and their principal position with CMX.

Name and Municipality of Residence	Position Presently Held	Director Since	Number of Common Shares Beneficially Owned Directly or Indirectly as at the Date Hereof	Number of Common Shares Beneficially Owned Directly or Indirectly after the Offering <sup>(3)(4)(5)</sup>	Principal Occupation for past 5 years
Jan Alston, <sup>(1)</sup> Calgary, Alberta, Canada	Director, CEO, President and Corporate Secretary	March 31, 1989	608,125 (2.6%)	608,125 (1.7%)	Independent businessman; From 2005 to 2006 - CEO and Director of Tenergy Ltd., a TSX-listed oil and gas exploration company.
Bruce J. Murray <sup>(1)</sup> Calgary, Alberta, Canada	Director	Oct 30, 1989	481,625 (2.1%)	481,625 (1.3%)	Independent businessman; President of Zorzal Incorporated since 2007. Chairman and CEO of Passport Energy Ltd. since February 2010.
Robert L. Russell <sup>(1)</sup> Spokane, Washington, USA	Director	January 28, 2011	1,500,000 (6.4%)	1,500,000 (4.1%)	President and CEO of Idaho General Mines Inc. from 2000 to 2006 and Chairman of General Moly Inc. during 2007; Chairman of Russell Mining and Minerals, Inc. and President and Managing Director of Russell Associates E&T LLC. President and CEO of Josephine Mining Corp.
Randal Squires, Novato, California, USA	CFO	January 28, 2011	1,500,000 (6.4%)	1,500,000 (4.1%)	President of Psi3g, Inc. since January 2010. The Chief Financial Officer of Azteca since December 2006 and the Controller and President of PSI Management Team, Inc. from 1990 until December 2009.
<b>Total</b>			<b>4,089,750</b> <b>(17.5%)</b>	<b>4,089,750</b> <b>(11.2%)</b>	

Notes:

(1) Members of the audit committee.

(2) The Corporation has no other standing committees at this time.

(3) Assuming the minimum 13,250,000 Units are purchased pursuant to the Offering.

(4) Before giving effect to the exercise of the Agent's Option and the Options to be granted to directors and officers of the Corporation after Closing of the Offering.

(5) Assuming no Units are purchased by the above Shareholders under this Prospectus.

The following is a brief description of the background of the proposed directors and key management of CMX:

**Jan Alston, age 56, President & CEO, Director**

Born in Calgary, Alberta, Mr. Alston attended the University of Alberta where he obtained a BA in 1978 and an LL.B. in 1981. Mr. Alston has been involved in public junior natural resource companies for over 25 years. He practiced law in the 1980's in the areas of business law, oil and gas, securities regulation and corporate finance. Mr. Alston has been a member of the Law Society of Alberta from 1982 to present. He led the management team as President, Chief Executive Officer, director and co-founder of Purcell Energy Ltd. ("**Purcell**"), an oil and gas exploration and production company listed on the TSX. After 16 years, Purcell in 2005 sold two-thirds of its oil and gas assets for more than \$150 million and spun out Tenergy Ltd. From November 2005, Mr. Alston was Chief Executive Officer and director of Tenergy Ltd.,

a TSX listed natural gas exploration and production company, until its sale in March 2006 for \$92 million. Mr. Alston is a director of Azteca Gold Corp., a TSXV listed mining exploration company.

***Bruce J. Murray, age 54, Director***

Born in Calgary, Alberta, Mr. Murray attended the University of Calgary where he obtained a B.Comm in 1979. Mr. Murray has over 30 years of extensive experience in the oil and gas industry in the areas of exploration and production negotiations, acquisitions, gas marketing, general oil and gas operations and management. From 1980 to 1987, Mr. Murray was employed by BP Resources Canada (now Talisman Energy Inc.) where in 1985 he was appointed District Landman, Negotiations, for the Canadian frontier and western Canadian Basin producing properties. Mr. Murray was a co-founder, director and Chief Operating Officer of Purcell and was responsible for managing the exploration and production operations of the company. From November 2005 Mr. Murray was President and director of Tenery Ltd. until its sale in March 2006 for \$92 million. He is President of Zorzal Incorporated, a Canadian-owned winery in Mendoza, Argentina. Mr. Murray is Chairman, Chief Executive Officer and a director of Passport Energy Ltd.

***Robert L. Russell, age 77, Director***

Robert L. Russell has been a professional engineer in the U.S. since 1983. Mr. Russell graduated from the University of Idaho in 1956 with a B.Sc in Mining and Geological. He has more than four decades of experience in senior management, operating management, mine engineering/industrial engineering, corporate planning, mine development, exploration, and environmental services. In the last two decades, he managed all aspects of two of the world's largest gold/copper mining and processing operations in Indonesia and Zambia. Mr. Russell co-founded Idaho General Mines Inc., now called General Moly Inc. Recently, he has had a principal role in advancing the development of the 800 million tonne King-king Copper/Gold deposit in the Philippines through the acquisition of Russell Mining and Metals, Inc. by Ratel Gold Ltd., a TSX listed mining company. Since the acquisition, Mr. Russell has been appointed a director and chairman of Ratel Gold Ltd. (now known as St. Augustine Gold & Copper Ltd.). Mr. Russell's numerous engagements include Freeport McMoRan Cooper & Gold Inc., Fluor Corporation and Metals, Zambia Consolidated Copper Mines Ltd., Exxon Minerals Company, Sunshine Mining & Refining, Inc., and Bunker Hill Mining Company. Mr. Russell has been a director of Mines Management, Inc. since 1999. He was President and Chief Executive Officer of Idaho General Mines, Inc. from 2000 to 2006 and Chairman of General Moly Inc. during 2007. Both General Moly Inc. and Idaho General Mines, Inc. were traded on the AMEX market. Mr. Russell is Chairman of Russell Mining and Minerals, Inc. He is also President and Managing Director of Russell Associates E&T LLC and Chief Executive Officer of Josephine Mining Corp.

***Randal Squires age 44, Chief Financial Officer***

Randy Squires is President of a commercial construction company in California. During his 21 year tenure he has held positions including Controller and Vice President of Business Development and Strategy. As Controller his responsibilities included budgeting, cash management, financial statement preparation and analysis, audit preparation, and bank, bonding and insurance relationship management. Mr. Squires has also held the position of Chief Financial Officer for Azteca for the past five years. He received his M.B.A., Finance from Golden Gate University in 1995 and B.Sc. in Business Administration from Oregon State University in 1989.

It is expected that, initially, Mr. Alston will devote up to 80% his time and Mr. Squires will devote up to 20% of his time, to the affairs of the Corporation. The remaining directors will devote such time and expertise as is required by the Corporation.

**CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

Except as described below, no director or executive officer of CMX has, within the ten years prior to the date of this Prospectus been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity: (a) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under

securities legislation for a period of more than 30 consecutive days or (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the company access to an exemption under securities legislation for a period of more than 30 consecutive days.

*Jan Alston*

Mr. Alston was a director of CMX when it became subject to cease trade orders issued in June 2004 by the Securities Authorities for failing to file certain continuous disclosure documents after the Corporation had taken steps to cease operations. The Orders were revoked in April 2009. See "Business of the Corporation - History".

Mr. Alston was a director of Visionwall Inc., a TSXV listed company, when it became subject to a cease trade order and trading halt and suspension in June 2004 for failing to file financial statements, as yet unrevoked.

*Bruce J. Murray*

Mr. Murray was a director of CMX when it became subject to cease trade orders issued in June 2004 by the Securities Authorities for failing to file certain continuous disclosure documents after the Corporation had taken steps to cease operations. The Orders were revoked in April 2009. See "Business of the Corporation - History".

Mr. Murray is a director of Footsource Inc., a TSXV listed company subject to a cease trade order and trading halt and suspension in 2002 for failing to file financial statements, as yet unrevoked.

### **Bankruptcies**

Except as described below, no director or executive officer of CMX, within the ten years prior to the date of this Prospectus been a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

*Jan Alston*

Mr. Alston was a director of Point North Energy Ltd. ("**Point North**"), which was granted protection under the *Companies' Creditors Arrangement Act* (Canada) on September 27, 2006, and its Plan of Arrangement was approved by creditors on August 27, 2007 allowing the company to emerge from protection on October 5, 2007.

Mr. Alston was a director of Visionwall Solutions Inc., a private company, which was voluntarily assigned into bankruptcy on January 14, 2011 and its assets were subsequently sold.

Mr. Alston was a director of Azteca when it became subject to a temporary trading halt by the TSXV on August 10, 2009 pending release of a clarification news release. The trading halt was lifted and trading resumed on September 15, 2009.

*Bruce J. Murray*

Mr. Murray was Chief Operating Officer and Director of the predecessor of Point North. Point North was granted protection under the *Companies Creditors Arrangement Act* (Canada) on September 27, 2006, and its Plan of Arrangement was approved by creditors on August 27, 2007 allowing the company to emerge from protection on October 5, 2007.

## Randal Squires

Mr. Squires was the Chief Financial Officer of Azteca when it became subject to a temporary trading halt by the TSXV on August 10, 2009 pending release of a clarification news release. The trading halt was lifted and trading resumed on September 15, 2009.

## Personal Bankruptcies

No director or executive officer of CMX within the past ten years, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

## Penalties and Sanction

During the ten years preceding the date of this Prospectus, no proposed director, officer or promoter of CMX, nor any securityholder anticipated to hold sufficient number of securities of CMX to affect materially the control of CMX has, to the knowledge of CMX, been subject to any (i) penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would likely be considered important to a reasonable securityholder making a decision about the Offering.

## CONFLICTS OF INTEREST

The directors and officers of the Corporation are engaged in, and will continue to be engaged in, other activities in the industries in which the Corporation operates and, as a result of these and other activities, the directors and officers of the Corporation may become subject to conflicts of interest. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA. As at the date hereof and other than as described herein, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a current or proposed director or officer of the Corporation.

## Other Reporting Issuer and Public Corporation Experience

The following table sets out details in respect of the directors and executive officers of CMX that are, or have been within the five years prior to the date hereof, directors, executive officers or promoters of other reporting issuers:

Name	Corporation	Jurisdiction	Trading Market	Position	Term
Jan Alston	Azteca Gold Corp.	Alberta	TSXV	Director	Dec. 2008 to present
	Tenergy Ltd.	Alberta	TSX	Director, CEO	Nov. 2005 to Mar. 2006
	Point North Energy Ltd. <sup>(1)</sup>	Alberta	TSX	Director	Nov. 2005 to Oct. 2007
	Visionwall Inc. <sup>(2)</sup>	Alberta	TSXV/NEX	Director	Jan. 1999 to Nov. 2010
Bruce J. Murray	Footsource Inc. <sup>(3)</sup>	Alberta	TSXV/NEX	Director	Oct. 2000 to present
	Tenergy Ltd.	Alberta	TSX	Director, President	Nov. 2005 to Mar. 2006
Robert L. Russell	Passport Energy Ltd.	Alberta	CNSX	Director, CEO	Feb. 2010 to present
	Idaho General Mines, Inc.	Idaho	AMEX	President and CEO	Jan. 2000 to Oct. 2006
	General Moly Inc. (formerly Idaho General Mines, Inc.)	Idaho	AMEX	Chairman	Oct. 2006 to Nov. 2007
	St. Augustine Gold & Copper Ltd.	British Virgin Islands	TSX	Chairman	Jan. 2010 to present
	Josephine Mining Corp.	British	TSXV	Director and CEO	Mar. 2010 to present



<u>Name</u>	<u>Corporation</u>	<u>Jurisdiction</u>	<u>Trading Market</u>	<u>Position</u>	<u>Term</u>
Randal Squires	Azteca Gold Corp.	Columbia Alberta	TSXV	CFO	Dec. 2006 to present

Notes:

(1) Delisted from the TSX in February 2007.

(2) Delisted from the NEX in February 2010 for failing to pay listing maintenance fees.

(3) Delisted from the NEX in December 2006 for failing to maintain NEX requirements.

## SHAREHOLDINGS OF DIRECTORS AND OFFICERS

The number and percentage of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers as a group is: 4,089,750 (17.5%). Following the Offering, the number and percentage of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers as a group for the minimum and maximum Offering is 4,089,750 (11.2%) and 4,089,750 (9.4%), respectively.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Introduction*

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's philosophy, objectives and processes regarding compensation for the Named Executive Officers of the Corporation ("**NEOs**"). It explains how decisions regarding executive compensation are made by the independent directors of the Board of Directors and the reasoning behind these decisions.

As at the date hereof, the Corporation had the following two NEOs:

Jan Alston	Chief Executive Officer (" <b>CEO</b> ")
Randal Squires	Chief Financial Officer (" <b>CFO</b> ")

#### *Objectives of Any Compensation Program or Strategy*

##### *Compensation Philosophy and Objectives of Compensation Programs*

The Board determines the compensation to be paid or awarded to the NEOs of the Corporation. The Board seeks to encourage advancement of exploration projects and growth in reserves, in order to enhance Shareholder value. To achieve these objectives, the Corporation believes it is critical to create and maintain compensation programs that attract and retain committed, highly qualified personnel by providing appropriate rewards and incentives and that align the interest of the officers of the Corporation with those of the Shareholders to provide incentive to the officers to enhance shareholder value. However, as a junior exploration company the Corporation is constrained by the amount of capital it has available to it. In 2009 and 2010, the Corporation sought new business opportunities, including a business combination in 2009 that ultimately did not proceed. As a result, compensation for the CEO was based on time spent pursuing and negotiating potential new business transactions, and for maintaining the Corporation's regulatory filings. Similarly, compensation for the CFO was based on time spent preparing financial statements and the requisite regulatory filings. At the time the Corporation is fully activated and becomes an operating exploration company, compensation for the NEOs will consist of four elements: contract rate or base salary, bonus, long-term equity incentives and benefits. The following provides an overview of the first three elements of compensation.

Compensation Element	Type of Compensation	Name of Plan	Performance Period	Form of Payment
Contract Rate/Base Salary <sup>(1)</sup>	Hourly rate/Annual - Fixed Pay	Salary Program	1 year	Cash
Bonus	Annual - Variable Pay	Employee Bonus Plan	1 year	Cash or shares
Long-Term Equity Incentives	Long Term - Variable Pay	Option Plan	up to 5 years	shares

Note:

(1) In the early stage of the development of the Corporation the CEO will be paid a contract rate for time spent on CMX business.

#### *How the Corporation Determines the Amount for Each Element*

As indicated above, executive compensation is the responsibility of the Board.

During the fiscal year ended December 31, 2010, the Board had no formal meetings dedicated to compensation because of the relatively inactive state of the Corporation.

The Board uses all the data which, at its reasonable discretion, it believes to be relevant, to ensure that the Corporation is maintaining a level of compensation that is both commensurate with the size of the Corporation and sufficient to retain personnel it considers essential to the success of the Corporation. In reviewing comparative data, the Board does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined point. In the Board's view, external and third-party survey data provides an insight into external competitiveness, but it is not an appropriate single basis for establishing compensation levels. This is primarily due to the differences in the size of comparable companies and the lack of sufficient appropriate matches to provide statistical relevance. Additionally, compensation payable to the NEOs for similarly placed junior exploration entities is frequently nil or nominal, thus such comparatives are typically of little value.

In the process used by the Board to establish and adjust executive compensation levels, third-party survey data may be considered, along with an assessment of individual performance, experience and potential to contribute to operations and growth of the Corporation. The Board can exercise both positive and negative discretion in relation to the compensation awards and its allocation between cash and non-cash awards.

The CEO of the Corporation makes recommendations to the Board regarding total compensation to the officers of the Corporation (excluding the CEO), including contract rate or base salaries, bonuses, and long-term equity incentive grants. These recommendations are considered by the Board against information derived from publicly available information and adjusted, as applicable, for inflation and anticipated increases in the current year.

**Contract Rate/Salary.** The contract rate or base salary represents the fixed element of the NEOs cash compensation. The contract rate or base salary reflects economic considerations for each individual's level of responsibility, expertise, skills, knowledge and performance. The contract rate or base salary for the NEOs of the Corporation are reviewed annually by the Board. No base salary amounts were paid to the NEOs during the 2010 reporting year.

**Annual Cash Bonus Awards.** The Board has the authority, based upon management recommendations, to award discretionary annual bonuses to the executive officers. The annual discretionary bonuses are intended to compensate officers for achieving superior financial and operational goals of the Corporation. The discretionary annual bonus may be paid in cash or shares in an amount reviewed with management and recommended by the Board and approved by the Board. The actual amount of bonus is determined following a review of each executive's individual performance.

Bonuses awarded by the Board are intended to be competitive with the market while rewarding senior executives for meeting qualitative goals, including delivering near-term financial and operating results, developing long-term growth prospects, improving the efficiency and effectiveness of business operations and building a culture of teamwork focused on creating long-term shareholder value. Consistent with a flexible nature of the annual bonus program, the Board does not assign any specific weight to any

particular performance goal nor is any specific weight assigned to the performance goals in the aggregate. The Board considers not only the Corporation's performance during the year with respect to the qualitative goals, but also with respect to market and economic trends and forces, extraordinary internal and market-driven events, unanticipated developments and other extenuating circumstances. In sum, the Board analyzes the total mix of available information on a qualitative, rather than quantitative, basis in making bonus determinations. No bonuses were awarded to the NEOs during the 2010 reporting period.

**Long-Term Incentive Programs.** The allocation of Options and the terms assigned to those Options are an integral component of the compensation package of the senior officers of the Corporation. The Corporation's Option Plan is in place for the purpose of providing Options to the officers. The Board believes that the grant of Options to the executive officers and share ownership by such officers serves to motivate achievement of the Corporation's long-term strategic objectives and the result will benefit all Shareholders. Options may be awarded to employees of the Corporation by the Board based upon the recommendation of the CEO, who bases his decision upon the level of responsibility and contribution of the individuals toward the Corporation's goals and objectives. Also, the Board considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size of such grants. The granting of these specific Options is reviewed by the Board for final recommendation to the Board for approval.

The following table discloses, for the period indicated, total compensation received by the following executive officers: (i) those who acted as the Corporation's Chief Executive Officer and Chief Financial Officer.

### Summary Compensation Table

Name and Principal Position	Fiscal Year Ended Dec 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)		
Jan Alston CEO	2008	45,420 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	45,420
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2010	46,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	46,000
Glen Alston CFO <sup>(2)</sup>	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	2,520	Nil	Nil	Nil	Nil	Nil	2,520
	2010	21,690	Nil	Nil	Nil	Nil	Nil	21,690

Notes:

(1) \$40,000 of the amount paid in 2010 and \$45,420 of the amount paid in 2008 as a management fee was to a private company controlled by Jan Alston's spouse.

(2) Glen Alston resigned as CFO on January 28, 2011 and Randal Squires was appointed CFO on January 28, 2011.

### Director Compensation

The Corporation does not currently provide any compensation to directors of the Corporation.

### STOCK OPTION PLAN

Pursuant to the Option Plan, the Corporation may grant Options to directors, officers, employees and consultants of the Corporation or any subsidiary thereof. The total number of Common Shares issuable pursuant to the Option Plan is up to a maximum of 10% of the issued and outstanding Common Shares of the Corporation at any given time. The exercise price of each Option is to be determined in the discretion of the Board of Directors at the time of the granting of the Option, as is the term and vesting policies, provided that the exercise price shall not be lower than the market price or such discount from the market

price as may be permitted by the stock exchange on which the Common Shares are listed and provided that no Option shall have a term exceeding five years (or such longer period as is permitted by the stock exchange on which the Common Shares are listed). There may not be issued to insiders within a one year period, a number of Common Shares exceeding 10% of the outstanding issue and no one eligible optionee can receive Options entitling the eligible optionee to purchase more than 5% of the total Common Shares. Finally, there may not be issued to any one insider and such insider's associates, within a one year period, a number of Common Shares of the Corporation exceeding 5% of the issued and outstanding Common Shares.

As of the date hereof, there were no Options outstanding under the Option Plan.

The Corporation intends to issue the following Options at Closing and such Options will expire five years thereafter:

<b>Name</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Jan Alston	1,400,000	\$0.20	5 years from Closing Date
Randal Squires	700,000	\$0.20	5 years from Closing Date
Robert L. Russell	500,000	\$0.20	5 years from Closing Date
Bruce J. Murray	500,000	\$0.20	5 years from Closing Date
<b>TOTAL</b>	<b>3,100,000</b>		

A third of these options will vest immediately, a third will vest on the first anniversary of the grant date, and the remaining options shall vest on the second anniversary of the grant date.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

As at the date of this Prospectus, there is not and has not been since the beginning of the Corporation's last financial year, any indebtedness owing to the Corporation by the directors, executive officers of the Corporation, or any of their associates or affiliates.

## **AUDIT COMMITTEE**

### **Audit Committee Disclosure**

The Corporation's audit committee is composed of three directors, two of whom may be considered to be independent, and all of whom are financially literate (as determined under Multilateral Instrument 52-110 *Audit Committees*).

#### *Financial Literacy*

#### **Jan Alston**

Mr. Alston has been involved in public junior natural resource companies for over 25 years. He has been a member of numerous audit committees of public companies for at least 20 years and has extensive experience working closely with internal accountants and independent auditors on financial and audit related matters. As Chief Executive Officer of public resource companies since 1989, Mr. Alston has directly participated in the financial statements review process with accounting staff and independent auditors, including practical experience dealing with accounting and audit issues relevant to the resource industry. Also, Mr. Alston was involved in the establishment and review of internal controls appropriate for such companies. Mr. Alston is currently a director and member of the Audit Committee of Azteca, a TSXV listed mining exploration company.

### **Bruce Murray**

Mr. Murray has over 30 years of extensive experience in the oil and gas industry in the areas of exploration and production negotiations, acquisitions, gas marketing, general oil and gas operations and management. For the past 20 years he was directly involved in financial and audit related matters of public companies. As Chief Operating Officer of public resource companies since 1993, Mr. Murray has directly participated in the financial statements review process with accounting staff and independent auditors, including practical experience dealing with accounting and audit issues relevant to the resource industry. Also, Mr. Murray was involved in the establishment and review of internal controls appropriate for such companies. He is President of Zorzal Incorporated, a Canadian-owned winery in Mendoza, Argentina. Mr. Murray is Chairman, Chief Executive Officer and a director of Passport Energy Ltd., a publicly traded company. He is a member of Passport Energy Ltd.'s audit committee.

### **Robert L. Russell**

Mr. Russell has extensive experience with financial and audit related matters of public companies. He has more than four decades of experience in senior management, operating management, mine engineering/industrial engineering, corporate planning, mine development, exploration, and environmental services. In the last two decades, he managed all aspects of two of the world's largest gold/copper mining and processing operations in Indonesia and Zambia. Mr. Russell co-founded Idaho General Mines Inc., now called General Moly Inc. Recently, he has had a principal role in advancing the development of the 800 million tonne King-king Copper/Gold deposit in the Philippines through the acquisition of Russell Mining and Metals, Inc. by Ratel Gold Ltd., a TSX listed mining company. Since the acquisition, Mr. Russell has been appointed a director and chairman of Ratel Gold Ltd. (now known as St. Augustine Gold & Copper Ltd.). He is also President and Managing Director of Russell Associates E&T LLC and Chief Executive Officer of Josephine Mining Corp., a TSXV-listed company. Also, Mr. Russell was involved in the establishment and review of internal controls appropriate for several of the aforesaid companies.

The charter of the Corporation's audit committee is set out in Appendix "C" to this Prospectus.

As a company applying for listing on the TSXV, the Corporation is exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of Multilateral Instrument 52-110 *Audit Committees*, and is relying on the exception contained in section 6.1 of that instrument.

### **Pre-Authorization of Non-Audit Services**

The audit committee has not pre-authorized any amount for non-audit services from the Corporation's auditors.

### **Fees Charged by External Auditors**

The following table sets out the aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for the category of fees described:

	<b>2010</b>	<b>2009</b>
Audit Fees	\$36,367	\$29,908
Audit-Related Fees	nil	nil
Tax Fees	nil	nil
All Other Fees	nil	nil
Total	\$36,367	\$29,908

## CORPORATE GOVERNANCE

The statement of the Corporation's corporate governance practices is set out in Appendix "D" to the Prospectus.

### CAPITALIZATION

The following table sets forth the capitalization of the Corporation at September 30, 2011, before giving effect to the Offering, and as of the date of the Prospectus, both before and after giving effect to the Offering.

<b>Authorized Capital</b>	<b>As at September 30, 2011 before giving effect to the Offering (unaudited)</b>	<b>As at September 30, 2011 after giving effect to the Minimum Offering (unaudited)</b>	<b>As at September 30, 2011 after giving effect to the Maximum Offering (unaudited)</b>
Long-term debt	NIL	NIL	NIL
Common Shares (unlimited)	\$3,152,319 (23,352,274 shares)	\$5,490,319 (36,602,274 shares) <sup>(1)</sup>	\$6,732,319 (43,352,274 shares) <sup>(1)</sup>
Preferred Shares (unlimited)	NIL	NIL	NIL

Note:

(1) Assumes that none of the Warrants exercisable at \$0.35 that comprise part of the Units offered pursuant to the Offering, Agent's Options or warrants issued prior to the Offering have been exercised.

### USE OF PROCEEDS

The Corporation currently has no revenues from its operations and may use the proceeds of the Offering to fund any negative operating cash flow.

Following the completion of the Offering, the Corporation will have funds available to it as follows:

	<b>Maximum Offering</b>	<b>Minimum Offering</b>
Working Capital Deficiency as at September 30, 2011 (unaudited)	(\$335,015)	(\$335,015)
Gross Proceeds of Offering	\$4,000,000	\$2,650,000
LESS Agent's Fee	\$320,000	\$212,000
LESS Offering Expenses	\$100,000	\$100,000
<b>Net proceeds to the Corporation</b>	<b>\$3,244,985</b>	<b>\$2,002,985</b>

The Corporation intends to use the net proceeds of the Offering over the next 12 months as described in the table below. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Corporation spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified below, and will depend on a number of factors, including those referred to under "Risk Factors". At this time the Corporation does not intend to use the proceeds of the distribution to fund anticipated negative cash flow from operating activities, except to the extent described below.

	<b>Maximum Offering</b>	<b>Minimum Offering</b>
<b>Clayton Phase 1</b> <sup>(1)</sup>	\$ 996,250	\$ 996,250
<b>Marietta Phase 1a and 1b</b> <sup>(2)</sup>	1,063,250	298,750
<b>Other</b>		
Administrative and office	100,000	100,000
Professional fees	70,000	70,000



Management fees	225,000	225,000
Corporate and shareholder communications	25,000	25,000
Working capital	765,485	287,985
<b>TOTAL</b>	<b>\$ 3,244,985</b>	<b>\$ 2,002,985</b>

Notes:

- (1) See "Business of the Corporation - Clayton Property".  
(2) See "Business of the Corporation - Marietta Property".

## Business Objectives and Milestones

The Corporation's primary objective following completion of the Offering is to advance exploration on its two properties, the Clayton Property and the Marietta Property. This will include the Phase 1 exploration program on the Clayton Property and the Phase 1a exploration program on the Marietta Property involving geological compilation, mapping and all previous work to common scale, establishing cap facilities, ATV and limited helicopter support, re-establishing a grid and continued environmental baseline studies, as well as, in the case of the Clayton Property, drilling and related activities.

Provided that the Offering is successfully closed, and equipment and manpower are available, the Corporation anticipates that the two programs will be completed by July, 2012 and, assuming the results from the exploration programs warrant it, the Phase 2 program on the Clayton Property and the Phase 1b and Phase 2 programs on the Marietta Property will be complete by October, 2013, subject to receiving additional financing. In the event that only the Minimum Offering is raised, the Corporation will need to raise further capital in order to complete Phase 1b of the exploration program for the Marietta Property. Proceeds from the Minimum Offering will only be sufficient to fund Phase 1a of the exploration program.

## DIVIDEND POLICY

Other than as stated below, the Corporation has neither declared nor paid any dividends on the Common Shares since its incorporation. The payment of dividends in the future will depend on the earnings and financial condition of the Corporation and such other factors as the Board of Directors may consider appropriate. The Corporation does not foresee paying dividends in the near future.

In 2006, the Corporation 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 Corporation 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 Corporation was in 2007. It is management's intention to pay the cash dividend to missing Shareholders who come forward and establish their share ownership.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis for the year ended December 31, 2010 and the nine-month period ended September 30, 2011 are attached to this Prospectus as Appendix "B".

## CAPITAL STRUCTURE OF THE CORPORATION

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of the date of this Prospectus, 23,352,274 Common Shares were issued and outstanding as fully paid and non-assessable Common Shares. There are no preferred shares issued and outstanding.

The following table sets forth the securities exercisable or exchangeable for Common Shares of the Corporation at September 30, 2011, both before and after giving effect to the Offering

<b>Warrants outstanding as at September 30, 2011</b>	<b>15,731,740</b>
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Warrants outstanding and exercisable taking into effect of offering	Exercise Price	Expiry Date
2,500,000	\$ 0.25	May 28, 2013
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
3,000,000	U.S.0.10	Two years from commencement of trading
20,000,000 <sup>(1)</sup>	0.35	Two years from close of Offering
35,731,740	\$0.27	

Note:

(1) Assuming the maximum 20,000,000 Units are purchased pursuant to the Offering.

## DESCRIPTION OF SECURITIES TO BE DISTRIBUTED

### Common Shares

Shareholders are entitled to receive notice of and to attend and vote at all meetings of Shareholders of the Corporation, except meetings of holders of another class of shares. Each Common Share shall entitle the holder thereof to one vote. Subject to the preferences accorded to holders of any other shares of the Corporation ranking senior to the Common Shares, Shareholders are entitled to dividends if, as and when declared by the Board of Directors. In the event of the liquidation, dissolution or winding up of the Corporation, the holders of Common Shares, subject to the preferences accorded to any other shares of the Corporation ranking senior to the Common Shares, are entitled to share equally, share for share, in any remaining assets of the Corporation.

### Warrants

The Warrants qualified for distribution under this Prospectus will be issued under the terms of the Warrant Indenture to be entered into between the Corporation and Olympia Trust Company as Warrant Trustee on or before the Closing of the Offering. The Corporation will appoint the principal transfer office of the Warrant Trustee in Calgary as the location at which the Warrants may be surrendered for exercise or exchange. Pursuant to the terms of the Warrant Indenture, the Corporation may, subject to applicable law, purchase in the market, by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide that the Expiry Date of the Warrants may be accelerated if, on any 20 consecutive trading days occurring following the Closing, the closing price of the Common Shares on the TSXV (or the closing bid, if no sales were reported on a trading day) is greater than \$0.70, the Expiry Date may be accelerated, at the sole discretion of the Corporation, to the 30<sup>th</sup> day after the date on which the Corporation gives notice to the Subscribers in accordance with the Warrant Indenture of such acceleration.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including:

- (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares at no additional cost to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture);
- (ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;

- (iv) the issuance to all or substantially all of the holders of the Common Shares of rights, Options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and
- (v) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of the Corporation including rights, Options or warrants to acquire shares of any class of securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (i) reclassification of the Common Shares (other than as described above);
- (ii) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or
- (iii) the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Common Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the prevailing exercise price or a change in the number of Common Shares purchasable upon exercise by at least one hundredth of a Common Share, as the case may be.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to each registered holder of Warrants (each, a "**Warrantholder**") of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 15 Business Days prior to the record date or effective date, as the case may be, of such event.

No fractional Common Shares will be issuable upon the exercise of any Warrants, but cash will be paid in lieu of any fractional share entitlement based on the "current market value", as defined in the Warrant Indenture, of the Common Shares, provided that the Corporation shall not be required to make any such cash payment that is less than \$10.00. Warrantholders will not have any voting or pre-emptive rights or any other rights which a Shareholder would have.

From time to time, the Corporation and the Warrant Trustee, without the consent of the Warrantholders, may amend or supplement the Warrant Indenture for certain purposes, including correcting or rectifying any ambiguities, defects or inconsistencies or making any change that does not prejudice the rights of any Warrantholder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the Warrantholders may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the Warrantholders at which there are Warrantholders present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to a lack of quorum, at which adjourned meeting the Warrantholders present in person or by proxy shall form a quorum) and passed by the affirmative vote of Warrantholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the Warrantholders representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

The Warrants and the Common Shares issuable upon exercise thereof have not been registered under the 1933 Act or the laws of any state of the U.S.. The Warrants may not be exercised in the U.S. or by or on behalf of a U.S. person (as defined in Regulation S under the 1933 Act) unless an exemption is available from the registration requirements of the 1933 Act and any applicable state securities laws and the holder has delivered an opinion of counsel satisfactory to the Corporation to such effect.

## DETAILS OF THE OFFERING

The Offering consists of a minimum of 13,250,000 Units and a maximum of 20,000,000 Units at a price of \$0.20 per Unit. See "Plan of Distribution".

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent has agreed to act as, and has been appointed as, the exclusive agent of the Corporation to offer the Units for sale to the public on a commercially reasonable best efforts basis. The Offering Price was established by negotiation between the Agent and the Corporation. The Agent will be paid the Agent's Fee in the amount of 8% of the gross proceeds from the sale of the Units raised by the Agent and 2% of the gross proceeds from the sale of the Units raised by the Corporation, pursuant to the Offering. The Corporation will also grant Agent's Options to the Agent, entitling the Agent to purchase that number of Agent's Units equal to 10% of the number of Units sold by the Agents and 2% of the number of Units sold by the Corporation, pursuant to the Offering. The Agent's Options will be exercisable at an exercise price equal to the Offering Price for 24 months from the Closing Date. The Agent will also receive the Corporate Finance Fee. The Corporation will also pay the Agent's reasonable expenses, including legal fees. This Prospectus will qualify the Agent's Option issued to the Agent. This Prospectus also qualifies the distribution of the Warrants.

Under the terms of the Agency Agreement, the Agent may, at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will occur not later than 90 days after a receipt for the final prospectus or not later than the expiration date of any extension thereof granted by the applicable regulatory authorities.

The Offering is subject to a minimum offering of 13,250,000 Units at the Offering Price of \$0.20 per Unit for minimum proceeds of \$2,650,000. The Company must appoint a registered dealer authorized to make the distribution, a Canadian financial institution, or a lawyer who is a practicing member in good standing with a law society of a jurisdiction in which the securities are being distributed, or a notary in Quebec, to hold in trust all funds received from subscriptions until the minimum offering has been raised. If the minimum offering is not raised within the distribution period, the trustee will return the funds to the subscribers without interest or deduction.

The Agent has agreed to use commercially reasonable best efforts to secure subscriptions for the Units offered pursuant to the Offering in the provinces of British Columbia, Alberta, Saskatchewan and Ontario. This Prospectus qualifies the distribution of the Units to the Subscribers in British Columbia, Alberta, Saskatchewan and Ontario. The Agent may, in connection with the Offering and in its sole discretion, retain one or more licensed dealers, brokers and investment dealers (referred to herein as the "**Selling Firms**") as sub-agents and may receive subscriptions for the Units from such Selling Firms. The Agent is not obligated to purchase any of the Units in connection with the Offering.

This Offering is not underwritten and is subject to the receipt by the Agent of subscriptions for the minimum Offering in the amount of \$2,650,000. In the event that subscriptions totalling \$2,650,000 are not received within 90 days following the issuance of the receipt for the final prospectus or such other date as the regulatory authorities may permit and to which the Corporation and the Agent may agree, then all of the subscription funds received by the Agent and held on behalf of the Subscribers will be promptly returned to the Subscribers by the Agent, without interest or deduction unless otherwise consented to by the Subscribers.

There is currently no public market for the Common Shares. The Corporation has applied to list its Common Shares on the TSXV. Listing of the Common Shares is subject to approval by the TSXV of the Corporation's listing application and fulfillment by the Corporation of all of the listing requirements.

As at the date of this Prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on (i) the TSX; (ii) a U.S. Marketplace; or (iii) a marketplace outside of Canada and the U.S. of America.

## PRIOR SALES

In the 12 months preceding the date of this Prospectus, the Corporation has not issued any Common Shares other than the following:

<u>Date</u>	<u>Price or Deemed Price per Security</u>	<u>Class of Security</u>	<u>Number of Securities</u>
December 16, 2010	\$0.10	Common Share	2,500,000
December 16, 2010 <sup>(1)</sup>	\$0.05	Common Share	4,800,000
December 29, 2010	\$0.10	Common Share	1,350,000
January 13, 2011 <sup>(2)</sup>	\$0.05	Common Share	1,100,000
March 8, 2011 <sup>(3)</sup>	\$0.05	Common Share	1,010,000
March 25, 2011 <sup>(4)</sup>	\$0.05	Common Share	1,349,020
May 5, 2011	\$0.10	Common Share	2,500,000
May 6, 2011 <sup>(5)</sup>	\$0.05	Common Share	2,870,000
			<b>17,479,020 Common Shares</b>

Notes:

- (1) In conjunction with the private placement 4,800,000 Common Share purchase warrants were issued exercisable for two years at a price of \$0.15 per share.
- (2) In conjunction with the private placement 1,100,000 Common Share purchase warrants were issued exercisable for two years at a price of \$0.15 per share.
- (3) In conjunction with the private placement 1,010,000 Common Share purchase warrants were issued exercisable for two years at a price of \$0.15 per share.
- (4) In conjunction with the private placement 451,740 Common Share purchase warrants were issued exercisable for two years at a price of \$0.15 per share.
- (5) In conjunction with the private placement 2,870,000 Common Share purchase warrants were issued exercisable for two years at a price of \$0.15 per share.

## ESCROWED SECURITIES

NP 46-201 requires that securities held by a "principal" of an issuer be held in escrow. A "principal" of an issuer is: (i) a person who acted as a promoter of the issuer; (ii) a director or senior officer of the issuer; (iii) a person holding more than 20% of the securities of the issuer both immediately before and immediately after the issuer's IPO; and (iv) a person carrying more than 10% of the securities who also has the right to appoint one or more directors or senior officers of the issuer. In addition, the TSXV may impose hold periods which apply where seed shares have been issued to non-principals prior to an initial public offering. The Escrowed Shareholders for the purposes of this Prospectus are the principals who are not otherwise excluded from the escrow requirements of NP 46-201 and those who have purchased securities for less than the Offering Price within 12 months preceding the date of this Prospectus.

In accordance with NP 46-201 and pursuant to the Escrow Agreement to be entered into among the Escrowed Shareholders, the Corporation and Olympia Trust Company (the "**Escrow Agent**"), and assuming no Common Shares offered hereunder are purchased by the Escrowed Shareholders, a total of 4,606,750 Common Shares and 4,700,000 common share purchase warrants will be deposited into escrow with the Escrow Agent on Closing of the Offering. The following table discloses the Escrowed Securities of the Corporation which will be held in escrow pursuant to the Escrow Agreement or that are otherwise subject to a contractual restriction on transfer:

<u>Designation of class</u>	<u>Number of securities held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of class (after giving effect to the Minimum Offering)</u>	<u>Percentage of class (after giving effect to the Maximum Offering)</u>
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Common Shares	11,985,770 <sup>(1)</sup>	32.7%	27.6%
Warrants	13,381,740 <sup>(2)</sup>	46.2%	37.5%

Notes:

- (1) Includes 7,379,020 seed capital shares ("**Seed Shares**") which are not subject to the Escrow Agreement. These Seed Shares will be subject to resale restrictions in accordance with the TSXV Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions*. These resale restrictions will be enforced through the legending of the share certificates upon closing of the Offering. The Seed Shares will be subject to a 4 month hold period with 20% released monthly and the first release would occur on closing of the Offering.
- (2) Includes 8,681,740 seed warrants ("**Seed Warrants**") which are not subject to the Escrow Agreement. These Seed Warrants will be subject to resale restrictions in accordance with the TSXV Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions*. These resale restrictions will be enforced through the legending of the warrant certificates upon closing of the Offering. The Seed Warrants will be subject to a 4 month hold period with 20% released monthly and the first release would occur on closing of the Offering.

Escrow restricts the ability of certain holders to deal with their Escrowed Securities while they are in escrow. The Escrow Agreement sets out these restrictions and provides that, except to the extent permitted thereunder, the principals cannot sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with their Escrowed Securities or the related share certificates or other evidence of the Escrowed Securities. A private company, controlled by one or more principals, that holds Escrowed Securities, may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding Escrowed Securities.

The Escrowed Securities shall not be released unless listing of the Common Shares is completed by the Corporation. As the Corporation is an "emerging issuer" as such term is defined in NP 46-201, the original number of the Escrowed Securities purchased by principals (excluding the Seed Shares and Seed Warrants) of the Corporation may be released as to 10% on the Listing Date and as to 15% every six months after the initial release, such that all Escrowed Securities will have been released three years after the Listing Date. The TSXV may approve an accelerated release schedule if the Corporation, after the Listing Date, meets "Tier 1 Corporation" listing requirements or establishes itself as an "established company" as described in NP 46-201.

## Shares Subject to Resale Restrictions

### *Statutory Hold Periods*

In addition to the foregoing escrow provisions, securities legislation imposes certain resale restrictions on securities issued within four months prior to an initial public offering. The legislation which imposes and governs these hold periods is National Instrument 45-102 - *Resale of Securities*.

### *TSXV Seed Share Resale Restrictions*

Seed capital shares (all shares issued in the 12 months prior to the IPO which are not subject to the Escrow Agreement) are subject to the TSXV's seed share resale restrictions as outlined in TSXV Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions*, which determines resale restrictions based on the price at which the security was issued and the length of time it has been held prior to the date of the receipt obtained for the preliminary prospectus. An aggregate of 7,379,020 Common Shares and 8,681,740 Common Share purchase warrants issued in the 12 months prior to the Offering are subject to the TSXV's seed share resale restrictions, as such securities were issued by the Corporation at less than the Offering Price. The release conditions for such Common Shares are described in the notes to the above table.

## PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, other than as disclosed in the table below, there are no persons who beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation.



Shareholder <sup>(3)</sup>	Number of Common Shares	Percentage of class prior to Offering	Percentage of class (after giving effect to the Minimum Offering) <sup>(1)(2)</sup>	Percentage of class (after giving effect to the Maximum Offering) <sup>(1)(2)</sup>
Azteca Gold Corp. <sup>(4)</sup>	3,397,280	14.5%	9.3%	7.8%
Andree Doyle <sup>(5)</sup>	2,500,000	10.7%	6.8%	5.8%

Notes:

(1) Before giving effect to the exercise of the Agent's Option and the Options to be granted to directors and officer of the Corporation upon Closing of the Offering.

(2) Assuming that no Units are purchased by the above Shareholders under this Prospectus.

(3) The Common Shares are owned both of record and beneficially by the listed Shareholders.

(4) The percentage of the class owned, on a fully diluted basis is 16.37% prior to the Offering, 8.97% assuming completion of the Minimum Offering and 7.42% assuming completion of the Maximum Offering.

(5) The percentage of the class owned, on a fully diluted basis is 6.4% prior to the Offering, 3.50% assuming completion of the Minimum Offering and 2.90% assuming completion of the Maximum Offering.

## PROMOTERS

Mr. Jan Alston of Calgary, Alberta, may be considered to be the promoter of CMX in that he took the initiative to reactivate the Corporation. As at the date of this Prospectus, Mr. Alston holds 608,125 Common Shares, representing 2.6% of the currently issued and outstanding Common Shares. Mr. Alston also holds 300,000 Common Share purchase warrants exercisable at \$0.15 per Common Share until May 6, 2013. Except as disclosed in this Prospectus, Mr. Alston has not and will not receive from, or provide to CMX, anything of value, including money, property, contracts, options or rights of any kind directly or indirectly. See "*Directors and Officers*", "*Executive Compensation*" and "*Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions*". No other person will be or has been within the two years preceding the date of this Prospectus a promoter of CMX.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Canada LLP, counsel to the Corporation and Burstall Winger LLP, counsel to the Agent, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a purchaser of Common Shares and Warrants comprising the Units acquired pursuant to the Offering. This summary is applicable only to a purchaser who, at all relevant times, deals at arm's length and is not affiliated with the Corporation, and who will acquire and hold such Common Shares and Warrants as capital property (each, a "**Holder**"), all within the meaning of the Tax Act. Any Common Shares and Warrants will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade.

This summary does not apply to a holder of Common Shares or Warrants comprising the Units (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) an interest in which is or would constitute a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; or (iv) that reports its Canadian tax results in a currency other than the Canadian currency. Such holders should consult their own tax advisors with respect to an investment in Common Shares and Warrants comprising the Units.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, specific proposals to amend the Tax Act and the regulations thereunder (the "**Tax Proposals**") which have been announced by or on behalf the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current published administrative policies and assessing practices of the CRA. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Tax Proposals will be enacted as proposed or at

all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Units. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.**

## **Residents of Canada**

This portion of the summary is applicable to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is resident or deemed to be resident in Canada at all relevant times (each, a "**Resident Holder**"). Certain Resident Holders whose Common Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Common Shares and every other "Canadian security" (as defined by the Tax Act), which would not include the Warrants, owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

### *Allocation of Purchase Price*

A Resident Holder will be required to allocate the purchase price of each Unit between the Common Share and the Warrant comprising the Unit on a reasonable basis, in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate \$0.14 of the issue price of each Unit as consideration for the issue of each Common Share and \$0.06 for the issue of each Warrant. Although the Corporation believes such allocation is reasonable, such allocation will not be binding on the CRA.

The adjusted cost base to a Resident Holder of a Common Share acquired hereunder will be determined by averaging the cost of that Common Share with the adjusted cost base (determined immediately before the acquisition of the Common Share) of all other Common Shares held as capital property at that time by the Resident Holder.

### *Exercise or Expiry of Warrants*

A Resident Holder will not realize a gain or loss upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the Resident Holder's cost of Common Shares acquired thereby will be equal to the aggregate of the Resident Holder's adjusted cost base of the Warrants so exercised plus the exercise price paid for the Common Shares issuable on the exercise of the Warrant. The Resident Holder's adjusted cost base of the Common Shares so acquired will be determined by averaging the cost of those Common Shares with the adjusted cost base (determined immediately before the acquisition of the Common Shares issuable upon the exercise of the Warrants) of all other Common Shares held as capital property by such Resident Holder at the time of acquisition.

In the event of the expiry of an unexercised Warrant, the Resident Holder will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital losses is discussed in greater detail below under the subheading "Taxation of Capital Gains and Losses".

### *Disposition of Common Shares and Warrants*

A Resident Holder who disposes of or is deemed to have disposed of a Common Share or a Warrant (other than a disposition arising on the exercise or expiry of a Warrant) will realize a capital gain (or incur a capital loss) in the year of disposition equal to the amount by which the proceeds of disposition in respect of the Common Share or the Warrant exceed (or are exceeded by) the aggregate of the adjusted cost base of such Common Share or Warrant, as the case may be, and any reasonable expenses

associated with the disposition. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Taxation of Capital Gains and Losses".

#### *Taxation of Capital Gains and Losses*

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder must be included in the Resident Holder's income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss incurred by a Resident Holder (an "**allowable capital loss**") may be used to offset taxable capital gains realized by the Resident Holder in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be applied to reduce net taxable gains realized by the Resident Holder in the three preceding taxation years or in any subsequent year in the circumstances and to the extent provided in the Tax Act. A capital loss realized on the disposition of a Common Share by a Resident Holder that is a corporation may in certain circumstances be reduced by the amount of dividends which have been previously received or deemed to have been received by the Resident Holder on such share. Similar rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust that owns Common Shares.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains.

#### *Taxation of Dividends Received by Resident Holders*

Dividends received or deemed to be received on the Common Shares will be included in computing the Resident Holder's income.

Dividends (including deemed dividends) received on Common Shares by a Resident Holder who is an individual (and certain trusts) will be included in the Resident Holder's income and be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by an individual from taxable Canadian corporations including the enhanced gross-up and dividend tax credit for "eligible dividends" properly designated as such by the Corporation.

Dividends (including deemed dividends) received on Common Shares by a Resident Holder that is a corporation will be included in the Resident Holder's income and will normally be deductible in computing such Resident Holder's taxable income. A Resident Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

### **Non-Residents of Canada**

The following portion of this summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is neither resident nor deemed to be resident in Canada and does not use or hold, and will not be deemed to use or hold, Common Shares or Warrants in a business carried on in Canada (each, a "**Non-Resident Holder**"). Special considerations, which are not discussed in the summary, may apply to a Holder that is an insurer that carries on an insurance business in Canada and elsewhere. Such Holders should consult their own advisers.

#### *Dividends*

Dividends paid or credited on Common Shares to a Non-Resident Holder will be subject to non-resident withholding tax under the Tax Act at the rate of 25%, although such rate may be reduced under the terms of an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

## *Dispositions*

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share or a Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Warrant constitutes "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Provided the Common Shares are listed on a designated stock exchange, which currently includes the TSXV, at the time of disposition, the Common Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60 month period immediately preceding the disposition, (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued Common Shares or any other class or series of shares of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, such properties.

Even if a Common Share or Warrant is taxable Canadian property to a Non-Resident Holder, any capital gain realized upon the disposition of such Common Share or Warrant may not be subject to tax under the Tax Act if such capital gain is exempt from Canadian tax pursuant to the provisions of an applicable income tax convention.

If a Non-Resident Holder to whom Common Shares or Warrants are taxable Canadian property is not exempt from tax under the Tax Act by virtue of a tax treaty, the consequences described under "Residents of Canada" will generally apply.

## **RISK FACTORS**

An investment in Units involves a high degree of risk and should only be considered by persons who can afford to lose their entire investment. The following are certain risk factors relating to an investment in Units which prospective investors should carefully consider before deciding whether to purchase any Units. The following information must be read in conjunction with the detailed information appearing elsewhere in this Prospectus. Such risk factors may have a material adverse effect on the financial position or results of operations of the Corporation or the value of the Units.

### **The Corporation's Limited History**

The Corporation is in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Corporation has no intention of paying any dividends in the near future.

The Corporation has limited financial resources, has not earned any revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for further exploration and development of the Corporation's properties or to fulfill its obligations under any applicable agreements. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Corporation's properties with the possible loss of such properties.

### **Negative Operating Cash Flow**

The Corporation currently has no revenues from its operations and may use the proceeds of the Offering to fund any negative operating cash flow.

## **Exploration and Mining Operations Risks**

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to land tenure, prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in CMX not receiving an adequate return on invested capital.

The Corporation does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by CMX towards the search for and evaluation of mineral deposits will result in discoveries that are commercially viable. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond CMX's control.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of, gold, silver and other precious or base metals, including unusual and unexpected geologic formations, wall failure, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

## **Metal Prices**

The development and success of the Marietta and Clayton Properties will be primarily dependent on the future price of precious and base metals. Precious and base metal prices are subject to significant fluctuation and are affected by a number of factors which are beyond CMX's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation, deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major metal-producing countries throughout the world. The price of precious and base metals has fluctuated widely in recent years and future serious price declines could cause continued development of and commercial production from the Corporation's mineral interests to be impracticable. Depending on the price of precious metals, projected cash flow from planned mining operations may not be sufficient and CMX could be forced to discontinue development and may lose its interest in, or may be forced to sell, the Marietta and Clayton Properties. Future production from the Corporation's mineral interests is dependent on precious or base metal prices that are adequate to make these properties economic.

## **Key-Man and Liability Insurance, Uninsurable Risks**

The success of the Corporation will be largely dependent upon the performance of its key officers. The Corporation has not purchased any "key-man" insurance with respect to any of its directors or officers, and has no current plans to do so.

Although the Corporation may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons. Should such liabilities occur, the Corporation could incur significant costs that could have a Material Adverse Effect upon its financial condition.

## **Future Financing Requirements**

The Corporation may need additional financing to continue in business and to implement the Phase II development programs set out in the Marietta Report and Clayton Report and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing Common Shares from treasury, control of the Corporation may change and Subscribers under the Offering may suffer additional dilution. To the extent financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities by the Corporation.

## **Environmental Regulations**

All phases of the Corporation's operations are subject to environmental regulation. Environmental legislation is becoming more strict, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Corporation's operations. Environmental hazards may exist on a property in which the Corporation holds an interest which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the property.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. The Corporation intends to fully comply with all environmental regulations in all of the countries in which it is active.

## **Foreign Countries and Regulatory Requirements**

Mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investors therein. There is no assurance that the political and investment climate of foreign countries will be favourable. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. The political climate of other neighbouring countries may result in changes in legal requirements or in the terms of permits and agreements applicable to the Corporation or its properties, which could have a material adverse impact on the Corporation's current exploration program and future development projects.

Where required, obtaining necessary permits and licenses can be a complex, time consuming process and the Corporation cannot assure that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Corporation from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

## **Dependence on Limited Properties**

The Marietta and Clayton Properties are the Corporation's sole properties. Any material adverse development affecting the progress of these properties will have a material adverse effect on the Corporation's financial performance and results of operations.

### **Title**

No assurances can be given that title defects to the Marietta Property and the Clayton Property and claims giving rise to the Corporation's interest in the properties do not exist. The Marietta and Clayton properties and claims may be subject to prior unregistered agreements, interests or native land claims and the Corporation's rights may be affected by undetected defects. If title defects do exist, it is possible that the Corporation may lose all or a portion of interest in and to the properties to which the title defect relates. Title to mineral interests in some jurisdictions is often not susceptible of determination without incurring substantial expense. The actual interest of the Corporation in certain properties may vary from the Corporation's records.

There is no guarantee that title to the Corporation's properties will not be challenged or impugned. While, to the best of the Corporation's knowledge, title to both the Marietta Property and the Clayton Property are in good standing, this should not be construed as a guarantee of title.

## **Governmental and Regulatory Requirements**

Government approvals and permits are currently, and may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of properties.

### **Infrastructure**

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Corporation.

### **Costs of Land Reclamation**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Corporation holds an option or title. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Corporation.

### **Influence of Management**

Following the completion of the Offering the directors and officers of the Corporation will own, if the minimum Offering is completed, 11.2% of the outstanding Common Shares of the Corporation and, if the



maximum Offering is completed, 9.4% of the outstanding Common Shares of the Corporation. As a result, these Shareholders will have the ability to control or influence the outcome of most corporate actions requiring Shareholder approval, including the election of directors of the Corporation and the approval of certain corporate transactions. The concentration of ownership of the Corporation may also have the effect of delaying or preventing a change in control of the Corporation.

### **No Market for Securities**

There is currently no market through which any of the Corporation's securities, including the Common Shares and Warrants, may be sold and there is no assurance that such securities of the Corporation will be listed for trading on a stock exchange, or if listed, will provide a liquid market for such securities. Until the Common Shares and Warrants are listed on a stock exchange, holders of the Common Shares and Warrants may not be able to sell their Common Shares or Warrants. Even if a listing is obtained, there can be no assurance that an active public market for the Corporation's Common Shares or Warrants will develop or be sustained after completion of the Offering. The Offering Price determined by negotiation between the Corporation and the Agents was based upon several factors, and may bear no relationship to the price that will prevail in the public market. The holding of Common Shares and Warrants involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Common Shares and Warrants should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

### **Dilution**

The price of the Units under the Offering is higher than the book value per share of the Common Shares previously issued. Accordingly, investors who purchase Units in the Offering will incur immediate dilution in the pro forma net tangible book value of their Units. This means that investors that purchase Units will pay a price per Unit that exceeds the book value of the Corporation's net tangible assets after subtracting its liabilities. Moreover, investors in the Offering will experience further dilution to the extent that additional Common Shares are issued, such as upon exercise of options granted under the Corporation's Option Plan.

### **Currency Exchange Rates**

Exchange rate fluctuations may adversely affect the Corporation's financial position and results. Silver is sold throughout the world, primarily in U.S. Dollars. The Corporation's financial results are reported in Canadian Dollars and costs are incurred primarily in Canadian Dollars. The appreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Corporation's mineral exploration projects and materially adversely affect the results presented in the Corporation's financial statements. Currency exchange fluctuations may also materially adversely affect the Corporation's future cash flow from operations, its results of operations, financial condition and prospects.

### **Competition**

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and the acquisition of productive mineral properties as well as for the recruitment and retention of qualified personnel. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. The Corporation also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

The ability of the Corporation to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Increased competition could result in increased costs

and reduced profitability which could materially adversely affect the Corporation's revenues, operations and financial condition.

### **Dividend Policy**

Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including CMX's operating results, financial condition and current and anticipated cash needs.

### **Arbitrary Offering Price**

The Offering Price of the Units has been determined by the Corporation in consultation with the Agent. The Offering Price is not an indication of the value of the Units and the underlying securities comprising the Units or that any of the Units and the securities comprising the Units could be sold for an amount equal to the Offering Price or for any amount.

### **Conflicts of Interest**

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration and development. To the extent that such other companies may participate in ventures which the Corporation may participate there exists the possibility for such directors and officers to be in a position of conflict. Such directors and officers have duties and obligations under the laws of Canada to act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders. Accordingly, such directors and officers will declare and abstain from voting on any matter in which such director and/or officer may have a conflict of interest.

### **Factors Beyond the Corporation's Control**

Location of mineral deposits depends upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The exploration and development of mineral properties and the marketability of any minerals contained in such properties will also be affected by numerous factors beyond the control of the Corporation. These factors include availability of adequate transportation and refining facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

### **Resale of Shares**

The continued operation of the Corporation will be dependent upon its ability to generate operating revenues. There can be no assurance that any such revenues can be generated. If the Corporation is unable to generate such revenues or obtain such additional financing, any investment in the Corporation may be lost. In such event, the probability of resale of the shares of the Corporation would be diminished.

**AS A RESULT OF THESE RISK FACTORS, THE OFFERING IS SUITABLE ONLY FOR THOSE SUBSCRIBERS WHO ARE WILLING TO RELY ON THE MANAGEMENT OF THE CORPORATION AND WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT IN THE UNITS.**

### **MATERIAL CONTRACTS**

The only material contracts currently in force and effect which have been entered into by the Corporation or will be entered into prior to the Closing of this Offering are the following:

- (a) Escrow Agreement to be dated as of the Closing Date among the Corporation, the Escrowed Shareholders and Olympia Trust Corporation. See "*Escrowed Securities*";
- (b) Warrant Indenture to be dated as of the Closing Date between the Corporation and the Warrant Trustee. See "*Capital Structure of the Corporation - Warrants*";

- (c) Agency Agreement dated January [•], 2012 between the Corporation and the Agent. See "*Plan of Distribution*".
- (d) Option Agreement dated March 17, 2011 between the Corporation and Azteca with respect to the Marietta Property. See "*Description of the Business*";
- (e) Option Agreement Amendment dated November 15, 2011 between the Corporation and Azteca with respect to the Marietta Property. See "*Description of the Business*"; and
- (f) Purchase Agreement made effective December 17, 2011 between the Corporation and Andree Doyle with respect to the Clayton Property. See "*Description of the Business*".

Copies of the foregoing documents may be examined by prospective Subscribers during normal business hours at the offices of Norton Rose Canada LLP, legal counsel to the Corporation, 3700, 400 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4H2 during the period of distribution of the securities offered hereby.

### **INTERESTS OF MANAGEMENT IN MATERIAL TRANSACTIONS**

Other than Jan Alston being a director of Azteca and Randal Squires being the Chief Financial Officer of Azteca, with whom the Corporation has acquired its property interests, management of the Corporation is not aware of any material interest, direct or indirect, of any director or officer of the Corporation, any person beneficially owning, directly or indirectly, more than 10% of the Corporation's voting securities, or any associate or affiliate of such person in any transaction within the last financial year or in any proposed transaction which in either case has materially affected or will materially affect the Corporation.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Grant Thornton LLP, Chartered Accountants, of 900, 833 - 4 Ave S.W., Calgary, Alberta, T2P 3T5. Grant Thornton LLP is the successor firm to BDO Canada LLP and was first appointed as auditors of the Corporation on February 8, 2011.

CMX's transfer agent and registrar is Olympia Trust Company, 2300, 125 - 9<sup>th</sup> Avenue S.E., Calgary, Alberta, T2G 0P6.

### **EXPERTS**

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon by Norton Rose Canada LLP on behalf of the Corporation and by Burstall Winger LLP on behalf of the Agent. As at the date hereof, the partners or associates of Norton Rose Canada LLP, as a group, own 5.8% of the Common Shares. As at the date hereof, the partners or associates of Burstall Winger LLP, as a group, do not own any of the Common Shares.

Grant Thornton LLP are independent of the Corporation pursuant to the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

BDO Canada LLP are independent of the Corporation pursuant to the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

The information in this Prospectus regarding the Marietta Property and the Clayton Property was summarized from the Marietta Report and Clayton Report, respectively, which were authored by Dr. Jennifer A. Thomson. Dr. Thomson is a "qualified person" and "independent" of the Corporation as those terms are defined in NI 43-101. The author and her firm do not own any securities of the Corporation.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Management of the Corporation is not aware of any legal proceedings or regulatory actions outstanding, threatened or pending as of the date hereof by or against the Corporation or relating to the business which would be material to a Subscriber of Units.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain provinces of Canada provides Subscribers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the legislation further provides a Subscriber with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Subscriber, provided that such remedies for rescission or damages are exercised by the Subscriber within the time limit prescribed by the securities legislation of the Subscriber's province. The Subscriber should refer to any applicable provisions of the securities legislation of the Subscriber's province for the particulars of these rights or consult with a legal advisor.

## **ADDITIONAL INFORMATION**

Following consummation of the Offering, the Corporation will be required to file reports and other information with the securities commissions in all provinces of Canada. These filings will be electronically available from SEDAR at [www.sedar.com](http://www.sedar.com).

## **AUDITOR'S CONSENT**

We have read the amended and restated prospectus of CMX Gold & Silver Corp. dated January [•], 2012 relating to the distribution of a minimum of 13,250,000 units and up to 20,000,000 units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation in the above-mentioned amended and restated prospectus of our independent auditor's report to the shareholders of CMX Gold & Silver Corp. on the balance sheet as at December 31, 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the year ended December 31, 2010, dated May 2, 2011.

### **GRANT THORNTON LLP, CHARTERED ACCOUNTANTS**

Calgary, Canada  
[•], 2012

## **AUDITOR'S CONSENT**

We have read the amended and restated prospectus of CMX Gold & Silver Corp. ("the **Corporation**") dated January [•], 2012 relating to the distribution of a minimum of 13,250,000 units and up to a maximum of 20,000,000 units of the Corporation. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation in the above-mentioned amended and restated prospectus of our independent auditor's report to the shareholders of CMX Gold & Silver Corp. on the balance sheet as at December 31, 2009, and the statements of operations, comprehensive loss and deficit and cash flows for the year ended December 31, 2009, dated April 30, 2010, except for Note 12 which is as of November 21, 2011.

### **BDO Canada LLP, CHARTERED ACCOUNTANTS**

Calgary, Alberta, Canada  
[•], 2012

## CERTIFICATE OF THE CORPORATION

January 13, 2012

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of the provinces of Alberta, British Columbia, Saskatchewan and Ontario.

### On behalf of CMX Gold & Silver Corp.

(Signed) "*Jan Alston*"  
President and Chief Executive Officer

(Signed) "*Randal Squires*"  
Chief Financial Officer

### On behalf of the Board of Directors

(Signed) "*Bruce J. Murray*"  
Director

(Signed) "*Robert L. Russell*"  
Director

## **CERTIFICATE OF THE AGENT**

January 13, 2012

To the best of our knowledge, information and belief, this amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of the provinces of Alberta, British Columbia, Saskatchewan and Ontario.

### **UNION SECURITIES LTD.**

(signed) "*J. David D. McKeown*"

By: J. David D. McKeown  
Senior Vice President, Corporate Finance



## CERTIFICATE OF THE PROMOTER

January 13, 2012

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of the provinces of Alberta, British Columbia, Saskatchewan and Ontario.

(Signed) "*Jan Alston*"

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Jan Alston

**APPENDIX A**  
**FINANCIAL STATEMENTS**

**CMX GOLD & SILVER CORP.**  
**REVISED INTERIM FINANCIAL STATEMENTS**  
**NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited – Prepared by Management)**

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

AS AT	September 30, 2011 (note 18)	December 31, 2010 (note 19)	January 1, 2010 (note 19)
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 4,748	\$ 13,777	\$ 36,118
Trade and other receivables	9,827	11,627	58,324
Prepaid expenses	37,700	4,667	--
	52,275	30,071	94,442
DEPOSIT (note 5)	--	--	125,000
EXPLORATION AND EVALUATION (note 6)	516,515	516,515	--
	\$ 568,790	\$ 546,586	\$ 219,442
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Trade and other payables	\$ 157,123	\$ 261,110	\$ 182,055
Due to shareholders (note 7)	86,607	53,064	--
Dividends payable (note 8)	143,560	143,560	143,560
	387,290	457,734	325,615
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
SHARE CAPITAL (note 9)	3,152,319	2,661,047	2,171,916
WARRANTS (note 11)	270,506	112,250	97,531
DEFICIT	(3,241,325)	(2,684,445)	(2,375,620)
	181,500	88,852	(106,173)
	\$ 568,790	\$ 546,586	\$ 219,442

Going concern (note 1)  
Subsequent events (note 16)

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 September 30,		Nine months ended September 30,	
	2011 (note 18)	2010	2011 (note 18)	2010
<b>EXPENSES</b>				
Exploration and evaluation (note 6)	\$ 21,097	\$ --	\$ 293,113	\$ --
Management fees (note 7)	27,863	6,000	104,363	6,000
Professional fees	4,489	--	60,422	14,113
General and administrative	6,673	1,170	43,755	15,743
Listing and agent fees	13,075	1,034	40,552	7,487
Shareholder reporting	143	144	15,384	1,742
Interest and bank charges	308	14	705	71
<b>LOSS BEFORE THE FOLLOWING ITEMS</b>	<b>(73,648)</b>	<b>(8,362)</b>	<b>(558,294)</b>	<b>(45,156)</b>
<b>OTHER ITEMS</b>				
Gain (loss) on foreign exchange	62	--	1,414	(1,350)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (73,586)</b>	<b>\$ (8,362)</b>	<b>\$ (556,880)</b>	<b>\$ (46,506)</b>
<b>BASIC LOSS AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.003)</b>	<b>\$ (0.001)</b>	<b>\$ (0.028)</b>	<b>\$ (0.006)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>23,352,274</b>	<b>5,873,254</b>	<b>20,158,473</b>	<b>7,530,763</b>

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
<b>Balance, January 1, 2010</b>	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	--	--		--	(46,506)	(46,506)
<b>Balance, September 30, 2010</b>	5,873,254	\$ 2,095,681	\$	48,766	\$ (2,422,126)	\$ (277,679)
<b>Balance, January 1, 2011</b>	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		88,351	--	133,561
Issued for Marietta option	2,500,000	247,000		--	--	247,000
Loss for the period	--	--		--	(556,880)	(556,880)
<b>Balance September 30, 2011</b>	23,352,274	\$ 3,152,319	\$	270,506	\$ (3,241,325)	\$ 181,500

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 September 30,		Nine months ended September 30,	
	2011 (note 18)	2010	2011 (note 18)	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net loss	\$ (73,586)	\$ (8,362)	\$ (556,880)	\$ (46,506)
Items not affecting cash				
Shares issued for exploration and evaluation	--	--	247,000	--
Management fees	22,613	--	72,301	--
	(50,973)	(8,362)	(237,579)	(46,506)
Changes in non-cash working capital items (note 13)	14,328	9	52,873	34,738
	(36,645)	(8,353)	(184,706)	(11,768)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issue of share capital and warrants	--	--	165,248	--
Advances from shareholders, net	10,429	--	10,429	--
	10,429	--	175,677	--
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(26,216)	(8,353)	(9,029)	(11,768)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	30,964	32,703	13,777	36,118
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 4,748	\$ 24,350	4,748	\$ 24,350

The accompanying notes are an integral part of these financial statements



**CMX GOLD & SILVER CORP.**  
Unaudited – Prepared by Management  
Revised Notes to the Interim Financial Statements

September 30, 2011 and 2010

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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 interim financial statements were authorized by the Board of Directors on December 20, 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 September 30, 2011, the Company incurred a net loss of \$556,880 (2010 - \$46,506). As a result of the recurring losses over the Company's history, the Company has a deficit of \$3,241,325 as at September 30, 2011 (December 31, 2010 - \$2,684,445). At September 30, 2011, the Company had a working capital deficiency of \$335,015 (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 16).

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.

**CMX GOLD & SILVER CORP.**  
Unaudited – Prepared by Management  
Revised Notes to the Interim Financial Statements

September 30, 2011 and 2010

---

**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 third 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 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.

**CMX GOLD & SILVER CORP.**  
Unaudited – Prepared by Management  
Revised Notes to the Interim Financial Statements

September 30, 2011 and 2010

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**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.

**CMX GOLD & SILVER CORP.**  
Unaudited – Prepared by Management  
Revised Notes to the Interim Financial Statements

September 30, 2011 and 2010

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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.

**Provisions**

The Company will recognize the present value of estimated decommissioning liabilities when a reasonable estimate can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as drilling sites, mine sites and facilities. The liabilities, equal to the initial estimated present value of the decommissioning liabilities, are capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to assumptions, estimated timing or amount of discounted cash flows are recognized as a change in the decommissioning liabilities and the related costs.

Decommissioning costs will be amortized using the unit-of-production method. Increases in the decommissioning liabilities resulting from the passage of time are recorded as accretion of decommissioning liabilities and are charged to operations.

Actual expenditures incurred will be charged against accumulated obligations.

**CMX GOLD & SILVER CORP.**  
Unaudited – Prepared by Management  
Revised Notes to the Interim Financial Statements

September 30, 2011 and 2010

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.

**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 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.

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4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

**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.

**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.

The Company is currently assessing the impact that the above adoptions may have on its financial statements.

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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 9 and 11).

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 US\$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 US\$0.10 per share. The fair value of the warrants was calculated at \$88,351 (see note 11).

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.

**Marietta property**

Effective March 17, 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 US\$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 – finder's fees		163,215
Exploration expenditures in 2011 – Marietta acquisition costs, claim payments – report writing, site visits		268,062 25,051
<b>Total expenditures to date</b>	<b>\$</b>	<b>456,328</b>

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



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**7. DUE TO SHAREHOLDERS**

During the nine month period ended September 30, 2011, the Company paid management fees of \$104,363 (2010 - \$6,000) to a corporation controlled indirectly by a director of the Company.

The Company settled \$40,000 of debt due to 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 13, 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 September 30, 2011, the Company owed \$86,607 to shareholders (December 31, 2010 - \$53,064) for management fees, which are non-interest bearing and payable within the next 12-month period. During the period, a director of the Company loaned USD\$10,000 to the Company. This loan is payable on demand and bears an interest rate of 6% per annum.

**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. 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

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**9. SHARE CAPITAL, continued**

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 September 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 USD\$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.

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 Property 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.

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**10. 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 September 30, 2011 and December 31, 2010, the Company had not granted any stock options under the plan.

**11. WARRANTS**

The Company estimates the fair value of warrants using the Black-Scholes option pricing model with the following assumptions (except for the warrants issued March 25, 2011, as part of the finder's fee): 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.

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 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 March 25, 2011, as part of the finder's fee accrued with respect to the Clayton property purchase. These warrants have been valued at \$88,351 (note 6).

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.

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**11. WARRANTS, continued**

	Warrants Outstanding	Weighted Average Exercise Price - CAD
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 6)	3,000,000	USD\$0.10
Issued with private placements	2,870,000	\$0.15
Balance, September 30, 2011	15,731,740	\$ 0.16

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
2,500,000	\$0.25	May 28, 2013
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
3,000,000	USD\$0.10	2 years from commencement of trading
15,731,740	\$0.16	

**12. NON-CASH INVESTING AND FINANCING TRANSACTIONS**

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Changes in non-cash operating working capital items				
Trade and other receivables	\$ 7,022	\$ (117)	\$ 5,677	\$ 52,434
Prepaid expenses	(22,700)	--	(33,033)	--
Trade and other payables	30,006	126	80,229	(17,696)
	\$ 14,328	\$ 9	\$ 52,873	\$ 34,738

During the nine month period ended September 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 11).

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

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**13. SEGMENTED INFORMATION**

The Company has the following geographical segments:

	Canada	United States
	September 30, 2011	
Identifiable assets	\$ 52,275	\$ 516,515
Exploration expenditures	--	293,113
	December 31, 2010	
Identifiable assets	\$ 30,071	\$ 516,515
Exploration expenditures	--	163,215
	January 1, 2010	
Identifiable assets	\$ 219,442	\$ --
Exploration expenditures	--	--

**14. 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.

<b>Fair value of financial instruments</b>	September 30,		December 31,	
	Carrying value	2011 Fair value	Carrying value	2010 Fair Value
Financial assets				
<b>Loans and receivables</b>				
Cash and cash equivalents	\$ 4,748	\$ 4,748	\$ 13,777	\$ 13,777
Trade and other receivables	9,827	9,827	11,627	11,627
	<b>\$ 14,575</b>	<b>\$ 14,575</b>	<b>\$ 25,404</b>	<b>\$ 25,404</b>
Financial liabilities				
<b>Financial liabilities measured at amortized cost</b>				
Trade and other payables	\$ 157,123	\$ 157,123	\$ 261,110	\$ 261,110
Dividends payable	143,560	143,560	143,560	143,560
Shareholder loans	86,607	86,607	53,064	53,064
	<b>\$ 387,290</b>	<b>\$ 387,290</b>	<b>\$ 457,734</b>	<b>\$ 457,734</b>

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.

**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.

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**14. FINANCIAL INSTRUMENTS, continued**

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 September 30, 2011, the Company had a net working capital deficiency of \$335,015 (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 September 30, 2011:

	Total	2012	Thereafter
Trade and other payables	\$ 157,123	\$ 157,123	\$ --
Shareholder loans	86,607	86,607	--
Dividends payable	143,560	143,560	--
	<u>\$ 387,290</u>	<u>\$ 387,290</u>	<u>\$ --</u>

**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.

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**15. 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 is 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.

**16. SUBSEQUENT EVENTS**

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

**17. RECLASSIFICATIONS**

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

**18. RESTATEMENT**

The revision of the Company's interim financial statements resulted from management's determination that the warrants issued as part of the finder's fee with respect to the purchase of the Clayton property be recognized under IFRS 2, share based payments rather than IAS 32, financial instruments as the warrants were issued for goods and services, rather than cash..

As a result of this revision the previously reported interim financial statements changed as follows:

	September 30, 2011 as previously reported	Adjusted change	Revised September 30, 2011
<b>Balance Sheet</b>			
Warrant liability	\$ 66,453	\$ (66,453)	\$ --
Warrants	182,155	88,351	270,506
Deficit	(3,219,427)	(21,898)	(3,241,325)
<b>Statement of Operations</b>			
Change in fair value of warrant liability	(21,898)	21,898	--
Net loss and comprehensive loss	534,982	21,898	556,880
Basic loss and diluted loss per share	(0.027)	(0.001)	(0.028)
<b>Statement of Changes in Cash Flow</b>			
Net loss	534,982	21,898	556,880
Change in fair value of warrant liability	\$ 21,898	\$ (21,898)	\$ --

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

As noted in Note 2, these are the Company's third 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 September 30, 2011, the comparative information for the period ended September 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.



**CMX GOLD & SILVER CORP.**  
**(Formerly LIARD RESOURCES LTD.)**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

May 2, 2011

### **Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Company have been prepared by, and are the responsibility of the management of the Company. The financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect management's best estimates and judgment based on currently available information.

The Board of Directors meets periodically with management and the Company's independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, Grant Thornton LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian auditing standards. Their report outlines the scope of their audit and gives their opinion on the financial statements.

Management has developed and maintains a system of internal control to provide reasonable assurance that the Company's transactions are authorized, assets safeguarded and proper records maintained.

*/s/ "Jan Alston"*  
Jan Alston  
CEO and Director

*/s/ "Randal Squires"*  
Randal Squires  
Chief Financial Officer



Grant Thornton

# Independent Auditor's Report

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To the Shareholders of **CMX Gold & Silver Corp.** (formerly **Liard Resources Ltd.**)

We have audited the accompanying financial statements of **CMX Gold & Silver Corp.** (formerly **Liard Resources Ltd.**), which comprise the balance sheet as at December 31, 2010, the statements of operations, comprehensive loss and deficit and cash flows for the year ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

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

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

## **Auditor's responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of CMX Gold & Silver Corp. (formerly Liard Resources Ltd.) as at December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

**Other matter**

The financial statements of CMX Gold & Silver Corp. (formerly Liard Resources Ltd.) for the year ended December 31, 2009 (prior to the restatement of the comparative information described in Note 16 to the 2010 financial statements) were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2010.

As part of our audit of the 2010 financial statements, we also audited the adjustments described in Note 16 that were applied to amend the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company incurred a net loss of \$308,825 during the year ended December 31, 2010 and, as of that date, the Company has an accumulated deficit of \$2,684,445. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Calgary, Canada  
May 2, 2011



Chartered Accountants

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
**BALANCE SHEETS**

December 31	2010	2009
		(restated note 16)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 13,777	\$ 36,118
Accounts receivable	11,627	58,324
Prepaid expenses	4,667	--
	30,071	94,442
DEPOSIT (note 4)	--	125,000
MINERAL PROPERTIES (note 5)	516,515	--
	\$ 546,586	\$ 219,442
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 261,110	\$ 182,055
Due to shareholders (note 6)	53,064	--
Dividends payable (note 7)	143,560	143,560
	457,734	325,615
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
SHARE CAPITAL (note 8)	2,661,047	2,171,916
WARRANTS (note 9)	112,250	97,531
DEFICIT	(2,684,445)	(2,375,620)
	88,852	(106,173)
	\$ 546,586	\$ 219,442

Going concern (note 2)  
Subsequent events (note 15)

Approved on behalf of the Board

Jan Alston                     ("Signed")                    

Bruce Murray                     ("Signed")                    

The accompanying notes are an integral part of the financial statements

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
**STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

Years ended December 31,	2010	2009
		(restated note 16)
<b>EXPENSES</b>		
Mineral property expenditures (note 5)	\$ 163,215	\$ --
Professional fees	63,304	176,995
Management (note 6)	46,000	--
General and administrative	27,295	11,348
Listing and agent fees	10,271	109,813
Shareholder reporting	1,839	11,435
Interest and bank charges	120	26
	<u>312,044</u>	<u>309,617</u>
<b>LOSS BEFORE THE FOLLOWING ITEMS:</b>	(312,044)	(309,617)
<b>OTHER ITEMS</b>		
Interest income	--	45
Gain (loss) on foreign exchange	3,219	(3,527)
	<u>3,219</u>	<u>(3,527)</u>
<b>NET LOSS, being comprehensive loss</b>	<u>\$ (308,825)</u>	<u>\$ (313,099)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b> (note 10)	<u>\$ (0.042)</u>	<u>\$ (0.049)</u>
<b>DEFICIT, beginning of year</b>	\$ (2,375,620)	\$ (2,062,521)
<b>Net loss</b>	<u>(308,825)</u>	<u>(313,099)</u>
<b>DEFICIT, end of year</b>	<u>\$ (2,684,445)</u>	<u>\$ (2,375,620)</u>

The accompanying notes are an integral part of the financial statements

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
**STATEMENTS OF CASH FLOWS**

Years ended December 31,	2010	2009
		(restated note 16)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (308,825)	\$ (313,099)
Changes in non-cash working capital items		
Accounts receivable	46,697	(58,324)
Prepaid expenses	(4,667)	--
Accounts payable and accrued liabilities	214,055	120,979
	<u>(52,740)</u>	<u>(250,444)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of mineral property	<u>(264,590)</u>	--
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issuance	178,441	66,581
Warrant issuance	63,484	48,765
Due to shareholders	53,064	--
	<u>294,989</u>	<u>115,346</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(22,341)</b>	<b>(135,098)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>36,118</u>	<u>171,216</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 13,777</b>	<b>\$ 36,118</b>

**Non-cash transaction:**

During the year, previously issued units of \$2,500,000 that were issued as a deposit valued at \$125,000 were returned to treasury (refer to note 4).

On December 13, 2010, the Company issued 2,500,000 shares at US\$0.10 per share as partial payment on the purchase of a mineral property (refer to notes 5 and 8).

On December 29, 2010, the Company issued 1,350,000 shares at \$0.10 per share as settlement of an accounts payable.

The accompanying notes are an integral part of the financial statements

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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**1. NATURE OF OPERATIONS**

CMX Gold & Silver Corp. (the "Company") was incorporated on July 30, 1986 and changed its name from Enece Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name from Liard Resources Ltd. to CMX Gold & Silver 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 properties in the United States.

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 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.

**2. GOING CONCERN**

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles 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 year ended December 31, 2010 the Company has incurred a net loss of \$308,825 (\$313,099 for the year ended December 31, 2009). As a result of recurring losses, the Company has an accumulated deficit of \$2,684,445 as at December 31, 2010 (\$2,375,620 as at December 31, 2009). At December 31, 2010, the Company has a working capital deficiency of \$427,663 (2009 - \$231,173). The Company currently does not have the necessary financing in place to support continuing losses. The Company must finance its operations and property acquisitions through the issuance of shares. This raises significant doubt about the Company's ability to continue as a going concern and 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 capital.

The Company is currently attempting to raise capital through the equity markets and complete a listing on a Canadian stock exchange in order to commence exploration on its current property as well as its transaction subsequent to the year end (see subsequent events note 15), but there is no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease operations. Although in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps the Company takes will be successful.

These financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material.



**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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3. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized as follows:

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from and affect the results reported.

Amounts recorded for the fair market value of warrants are based on management's estimates of share price volatility and the expected life of the warrants. Allowance for doubtful accounts is based on management's estimate and its ability to collect accounts receivable in the future. By their nature, these estimates are subject to uncertainty and the impact on the financial statements of future periods could be material.

**Foreign exchange**

Funds held in foreign currency is translated at the year-end exchange rate. Non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction. Translation gains and losses are reflected in operations in the year they occur.

**Cash and cash equivalents**

Cash consists of balances with financial institutions, lawyer's trust accounts and term deposits with maturities of three months or less. Interest earned on the Company's cash accounts is calculated using a floating interest rate based on the market treasury bill rates.

**Mineral exploration properties**

Where the Company purchases mineral properties that consist of patented mining claims, those costs are capitalized as an asset of the Company. Where the costs are associated with the acquisition of non-patented mining claims, those costs are expensed in the year in which they occur.

Exploration costs on the mineral properties are expensed in the year in which they occur. Development costs will be capitalized on a property-specific basis. Costs capitalized together with the costs of production equipment will be depleted on a unit of production basis, based on the estimated proved reserves of minerals, upon the commencement of production, should such reserves be found.

Management will regularly review the carrying amount of development costs to assess whether there has been any impairment in value or if any impairment test is necessary when events and circumstances indicate that the carrying amount may not be recoverable.

Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property. The proceeds received from partial disposition or an option payment, are credited against the costs expensed during the year if the property is in the exploration stage or against capitalized costs if the property is in the development stage. 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 the statement of operations.

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

**Stock-based compensation**

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. The estimated fair value will be credited to contributed surplus. 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 contributed surplus. For non-employees, the fair value of the options will be measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. As at year end, the Company had not issued any options under the plan.

**Future income taxes**

The Company follows the liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any temporary differences between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in the statement of operations in the period that the change occurs. Future tax assets are recognized when it is more likely than not, that the related tax deductions and loss carry forwards will be utilized. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

**Revenue recognition**

Interest income is recognized in the period it is earned and when payment is reasonably assured.

**Loss per share**

Basic 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 share purchase warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase share at the average market price for the period. In basic net loss per share situations, the dilutive per share amount is the same as that for basic, as all factors are anti-dilutive.

**Financial instruments**

The Company has classified financial instruments as follows:

- Cash and cash equivalents is classified as held for trading. They are measured at fair value and the gains and losses resulting from re-measurement at the end of each period are recognized in the statement of operations.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method, which is generally the amount on initial recognition less an allowance for doubtful accounts.
- Accounts payable and accrued liabilities, dividends payable and due to shareholders are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Transaction costs related to financial instruments are charged to the statement of operations when incurred. Any derivative financial instruments will be classified as “held for trading” and recorded at fair value based on estimated market prices.

The Company has no items that are included in other comprehensive loss therefore the net loss and comprehensive loss are the same.

**International Financial Reporting Standards (“IFRS”)**

Accounting standards in Canada are to converge with IFRS and accordingly, the Company will begin reporting, with the comparative data, under IFRS for the fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and financial statement disclosures. The implementation of IFRS will apply to the Company’s interim and annual financial statements for the fiscal year beginning January 1, 2011, including the restatement of comparative amounts for 2010. The Company is currently evaluating the impact of the adoption of IFRS on its financial statements.

4. **DEPOSIT**

The Company announced on December 5, 2008, that it entered into an arms-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 8 and 9).

5. **MINERAL PROPERTIES**

**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 US\$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 \$44,864 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 US\$0.10 per share. The fair value of the warrants was calculated at \$88,351.

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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**5. MINERAL PROPERTIES, continued**

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%. A total finder's fee of \$163,215 was accrued in accounts payable and accrued liabilities and expensed to mineral property expenditures.

The Company also incurred costs associated with this property as well as costs related to reviewing prospective properties. These costs have been expensed during the year.

Total expenditures on property held:

	2010	2009
Acquisition costs - Clayton	\$ 516,515	\$ --
Exploration costs - Clayton - finder fee	163,215	--
Total expenditures to date	679,730	--
Expensed during the year	(163,215)	--
Patented claims	\$ 516,515	\$ --

**6. DUE TO SHAREHOLDERS**

In 2010, the Company paid management fees of \$6,000 to the President of the Company, \$40,000 to a corporation controlled indirectly by a Director of the Company and consulting fees of \$19,652 to an officer of the Company. These transactions were measured at the exchange amounts that were the amount of consideration established and agreed upon by the related parties. The advances are unsecured, bear no interest and have no set terms of repayment.

At December 31, 2010, the Company owed \$53,064 (2009 - \$nil) to Directors and officers of the Company. Subsequent to year end, the shareholder loans were settled (refer to note 15).

There were no related party transactions during the year ended December 31, 2009.

**7. 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.

**8. SHARE CAPITAL**

Authorized with an unlimited number of the following:

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.

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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**8. SHARE CAPITAL, continued**

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.

<b>Common shares issued</b>	<b>Number</b>	<b>Amount</b>
Balance, December 31, 2008	3,373,254	\$ 2,029,100
Private placements, net of issue costs	5,000,000	240,347
Fair value of warrants issued	--	(97,531)
Balance, December 31, 2009	<u>8,373,254</u>	<u>\$ 2,171,916</u>
Return to treasury (note 4)	(2,500,000)	(125,000)
Fair value of cancelled warrants	--	48,765
Shares issued for property	2,500,000	251,925
Private placements	4,800,000	241,925
Fair value of warrants issued	--	(63,484)
Shares issued in settlement of debt	1,350,000	135,000
Balance, December 31, 2010	<u>14,523,254</u>	<u>\$ 2,661,047</u>

On May 28, 2009, the Company issued 5,000,000 units for net proceeds of \$240,347. Each unit consisted of one common share and one common share purchase warrants entitling the holder to purchase one common share at a price of \$0.25 per share expiring on May 28, 2011.

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 share for gross proceeds of \$241,925. Each unit consisted of one common share and one common share purchase warrants 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.

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

**9. WARRANTS (restated note 16)**

Warrants to purchase 5,000,000 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. The estimated fair value of the warrants was \$97,531. 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 1.02% and volatility of 154%.

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. 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%.

The following warrants are outstanding as at the following dates:

	2010		2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	5,000,000	\$ 0.25	--	\$ --
Granted – private placements	4,800,000	\$ 0.15	5,000,000	\$ 0.25
Cancelled on refund of deposit	(2,500,000)	\$ 0.25	--	\$ --
Balance, end of year	7,300,000	\$ 0.18	5,000,000	\$ 0.25
Exercisable, end of year	7,300,000	\$ 0.18	5,000,000	\$ 0.25

The following tables present the reconciliation of the outstanding warrants and related information:

	2010	2009
Balance, beginning of year	\$ 97,531	\$ --
Estimated fair value of warrants issued for private placements	63,484	97,531
Estimated fair value of cancelled warrants on refund of placement	(48,765)	--
Balance, end of year	\$ 112,250	\$ 97,531

Warrants Outstanding and Exercisable	Exercise Price	Expiry Date
2,500,000	\$0.25	May 28, 2011
4,800,000	\$0.15	December 16, 2012
7,300,000	\$0.18	

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

**10. LOSS PER SHARE**

Basic net loss per share is calculated using the weighted average number of shares outstanding during the year. Loss per share is calculated as follows:

	2010		
	Net loss	Shares	Loss per share
Basic and diluted	\$ (308,825)	7,440,925	\$ (0.042)
			2009 (restated note 16)
	Net loss	Shares	Loss per share
Basic and diluted	\$ (313,099)	6,345,857	\$ (0.049)

**11. SEGMENTED INFORMATION**

The Company has the following geographical segments in 2010:

	Exploration expenditures	Mineral Properties
Canada	\$ --	\$ --
United States	\$ 163,215	\$ 516,515

**12. FUTURE INCOME TAXES**

a) The components of future income tax balances are as follow:

	2010	2009
Future income tax asset		(restated note 16)
Non-capital loss carry-forwards	\$ 361,298	\$ 382,228
Capital loss carry-forwards	1,558,101	1,437,852
Tax basis of investments in excess of carrying amount	--	120,249
Valuation allowance	1,919,399	1,940,329
	(1,919,399)	(1,940,329)
	\$ --	\$ --

**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

**12. FUTURE INCOME TAXES**

- b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 28% (2009 - 29%) to the loss for the years as follows:

	2010	2009 (restated note 16)
Loss for the years before income taxes	\$ (308,825)	\$ (313,099)
Anticipated income tax recovery	\$ (86,471)	\$ (90,799)
Effect of tax rate change	3,284	7,124
Change in valuation allowance	(20,930)	20,411
Losses expiring	48,300	24,108
Non deductible amounts	55,817	39,156
	\$ --	\$ --

- c) For income tax purposes, the Company has loss carried forwards which can be applied to reduce future years' taxable income. These losses expire as follows:

2014	\$ 222,662
2015	529,414
2026	99,810
2027	62,754
2028	242,971
2029	178,099
2030	109,480
	\$ 1,445,190

The Company has accumulated capital losses for tax purposes in the amount of \$12,464,807. These losses are available to offset future years capital gains.

**13. 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 under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.



**CMX GOLD & SILVER CORP.**  
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NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

13. **FINANCIAL INSTRUMENTS, continued**

**Fair values**

Fair value of financial instruments is as follows:

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 13,777	\$ 13,777	\$ 36,118	\$ 36,118
Accounts receivable	11,627	11,627	58,324	58,324
	<u>\$ 25,404</u>	<u>\$ 25,404</u>	<u>\$ 94,442</u>	<u>\$ 94,442</u>

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities			(restated note 16)	
Accounts payable and accrued liabilities	\$ 261,110	\$ 261,110	\$ 182,055	\$ 182,055
Dividends payable	143,560	143,560	143,560	143,560
Due to shareholders	53,064	53,064	--	--
	<u>\$ 457,734</u>	<u>\$ 457,734</u>	<u>\$ 325,615</u>	<u>\$ 325,615</u>

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and due to shareholders approximate fair value due to the short term nature of these instruments. The Company's financial instruments classified as held for trading are included in level 1 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 accounts receivable. Cash and cash equivalents are held with reputable chartered banks and in lawyer trust accounts from which management believes the risk of loss is minimal.

Included in accounts receivable is a 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 amount.

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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13. **FINANCIAL INSTRUMENTS, continued**

**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 liquidity to meet liabilities when due. As at December 31, 2010, the Company had a net working capital deficiency of \$427,663 (2009 – \$231,173). Management of the Company is currently working to raise funds in the equity markets to ensure that it can meet its commitments.

The contractual maturities of financial liabilities as of December 31, 2010 are as follows:

	Total	2011	Thereafter
Accounts payable and accrued liabilities	\$ 261,110	\$ 261,110	\$ --
Dividends payable	143,560	143,560	--
Due to shareholders	53,064	53,064	--
	<u>\$ 457,734</u>	<u>\$ 457,734</u>	<u>\$ --</u>

**c) Market risk**

Market risk is the risk of loss that may arise from changes in the market factors such as interest rates 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. The Company relies on the money market managers to maximize the interest earned on the short-term investment to minimize any negative effects and maximize any positive effects from interest rate fluctuations. The Company regularly monitors its cash management policy.

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 to maximize interest revenue.

i) 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.

A \$0.01 increase or decrease in the Canadian/US exchange rate would have resulted in an increase or decrease of \$nil (2009 - \$485) in the Company's net loss.

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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**14. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are:

- 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 capital structure is comprised of cash and cash equivalents and shareholder equity.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments. The Company's primary source of funds comes from the issuance of share capital.

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.

**15. SUBSEQUENT EVENTS**

On January 13, 2011, the Company settled \$55,000 in debt with the issuance of 1,100,000 units at \$0.05 per share, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share. Included in the settlement was \$40,000 due to a corporation controlled indirectly by a director of the Company.

On January 25, 2011, the Company paid the finders fee with respect to the purchase of the Clayton property with the issuance of 897,280 common shares and the issuance of two year warrants to purchase 3,000,000 common shares at US\$0.10 per share.

On January 25, 2011, the Company extended the expiry date of 2,500,000 warrants due to expire on May 28, 2011 to May 28, 2013.

On February 11, 2011, the Company changed its name from Liard Resources Ltd. to CMX Gold & Silver.

On March 11, 2011, the Company completed a private placement of 540,000 units at \$0.05 per share for gross proceeds of \$27,000. Each unit consists of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per common share.

On March 11, 2011, the Company settled \$46,087 in debt with the issuance of 921,740 units at \$0.05 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share.

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 US\$2,000,000 of expenditures over a two year period from the date the Company commences trading on the TSX Venture Exchange. The listing is expected to occur within nine months from the date of the option agreement.

**CMX GOLD & SILVER CORP.**  
**(formerly LIARD RESOURCES LTD.)**  
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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**16. RESTATEMENT OF PRIOR PERIODS**

In the fourth quarter of 2010, the Company became aware of a liability with respect to legal fees which was not accrued in 2009. The Company has also restated the presentation of the fair value of warrants issued from contributed surplus to warrants on the balance sheet. With this restatement the Company had no contributed surplus. As a result of the 2009 restatement, note 12 future income taxes, has also been restated on a comparative basis.

A restatement of the comparative financial statements to account for the adjustments are as follows:

	December 31, 2009 as previously reported	Adjusted Change	Restated December 31, 2009
<b>Balance Sheet</b>			
Accounts payable	\$ 42,055	\$ 140,000	\$ 182,055
Warrants	--	97,531	97,531
Contributed surplus	97,531	(97,531)	--
Deficit	(2,235,620)	(140,000)	(2,375,620)
<b>Statement of Operations</b>			
Professional fees	(36,995)	(140,000)	(176,995)
Net loss	(173,099)	(140,000)	(313,099)
Basic and diluted loss per share	(0.027)	(0.022)	(0.049)
<b>Statement of Cash Flow</b>			
Cash flow from operating activities	\$ (250,444)	\$ --	\$ (250,444)

This restatement resulted in an increase in the working capital deficit from \$91,173 to \$231,173.

**17. COMPARATIVE FIGURES**

Certain amounts disclosed in the comparative year have been reclassified to conform with the current year presentation.

**LIARD RESOURCES LTD.  
AMENDED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

## **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of the Company have been prepared by, and are the responsibility of the management of the Company. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect management's best estimates and judgment based on currently available information.

The Board of Directors, meets periodically with management and the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, BDO Canada LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

Management has developed and maintains a system of internal control to provide reasonable assurance that the Company's transactions are authorized, assets safeguarded and proper records maintained.

*/s/ "Jan Alston"*  
Jan Alston  
CEO and Director

*/s/ "Randal Squires"*  
Randal Squires  
Chief Financial Officer



Tel: 403 266 5608  
Fax: 403 233 7833  
www.bdo.ca

BDO Canada LLP  
620, 903 - 8th Avenue SW  
Calgary AB T2P 0P7 Canada

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## Auditor's Report

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### To the Shareholders of Liard Resources Ltd.

We have audited the balance sheet of Liard Resources Ltd. as of December 31, 2009 and the statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Liard Resources Ltd. as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2008 and for the year then ended were audited by Hudson LLP who expressed an opinion without reservation on those statements in their report dated February 25, 2009.

The previous audit report dated April 30, 2010 has been withdrawn and the financial statements have been restated for an underaccrual of legal fees in the amount of \$140,000 in the December 31, 2009 year-end.

*BDO Canada LLP*

Chartered Accountants

Calgary, Alberta

April 30, 2010, except for Note 12 which is as of November 21, 2011

**LIARD RESOURCES LTD.**  
BALANCE SHEETS

December 31	2009 (Restated)	2008
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 36,118	\$ 171,216
Accounts receivable	58,324	\$ --
	94,442	171,216
DEPOSIT (note 8)	125,000	\$ --
	\$ 219,442	\$ 171,216
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 182,055	\$ 61,077
Dividends payable	143,560	143,560
	325,615	204,637
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
SHARE CAPITAL (note 5)	2,171,916	2,029,100
CONTRIBUTED SURPLUS (Note 5)	97,531	--
DEFICIT	(2,375,620)	(2,062,521)
	(106,173)	(33,421)
	\$ 219,442	\$ 171,216

Going concern (note 2)

Approved on behalf of the Board

Jan Alston                    *(“Signed”)* \_\_\_\_\_

Bruce Murray                *(“Signed”)* \_\_\_\_\_

The accompanying notes are an integral part of the financial statements



**LIARD RESOURCES LTD.**  
STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31,	2009 (Restated)	2008
<b>EXPENSES</b>		
Professional fees	\$ 176,995	\$ 50,684
Listing and agent fees	109,813	1,981
General and administrative	11,348	14,518
Shareholder reporting	11,435	--
Interest and bank charges	26	58
Management	--	181,781
	<u>309,617</u>	<u>249,022</u>
<b>LOSS BEFORE THE FOLLOWING ITEMS:</b>	(309,617)	(249,022)
<b>OTHER ITEMS</b>		
Interest income	45	6,051
Loss on foreign exchange	(3,527)	--
	<u>(3,482)</u>	<u>6,051</u>
<b>NET AND COMPREHENSIVE LOSS</b>	(313,099)	(242,971)
<b>DEFICIT, beginning of year</b>	<u>(2,062,521)</u>	<u>(1,819,550)</u>
<b>DEFICIT, end of year</b>	<u>\$ (2,375,620)</u>	<u>\$ (2,062,521)</u>
<b>BASIC AND DILUTED LOSS PER SHARE (note 6)</b>	<u>\$ (0.049)</u>	<u>\$ (0.072)</u>

The accompanying notes are an integral part of the financial statements

**LIARD RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31,	2009	2008
	(Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (313,099)	\$ (242,971)
Changes in non-cash working capital items		
Accounts receivable	(58,324)	--
Accounts payable and accrued liabilities	120,979	(28,005)
	<u>(250,444)</u>	<u>(270,976)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issuance	115,346	--
Advances from shareholder	--	239,991
Dividends	--	(93,600)
	<u>115,346</u>	<u>146,391</u>
<b>CHANGE IN CASH POSITION</b>	<b>(135,098)</b>	<b>(124,585)</b>
<b>CASH, beginning of year</b>	<b>171,216</b>	<b>295,801</b>
<b>CASH, end of year</b>	<b>\$ 36,118</b>	<b>\$ 171,216</b>

**Non-Cash Transaction:**

On May 28, 2009, Liard Resources Ltd. issued 2,500,000 shares at \$0.05 per share for payment of the finder's fee for the Silver Royal Apex Inc. ("Silver Royal") transaction (note 8).

The accompanying notes are an integral part of the financial statements

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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1. **NATURE OF OPERATIONS**

Liard Resources Ltd. (the "Company") was incorporated on July 30, 1986 and changed its name from Encee Group Ltd. to Liard Resources Ltd. on August 6, 1996. 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.

2. **GOING CONCERN**

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these financial statements, the Company is in a deficit position from accumulated operating losses and is experiencing a negative cash flow from ongoing operations and, therefore, its ability to meet future commitments is not assured.

Continuation of the Company as a going concern is dependent upon obtaining additional capital and/or achieving profitable operations. The consolidated financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable accounts payable and accrued liabilities and stock based measurements.

**Cash**

Cash consists of balances with financial institutions and lawyer's trust accounts. Interest earned on the Company's cash accounts are calculated using a floating interest rate based on the market treasury bill rates.

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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3. **SIGNIFICANT ACCOUNTING POLICIES, continued**

**Future income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

**Revenue recognition**

Interest income is recognized in the period it is earned and when payment is reasonably assured.

**Loss per share**

The calculation of basic loss per share is based on net earnings divided by the weighted average number of common shares outstanding. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. In addition, diluted common shares also include the effect of the potential exercise of any outstanding warrants.

**Foreign currency exchange**

Monetary assets or liabilities held in foreign currency are translated at the year-end exchange rate. Non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction. Translation gains and losses are reflected in operations in the year they occur.

**Financial Instruments**

The Company has classified financial instruments as follows:

- Cash, cash equivalents, and marketable securities are classified as held for trading. They are measured at fair value and the gains and losses resulting from re-measurement at the end of each period are recognized in net income.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition at fair value less an allowance for doubtful accounts.
- Accounts payable and accrued liabilities and dividends payable are classified as other financial liabilities and are initially measured at fair value and subsequently measured at amortized cost.

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

**4. DUE TO RELATED PARTIES**

There were no related party transactions during the period ended December 31, 2009.

During the year ended December 31, 2008 the Company was charged \$171,781 in management fees by corporations controlled either directly or indirectly by directors and officers of the Company; and \$12,000 in accounting fees by a corporation controlled by an officer of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Advances to directors and employees were repaid in December 2008. The advances were unsecured, non interest bearing and had no fixed terms of repayment. The original advances were provided to directors and employees to purchase shares of Point North Energy Ltd. (formerly Purcell Energy Ltd.).

**5. SHARE CAPITAL**

Authorized with an unlimited number of the following:

- 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
- 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.

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.

Common shares issued

	Number	Amount
Balance December 31, 2008 and 2007	3,373,254	\$ 2,029,100
Private placements	5,000,000	\$ 142,816
Balance December 31, 2009	<u>8,373,254</u>	<u>\$ 2,171,916</u>

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

5. **SHARE CAPITAL, continued**

*Warrants*

Warrants to purchase 5,000,000 shares at \$0.25 per share, having an expiration date of May 28, 2011 were issued as part of the private placements. These constitute all of the issued and outstanding warrants as at December 31, 2009.

These warrants have been valued at \$97,531 and included in contributed surplus. The valuation method used was the Black-Scholes model with the inputs being as follows; a term of three years, a risk free borrowing rate (per Bank of Canada) of 1.02% and volatility of 154%.

6. **LOSS PER SHARE**

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is anti-dilutive. Loss per share is calculated as follows:

	2009		
	Net and comprehensive loss	Shares	Loss per share
Basic and diluted	\$ (313,099)	6,345,857	\$ (0.049)
	2008		
	Net and comprehensive loss	Shares	Loss per share
Basic and diluted	\$ (242,971)	3,373,254	\$ (0.072)

7. **FUTURE INCOME TAXES**

a) The components of future income tax balances are as follow:

	2009	2008
Future income tax asset		
Non-capital loss carry-forwards	\$ 382,228	\$ 426,937
Capital loss carry-forwards	1,437,852	1,516,959
Tax basis of investments in excess of carrying amount	120,249	321,600
	1,940,329	2,265,496
Valuation allowance	(1,940,329)	(2,265,496)
	\$ --	\$ --

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

7. **FUTURE INCOME TAXES, continued**

- b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 29% (2008 – 29.50%) to the loss for the years as follows:

	2009	2008
Loss for the years before income taxes	\$ (313,099)	\$ (242,971)
Anticipated income tax recovery	\$ (90,799)	\$ (71,676)
Effect of tax rate change	(345,584)	359,271
Change in valuation allowance	291,464	(287,595)
Other	144,919	--
	\$ --	\$ --

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2010	193,200
2012	222,662
2013	529,414
2026	99,810
2027	62,754
2028	242,971
2029	178,099
	\$ 1,528,910

The corporation has accumulated capital losses for tax purposes in the amount of \$11,502,813. These losses are available to offset futures capital gains.

The non-capital losses and capital losses available for carry forward are subject to verification by the Canada Revenue Agency. With a change of control the deductibility of the non-capital losses will need to be reviewed and the capital losses will expire.

**Comparative future income tax figures**

The comparative figures have been revised to reflect the capital losses at capital gain rates which were previously presented at full tax rates. This retrospective adjustment to the future income tax disclosures had no effect on the financial position or results of operations of the Company.

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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**8. PENDING TRANSACTION**

The Company announced on December 5, 2008 that it entered into an arms-length letter of intent with Silver Royal Apex, Inc. ("Silver Royal") of Wallace, Idaho to acquire its 50% interest in the Silver Valley Two Mile Joint Venture, located in Shoshone County, Idaho. The other 50% interest is held by Azteca Gold Corp., of Spokane, Washington, who is the operator of the property and who is conducting a drill program on one of several potential sulfide targets. The Two Mile properties are comprised of approximately 710 unpatented and 3 patented claims.

The Company has paid a \$125,000 refundable deposit and agreed to issue 23,000,000 treasury shares at a deemed value of \$1,150,000 to shareholders of Silver Royal pursuant to a Plan of Arrangement (the "Plan"). This transaction is subject to a number of conditions, including the completion of a \$5,700,000 financing. The name of the Company will, on completion of the Plan, be changed to Royal Apex Ventures Inc.

Shareholders approved the Plan on April 23, 2009 which was subsequently approved by the Court of Queen's Bench of Alberta. Revocations of the cease trade orders were received from all jurisdictions by May 4, 2009.

**9. FINANCIAL INSTRUMENTS**

**Financial risk**

The Company activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk.

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

**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, accounts receivable and advances from shareholders. Cash and cash equivalents are held with reputable chartered banks and in lawyer trust accounts from which management believes the risk of loss is minimal.

Financial instruments included in accounts receivable consist of amounts due from Silver Royal Apex and taxes receivable from Canadian government authorities. Management believes that the credit risk concentration with respect to financial instruments in accounts receivable is minimal.

**b) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009 the Company had net working capital deficiency of \$231,173 (2008 - \$33,421). Management of the Company is currently working to raise funds in the equity markets to ensure that it can meet its commitments outlined in note 8.



**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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**9. FINANCIAL INSTRUMENTS, continued**

**e) 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 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. The Company relies on the Money Market managers to maximize the interest earned on the short-term investment to minimize any negative effects and maximize any positive effects from interest rate fluctuations. The Company regularly monitors its cash management policy.

**ii. Equity price risk**

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movement in individual equity prices or general movements in the level of the stock market. As the Company moves to commence trading on a Canadian Exchange it will closely monitor individual equity movements as well as the stock market in general to determine the appropriate course of action to be taken by the Company.

**iii. 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.

**Sensitivity analysis**

As at December 31, 2009 both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes that over the next year:

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 to maximize interest revenue.

Foreign currency risk could adversely affect the Company. In particular the Company's ability to operate in foreign markets. Foreign currency exchange has 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 in turn affecting the Company's stock price. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

A \$0.01 increase or decrease in the Canadian/US foreign exchange rate would have resulted in an increase or decrease of \$485 in the Company's working capital balance as at December 31, 2009.

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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**10. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are:

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

The Company's primary source of funds comes from the issuance of share capital.

The Company considers its capital under management to be its share capital, as presented on the balance sheet.

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.

**11. RECENT ACCOUNTING PRONOUNCEMENTS**

Recently the Accounting Standards Board (AcSB) approved new accounting recommendations which have not yet come into effect. The following is a summary of the new recommendations:

**Intangible assets**

The AcSB has issued new Section 3065, "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. In particular, this section restricts the ability of a company to recognize internal costs as deferred assets. This new standard has an effective date of October 31, 2008. This new standard does not have any effect on the Company's current financial statements.

The following standards were issued by the AcSB during 2009 and will be effective for the Company beginning on January 1, 2011:

**Business combinations**

Section 1582, *Business Combinations* will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" and replace the existing Section 1581, *Business Combinations*. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

**LIARD RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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11. **RECENT ACCOUNTING PRONOUNCEMENTS, continued**

Consolidated financial statements

Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, Consolidated Financial Statements. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1602, *Non-Controlling Interests*. The Company is assessing the impact of these new standards on its consolidated financial statements.

Non-controlling interests

Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1601, *Consolidated Financial Statements*. The Company is assessing the impact of these new standards on its consolidated financial statements.

12. **RESTATEMENT**

The restatement of the Company's financial statements resulted from management's identification of legal fees owing which were not invoiced until subsequent to the issuance of the 2009 financial statements.

As a result of these corrections, the previously reported results changed to the following:

	December 31, 2009
Accounts payable and accrued liabilities, as previously reported	\$ 42,055
Accounts payable and accrued liabilities, restated	\$ 182,055
Professional fees, as previously reported	\$ 36,995
Professional fees, restated	\$ 176,995
Deficit, as previously reported	\$2,235,620
Deficit, restated	\$2,375,620
Basic and diluted loss per share, as previously reported	\$0.027
Basic and diluted loss per share, restated	\$0.049

**APPENDIX B**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **REVISED MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following revised discussion is management's analysis of CMX Gold & Silver Corp.'s ("CMX" or "Company") revised operating and financial data for the nine month periods ended September 30, 2011 and 2010, as well as management's estimates of future operating and financial performance based on information currently available. It should be read in conjunction with the audited financial statements and notes for the years ended December 31, 2010 and 2009 and the interim unaudited financial statements for the nine months ended September 30, 2011 ("Interim Financial Statements").

Effective January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. In accordance with the standard related to the first time adoption of IFRS, the Company's transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with IFRS accounting policies.

This Management's Discussion and Analysis ("MD&A") and the Interim Financial Statements and comparative information have been prepared in accordance with IFRS. For all periods up to and including the year ended December 31, 2010, the Company prepared the Financial Statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Within the MD&A, the financial information prior to January 1, 2010 has been prepared following Canadian GAAP and, as allowed under IFRS 1, has not been re-presented. Further information regarding IFRS accounting policies can be found in the Changes in the Accounting Policies section, below, of this MD&A and the Notes to the Interim Financial Statements for the nine months ended September 30, 2011.

All financial information in this MD&A is stated in Canadian dollars, the Company's reporting currency, unless otherwise noted. The MD&A was prepared as of December 20, 2011. Additional information relating to CMX can be found at [www.sedar.com](http://www.sedar.com).

## **MATERIAL FORWARD-LOOKING STATEMENTS**

This Management's Discussion and Analysis contains forward-looking information as contemplated by Canadian securities regulators' Form 51-102F1, also known as forward-looking statements. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Readers are cautioned that the forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. The Company will issue updates where actual results differ materially from any forward looking statement previously disclosed.

Specific forward looking statements include:

- the closing of a potential transaction. Risks include the inability to raise sufficient equity as described below or meet one of the other conditions precedent set out below.

## **RESPONSIBILITY OF MANAGEMENT**

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. Management has the responsibility of selecting the accounting policies used in preparing the financial statements. In addition, management's judgment is required in preparing estimates contained in the financial statements.

## **2011 OVERVIEW**

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company's main focus is on exploration for silver and copper in the United States. The Company is currently completing a prospectus for an offering of units comprised of one common share and one common share purchase warrant with the objective of raising up to \$4,000,000. The Company is concurrently applying to list its common shares on a Canadian stock exchange. The Company anticipates closing the financing in the first quarter of 2012.

On January 13, 2011, the Company settled \$55,000 in debt with the issuance of 1,100,000 units at \$0.05 per share, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share. Included in the settlement was \$40,000 due to a corporation controlled indirectly by a director of the Company.

On January 25, 2011, the Company extended the expiry date of 2,500,000 warrants exercisable at \$0.25 per share due to expire on May 28, 2011 to May 28, 2013.

On March 8, 2011, the Company completed a private placement of 540,000 units at \$0.05 per share for gross proceeds of \$27,000. Each unit consists of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per common share.

On March 8, 2011, the Company settled \$22,816 in debt with the issuance of 470,000 units at \$0.05 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share.

Effective March 17, 2011, the Company entered into an option agreement with Azteca Gold Corp. giving the Company the right to earn up to a 50% interest in the Marietta Property (see Mineral Properties). Pursuant to the option agreement, on May 6, 2011 the Company issued 2,500,000 common shares as an option payment to Azteca Gold Corp.

On March 25, 2011, the Company paid the finder's fee with respect to the purchase of the Clayton property with the issuance of 897,280 common shares and the issuance of warrants to purchase 3,000,000 common shares at USD\$0.10 per share expiring 2 years from the day the Company is called for trading on a Canadian stock exchange.

On March 25, 2011, the Company settled \$22,403 in debt with the issuance of 451,740 units at \$0.05 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share.

On May 6, 2011 the Company completed private placements with the issuance of 2,800,000 units for gross proceeds of \$138,248. Each unit consisted of a common share and a two year common share purchase warrant entitling the holder to purchase one common at \$0.15 per share.

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.

## RESTATEMENT

The revision of the Company's interim financial statements resulted from management's determination that the warrants issued as part of the finders fee with respect to the purchase of the Clayton property be recognized under IFRS 2, share based payments rather than IAS 32, financial instruments as the warrants were issued for goods and services, rather than cash.

As a result of this revision the previously reported interim financial statements changed as follows:

	September 30, 2011 as previously reported	Adjusted change	Revised September 30, 2011
<b>Balance Sheet</b>			
Warrant liability	\$ 66,453	\$ (66,453)	\$ --
Warrants	182,155	88,351	270,506
Deficit	(3,219,427)	(21,898)	(3,241,325)
<b>Statement of Operations</b>			
Change in fair value of warrant liability	(21,898)	21,898	--
Net loss and comprehensive loss	534,982	21,898	556,880
Basic loss and diluted loss per share	(0.027)	(0.001)	(0.028)
<b>Statement of Changes in Cash Flow</b>			
Net loss	534,982	21,898	556,880
Change in fair value of warrant liability	\$ 21,898	\$ (21,898)	\$ --

## RESULTS OF OPERATIONS

The Company incurred a net loss of \$556,880 for the nine months ended September 30, 2011 compared with a net and comprehensive loss of \$46,506 for the nine months ended September 30, 2010. In accordance with the Company's accounting policies, prospecting costs incurred prior to obtaining the rights to explore lands and costs of acquisition and exploration of mineral properties are expensed in the year in which they occur.

### *Net Loss from Operations*

During the nine months ended September 30, 2011, net loss from operations was \$558,294 compared to \$45,156 during the nine months ended September 30, 2010, resulting in an increase of \$513,138. As the Company has become more active with

the purchase of the Clayton property, negotiation of the Marietta option agreement, preparation of NI 43-101 technical reports, preparation of a preliminary prospectus, and the ongoing application for listing on a Canadian stock exchange, the Company has seen an increase in its operating expenses. The following table itemizes the net loss from operations for the nine months ended September 30, 2011 and 2010.

#### **SCHEDULE OF NET LOSS FROM OPERATIONS**

<b>For the nine months ended September 30,</b>	<b>2011</b>	<b>2010</b>
Exploration and acquisition of mineral properties	\$ 293,113	\$ --
Management fees	104,363	6,000
Professional fees	60,422	14,113
General and Administrative	43,755	15,743
Listing fees and agent fees	40,552	7,487
Shareholder reporting	15,384	1,742
Interest and bank charges	705	71
<b>Total operating expenses</b>	<b>\$ 558,294</b>	<b>\$ 45,156</b>

#### **MINERAL PROPERTIES**

In December 2010, the Company completed the purchase of the Clayton Property and negotiated the option to acquire an interest in the Marietta Property which was signed in the second quarter of 2011.

##### **Clayton Property**

The Company acquired 100 per cent of the Clayton Silver Mine (the "Clayton Property") for a cost of US\$500,000. The acquisition cost was US\$250,000 in cash and the balance by the issuance of 2.5 million common shares of the Company at USD\$0.10 per share. In connection with this acquisition, the Company agreed to issue to Azteca Gold Corp. ("Azteca") a finder's fee of 897,280 common shares and warrants to purchase 3 million common shares of the Company at a price of USD\$0.10 per share exercisable for a period of two years from the date the Company's common shares commence trading on a stock exchange.

The Clayton Property covers 29 patented mining claims. The Clayton Silver Mine was discovered in the late 1800's and historically was one of the most active underground mines in the Bayhorse Mining District in central Idaho for lead, zinc, copper and silver. The Clayton Property is comprised of 29 patented mining claims and covers 565 acres. Small scale mining operations were carried out on a regular basis from 1935 to 1986. Historical production records for about 50 years of operation indicate recovery of 7 million Troy ounces of silver (218,692 kg), 39,358,903 kg of lead, 12,778,700 kg of zinc, 754,858 kg of copper and minor gold. The old mine workings extended to a depth of 1,100 feet, but earlier drilling indicated that the mineralization likely extends 430 feet deeper than the 1,100 feet level. The strike length of the mined zone averages 410 feet with variable width due to the nature of the replacement. Historical production information, which is found in a Master's Thesis prepared by B. Hillman written in 1986, is not NI 43-101 compliant, but the Company and the Company's Qualified Person, Dr. Jennifer Thomson, consider this information to be reliable.

The Company is preparing a National Instrument 43-101 compliant technical report for the Clayton Property. The Company is developing an exploration program to be carried out during the first half of 2012 that will include geologic data analysis and a drilling program on the patented claims.

##### **Marietta Property**

The Company issued to Azteca Gold Corp. ("Azteca") 2,500,000 common shares of the Company at a price of US\$0.10 per share as an option payment on the Marietta Project (the "Marietta Property"). Pursuant to an option agreement effective March 17, 2011, the Company has agreed to incur an aggregate of USD\$2,000,000 in exploration expenses on the Marietta Property over a period of two years from the date the Company's common shares commence trading on a stock 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 will earn a 30 percent interest in the Marietta Property by spending at least USD\$1,000,000 in exploration expenses on the Marietta Project. Further exploration expenditures of a least USD\$1,000,000 will earn the Company an additional 20 percent interest in the property. After earning a 50 percent interest, the Company will have the option of obtaining operatorship under the joint venture by spending another USD\$500,000 within six months of exercising such option. The Company and Azteca have agreed to an area of interest consisting of all mineral claims, mining leases or other mineral interests within a distance of two (2) kilometers from the external perimeter of the property.

The Marietta Project has a large land package that encompasses an entire historical silver district centrally located in the Walker Lane mineral belt, and consists of 13 patented claims and 143 unpatented claims. The property contains at least four minor historical silver mines dating back to the 1870s as outlined in a national instrument 43-101 technical report that is presently being prepared. During the 1980s and early 1990s, before the ownership of the property was consolidated, different





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	3,880,000	\$0.15
Issued for finder's fee	3,000,000	USD\$0.10
Balance, November 29, 2011	15,731,740	\$0.16

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
2,500,000	\$0.25	May 28, 2013
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
3,000,000	USD\$0.10	2 years from commencement of trading
2,870,000	\$0.15	May 6, 2013
15,731,740	\$0.16	

There are no options issued or outstanding.

## TRANSACTIONS WITH RELATED PARTIES

During the nine month period management fees of \$104,363 (2010 - \$6,000) were paid to a corporation controlled indirectly by a director of the Company. This transaction was measured at the amount of consideration established and agreed upon by the related parties.

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 also 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.

## CONTINGENT LIABILITIES

The Company has no contingent liabilities.

## 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 under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Fair values of financial instruments

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 4,748	\$ 4,748	\$ 13,777	\$ 13,777
Trades and other receivables	9,827	9,827	11,627	11,627
	\$ 14,575	\$ 14,575	\$ 25,404	\$ 25,404

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value

Financial liabilities								
Trade and other payables and accrued liabilities	\$	157,123	\$	157,123	\$	261,110	\$	261,110
Dividends payable		143,560		143,560		143,560		143,560
Shareholder loans		86,607		86,607		53,064		53,064
	\$	387,290	\$	387,290	\$	457,734	\$	457,734

The carrying amounts 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.

### 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 receivables. Cash is held with reputable chartered banks from which management believes the risk of loss is minimal.

Included in trade and other receivable 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 amount.

#### 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 September 30, 2011, the Company had a net working capital deficiency of \$335,015 (December 31, 2010 – \$427,663). Management of the Company is continuously monitoring its working capital position and will raise funds through equity markets as required. However, there is no certainty that the Company will be able to obtain funding by share issuances in the future. The Company is currently seeking to raise capital via a prospectus equity issuance.

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

	Total	2011	Thereafter
Trades and other payables and accrued liabilities	\$ 157,123	\$ 157,123	--
Due to shareholder	86,607	86,607	--
Dividends payable	143,560	143,560	--
	\$ 387,290	\$ 378,290	--

#### 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 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.

##### i) 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.

## **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 is 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.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As noted in Note 2, these are the Company's third 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 in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 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, First Time Adoption of International Financial Reporting Standards, 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 and there were no mandatory or optional exemptions taken.

### **Future accounting pronouncements**

#### **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 derecognition of financial assets and financial liabilities. The Company is currently assessing the impact that the adoption of IFRS 9 may have on its financial statements.

#### **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. The Company is currently assessing the impact that the adoption of IFRS 10 may have on its financial statements.

#### **IFRS 11, Joint Arrangements (effective January 1, 2012)**

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. The Company is currently assessing the impact that the adoption of IFRS 11 may have on its financial statements.

#### **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. The Company is currently assessing the impact that the adoption of IFRS 12 may have on its financial statements.

**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. The Company is currently assessing the impact that the adoption of IFRS 13 may have on its financial statements.

**IAS 27, Separate Financial Statements**

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**

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**

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.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion is management's analysis of CMX Gold & Silver Corp.'s (formerly Liard Resources Ltd.) operating and financial data for the years ended December 31, 2010 and 2009 as well as management's estimates of future operating and financial performance based on information currently available. It should be read in conjunction with the audited financial statements and notes for the years ended December 31, 2010 and 2009. The Management's Discussion and Analysis was prepared as of April 30, 2011. Additional information relating to the Company can be found at [www.sedar.com](http://www.sedar.com).

## MATERIAL FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking information as contemplated by Canadian securities regulators' Form 51-102F1, also known as forward-looking statements. All estimates and statements that describe the Company's objectives, goals or future plans are forward-looking statements. Readers are cautioned that the forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. The Company will issue updates where actual results differ materially from any forward looking statement previously disclosed.

## RESPONSIBILITY OF MANAGEMENT

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. Management has the responsibility of selecting the accounting policies used in preparing the financial statements. In addition, management's judgment is required in preparing estimates contained in the financial statements.

## 2010 OVERVIEW

The letter of intent between Silver Royal Apex Inc. and the Company was terminated effective June 30, 2010 by mutual agreement of the parties. In connection with the termination of the letter of intent, the non-cash deposit of \$125,000 was refunded to the Company and 2,500,000 shares issued as part of a private placement were returned to treasury and cancelled.

On December 16, 2010, the Company purchased the Clayton Mineral property (see Mineral Properties below).

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 in settlement of debt in the amount of \$135,000.

## SELECTED ANNUAL INFORMATION

<b>For the year ended December 31,</b>	<b>2010</b>	2009	2008
		(restated)	
Net loss from operations	\$ 312,044	\$ 309,617	\$ 249,022
Net loss from Operations on a per share basis	0.042	0.049	.074
Net loss	308,825	313,099	42,971
Net loss on a per share basis	0.042	0.049	.072
Total Assets	546,586	219,442	71,216
Total Liabilities	457,734	325,615	04,637
Dividends Paid	\$ --	\$ --	\$ 93,600

## RESULTS OF OPERATION

The Company incurred a net loss of \$308,825 for the year ended December 31, 2010 compared with a loss of \$313,099 for the year ended December 31, 2009.

### *Net Loss from Operations*

In 2010, net loss from operations was \$312,044 compared to \$309,617 in 2009, resulting in an increase of \$2,427. The Company incurred Mineral exploration costs related to the acquisition of its Clayton property and the review of other potential properties. Other notable changes were a decrease in legal and listing fees combined with a management fee charge in 2010. Listing and filing fees paid during 2009 were related to the completion of exchange filings and the lifting of the

cease trade orders. The following table itemizes the net loss from operations for the years ended December 31, 2010 and 2009.

#### **SCHEDULE OF NET LOSS FROM OPERATIONS**

<b>For the years ended December 31,</b>	<b>2010</b>	<b>2009</b>
		(Restated)
Mineral property expenditures	\$ 163,215	\$ --
Professional fees	63,304	176,995
Management fees	46,000	--
General and Administrative	27,295	11,348
Listing fees and agent fees	10,271	109,813
Shareholder reporting	1,839	11,435
Interest and bank charges	120	26
<b>Total Administrative expenses</b>	<b>\$ 312,044</b>	<b>\$ 309,617</b>

#### **MINERAL PROPERTIES**

In December 2010, the Company completed the purchase of the Clayton Property and negotiated the option to acquire an interest in the Marietta Property which was signed subsequent to the year-end.

##### **Clayton Property**

The Company acquired 100 per cent of the Clayton Silver Mine Property (the "Property") for a cost of US\$500,000. The acquisition cost was US\$250,000 in cash and the balance by the issuance of 2.5 million common shares of the Company at US\$0.10 per share. In connection with this acquisition, the Company agreed to issue to Azteca Gold Corp. ("Azteca") a finder's fee of 897,280 common shares and warrants to purchase 3 million common shares of the Company at a price of US\$0.10 per share exercisable for a period of two years from the date the Company's common shares commence trading on a stock exchange.

The Clayton Silver Mine was discovered in the late 1800's and historically was one of the most active underground mines in the Bayhorse Mining District in central Idaho for lead, zinc, copper and silver. The Property is comprised of 29 patented mining claims and covers 565 acres. Small scale mining operations were carried out on a regular basis from 1935 to 1986. Historical production records for about 50 years of operation indicate recovery of 7 million Troy ounces of silver (218,692 kg), 39,358,903 kg of lead, 12,778,700 kg of zinc, 754,858 kg of copper and minor gold. The old mine workings extended to a depth of 1,100 feet, but earlier drilling indicated that the mineralization likely extends 430 feet deeper than the 1,100 feet level. The strike length of the mined zone averages 410 feet with variable width due to the nature of the replacement. Historical production information, which is found in a Master's Thesis prepared by B. Hillman written in 1986, is not NI 43-101 compliant, but the Company and the Company's Qualified Person, Dr. Jennifer Thomson, consider this information to be reliable.

The Company is preparing a National Instrument 43-101 compliant technical report for the Clayton Silver Property. The Company is developing an exploration program to be carried out during 2011 that will include geologic data analysis and a drilling program on the patented property.

##### **Marietta Property**

The Company has agreed to issue to Azteca Gold Corp. ("Azteca") 2,500,000 common shares of the Company at a price of US\$0.10 per share as an option payment on the Marietta Project. Pursuant to the option agreement, the Company has agreed to incur an aggregate of US\$2,000,000 in exploration expenses on the Property over a period of two years from the date the Company's common shares commence trading on a stock exchange. If the listing does not occur prior to December 18, 2011, then each party has the right to terminate the option agreement and, in such event, Azteca will return the 2,500,000 common shares of the Company for cancellation.

The Company will earn a 30 percent interest in the Property by spending at least US\$1,000,000 in exploration expenses on Marietta Project. Further exploration expenditures of a least US\$1,000,000 will earn the Company an additional 20 percent interest in the Property. After earning a 50 percent interest, the Company will have the option of obtaining operatorship under the joint venture by spending another US\$500,000 within six months of exercising such option. The Company and Azteca have agreed to an area of interest consisting of all mineral claims, mining leases or other mineral interests within a distance of two (2) kilometers from the external perimeter of the Property.

The Marietta Project has a large land package that encompasses an entire historical silver district centrally located in the Walker Lane Mineral Belt, and consists of 13 patented claims and 143 unpatented claims. The Property contains at least four minor historical silver mines dating back to the 1870s as outlined in a National Instrument 43-101 technical report that is presently being prepared. During the 1980s and early 1990s, before the ownership of the Property was consolidated, different areas of the Property were explored by companies such as American Gold Resources, Phelps Dodge, Battle Mountain Gold and ASARCO.

Nevada is home to several rich gold belts, including the Carlin trend, the Cortez trend, and the Walker Lane Mineral Belt. The Walker Lane hosts both epithermal precious metals deposits such as the famous Comstock Lode, the high-grade Eureka Mine, Aurora and others as well as porphyry copper deposits such as Yerington. According to the U.S. Geological Survey, the Walker Lane has produced nearly 50 million ounces of gold and 435 million ounces of silver. Recent discoveries in west Arizona, such as Copperstone, may considerably extend the length of the belt.

The Marietta Project contains multiple drill targets of both deposit types associated with the Walker Lane Mineral Belt, which includes the potential for discovery of one or more porphyries on the Property. Exploration activities conducted by Azteca in 2007 and 2008 included geological mapping, rock chip and soil sampling, a ground magnetic survey, and induced polarization (IP) and resistivity surveys. A review of this data by the Company suggests “a possible source for the hydrothermal fluids that produced the veins (in the area of interest on the Property) may be a hidden porphyry system with an associated intrusive at depth.” The Company will conduct further work regarding this interpretation.

The Company is developing an exploration program to be carried out in 2011, to test a number of interpreted magnetic and IP anomalies, which will include further data analysis, additional magnetic surveys, and a drilling program.

## SUMMARY OF QUARTERLY RESULTS

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss from operations	\$266,888	\$8,362	\$21,496	\$15,298	\$117,870	\$16,135	\$115,488	\$60,124
Net loss from operations on a per share basis	0.036	0.001	0.003	0.002	0.019	0.003	0.018	0.009
Net loss	\$262,319	\$8,362	\$21,426	\$16,718	\$121,397	\$16,122	\$115,468	\$60,112
Net loss on a per share basis	0.035	0.001	0.003	0.002	0.023	0.003	0.018	0.009

## FOURTH QUARTER ANALYSIS

During the fourth quarter, the Company incurred \$163,215 in exploration expenditures related to the acquisition of the Clayton property and the preparation of the NI 43-101 reports for both the Clayton and Marietta properties. Total acquisition costs of the Clayton property were \$516,515.

## LIQUIDITY AND CAPITAL RESOURCES

The net loss from operations for the year ended December 31, 2010 was funded with cash reserves and a private placement. As of December 31, 2010, the Company had a net working capital deficiency of \$427,663 (2009 - \$231,173). An accrued liability of \$133,215 due Azteca Gold Corp. related to the Clayton acquisition was settled in January with the issuance of 897,280 shares and warrants to purchase 3,000,000 common shares at \$0.10 per share per the agreement. Future operations will be funded by the issuance of capital stock. The Company is currently working to complete a financing of a minimum \$3,000,000. The proceeds of this funding will be allocated to the Company’s exploration programs over the next twelve month period as well as for general working capital. This financing will be closed concurrent with the completion of the Company’s listing application.

### Cash Flow Requirements for the Next 12 Months

Exploration programs	\$ 2,009,950
General and administrative	785,000
Total estimated expenses	<u>\$ 2,794,950</u>

Included in the estimated general and administrative expense are the estimated costs related to the completion of the listing application.

## COMMITMENTS

The Company anticipates that it will enter into management contracts during 2011. These contracts will be negotiated in the normal course of operations and will be measured at the exchange amount which is the amount of consideration established and agreed by the parties and will reflect the values that the Company would transact with arm’s length parties.

## SUBSEQUENT EVENTS

On January 13, 2011, the Company settled \$55,000 in debt with the issuance of 1,100,000 units at \$0.05 per share, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share. Included in the settlement was \$40,000 due to a corporation controlled indirectly by a

director of the Company.

On January 25, 2011, the Company paid the finder's fee with respect to the purchase of the Clayton property with the issuance of 897,280 common shares and the issuance of two year warrants to purchase 3,000,000 common shares at US\$0.10 per share.

On January 25, 2011, the Company extended the expiry date of 2,500,000 warrants exercisable at \$0.25 per share due to expire on May 28, 2011 to May 28, 2013.

On March 11, 2011, the Company completed a private placement of 540,000 units at \$0.05 per share for gross proceeds of \$27,000. Each unit consists of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per common share.

On March 11, 2011, the Company settled \$46,087 in debt with the issuance of 921,740 units at \$0.05 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant has a two year term and is exercisable for \$0.15 per share.

As noted under Mineral Properties, on April 15, 2011, the Company entered into an option agreement with Azteca Gold Corp.

## ARRANGEMENTS

The Company does not have any off-balance sheet arrangements and it is not likely that the Company will enter into off-balance sheet arrangements in the foreseeable future.

## OUTSTANDING SHARE DATA

			April 30, 2011
Common Shares Issued and Outstanding			20,482,274
Warrants Outstanding			12,861,740
Warrants Outstanding and Exercisable			Expiry Date
	Exercise Price		
2,500,000	\$ 0.25		May 28, 2013
4,800,000	0.15		December 16, 2012
1,100,000	0.15		January 13, 2013
1,461,740	0.15		March 11, 2013
3,000,000	0.10		May 30, 2013
12,861,740	\$0.17		

There are no options issued or outstanding.

## TRANSACTIONS WITH RELATED PARTIES

In 2010, the Company paid management fees of \$6,000 to the President of the Company, \$40,000 to a corporation controlled indirectly by a Director of the Company and consulting fees of \$19,652 to an officer of the Company. These transactions were measured at the exchange amounts that were the amount of consideration established and agreed upon by the related parties that approximated fair market value.

At December 31, 2010, the Company owed \$53,064 (2009 - \$nil) to Directors and officers of the Company.

There were no related party transactions during the year ended December 31, 2009.

## CONTINGENT LIABILITIES

The Company has no contingent liabilities.



## PRIOR PERIOD RESTATEMENTS

In the fourth quarter of 2010, the Company became aware of a liability with respect to legal fees which was not accrued in 2009. The Company has restated the presentation of the fair value of warrants issued from contributed surplus to warrants on the balance sheet. With this reclassification the Company had no contributed surplus.

A restatement of the comparative financial statements to account for the adjustment is as follows:

	December 31, 2009 as previously reported	Adjusted Change	Restated December 31, 2009
<b>Balance Sheet</b>			
Accounts payable	\$ 42,055	140,000	\$ 182,055
Warrants	--	97,531	97,531
Contributed surplus	97,531	(97,531)	--
Deficit	(2,235,620)	(140,000)	(2,375,620)
<b>Statement of Operations</b>			
Net loss	(173,099)	(140,000)	(313,099)
Basic and diluted loss per share	\$ (0.027)	(0.022)	\$ (0.049)

This restatement resulted in an increase in the working capital deficit from \$91,173 to \$231,173.

## 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 under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Fair values of financial instruments

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 13,777	\$ 13,777	\$ 36,118	\$ 36,118
Accounts receivable	11,627	11,627	58,324	58,324
	\$ 25,404	\$ 25,404	\$ 94,442	\$ 94,442
<b>Financial liabilities</b>				
			(restated note 16)	
Accounts payable and accrued liabilities	\$ 261,110	\$ 261,110	\$ 182,055	\$ 182,055
Dividends payable	143,560	143,560	143,560	143,560
Due to shareholders	53,064	53,064	--	--
	\$ 457,734	\$ 457,734	\$ 325,615	\$ 325,615

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and due to shareholders approximate fair value due to the short term nature of these instruments. The Company's financial instruments classified as held for trading are included in level 1 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 accounts receivable. Cash and cash equivalents are held with reputable chartered banks and in lawyer trust accounts from which management believes the risk of loss is minimal.

Included in accounts receivable 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 amount.

### 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 liquidity to meet liabilities when due. As at December 31, 2010, the Company had a net working capital deficiency of \$427,663 (2009 – \$231,173). Management of the Company is currently working to raise funds in the equity markets to ensure that it can meet its commitments.

The contractual maturities of financial liabilities as of December 31, 2010 are as follows:

	Total	2011	Thereafter
Accounts payable and accrued liabilities	\$ 261,110	\$ 261,110	--
Dividends payable	143,560	143,560	--
Due to shareholder	53,064	53,064	--
	<u>\$ 457,734</u>	<u>\$ 457,734</u>	<u>--</u>

### c) Market risk

Market risk is the risk of loss that may arise from changes in the market factors such as interest rates 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. The Company relies on the money market managers to maximize the interest earned on the short-term investment to minimize any negative effects and maximize any positive effects from interest rate fluctuations. The Company regularly monitors its cash management policy.

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 to maximize interest revenue.

#### i) 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.

A \$0.01 increase or decrease in the Canadian/US exchange rate would have resulted in an increase or decrease of \$nil (2009 - \$485) in the Company's net loss.

## 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 working capital deficit and shareholder 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 Company's primary source of funds comes from the issuance of share capital.

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.

## FORTHCOMING AND NEWLY ADOPTED ACCOUNTING POLICIES

### International Financial Reporting Standards ("IFRS")

Accounting standards in Canada are to converge with IFRS and accordingly, the Company will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP ("CGAAP"), there are significant differences with respect to recognition, measurement and disclosure. The implementation of IFRS will apply to the Company's interim and annual financial statements for the fiscal year beginning January 1, 2011, including the restatement of comparative amounts for 2010.

Based on an analysis of the new IFRS standards, the Company believes that IFRS will have limited impact on its current financial position. However, this initial analysis is subject to change based on the Company's ongoing review and continued changes to IFRS standards.

Mineral properties	<p><b>Overview:</b> Under IFRS it is important to clearly identify the stages in which acquisition and exploration costs of interests in mineral properties are incurred because the recognition and measurement requirements at each stage are different:</p> <p><b>Key differences from existing CGAAP:</b> Exploration and evaluation costs can be either capitalized or expensed in accordance with IFRS 6: Exploration for and Evaluation of Mineral Resources.</p> <p><b>Expected impact:</b> The Company has commenced expensing its exploration and evaluation costs. There should be no further impact from the transition</p>
Property plant and equipment (PP&E)	<p><b>Overview:</b> Under IFRS PP&amp;E can be recorded using the cost or revaluation models.</p> <p><b>Expected impact:</b> the Company will account for any PP&amp;E using the cost method.</p>
Joint Venture	<p><b>Overview:</b> Under the current IFRS standard, IAS 31 – Interests in Joint Ventures, the Company has the option to account for its interest using proportionate consolidation. The International Accounting Standards Board (IASB) is currently deliberating on a new standard that will continue to allow for proportionate consolidation. IASB expects to publish the final standard during 2011.</p> <p><b>Expected impact:</b> the Company does not expect any significant change to the treatment of the Joint Venture due to the transition to IFRS.</p>
Provisions, Contingent Liabilities and Contingent Assets	<p><b>Key differences from existing CGAAP:</b> IFRS requires that a provision be recognized when it is "probable" that a future event will confirm that an asset has been impaired or that a liability has been incurred. In this context "probable" is interpreted as meaning "more likely than not". Under CGAAP a loss provision would be recognized when it is "likely" that future events will confirm an asset has been impaired or liability incurred, where "likely" is defined as having a high chance of occurrence. It can be reasonably inferred that the threshold for the recognition of a provision under IFRS is lower than under CGAAP. Also, IAS 37 has a general requirement that provisions be discounted where the time value of money is a material consideration whereas CGAAP prescribes this treatment only in specific circumstances.</p>

	<p><b>Expected impact:</b> This is not expected to have a material impact on the Company's reported results.</p>
Share Based Payments	<p><b>Key differences from existing CGAAP:</b> IFRS requires that an estimate of forfeiture must be factored into the determination of the expense, whereas CGAAP permitted a choice of accounting as they occur or by estimate at grant date. For arrangements that vest in installments, each installment is treated as a separate arrangement whereas under CGAAP allowed vesting arrangements to be pooled with a fair value based on the average life of the instrument.</p> <p><b>Expected impact:</b> As the Company did not have any share based compensation arrangements in place at year-end the change will only impact on arrangements made in the upcoming year.</p>

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company continues its analysis. In addition, the accounting bodies responsible for the issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statement in subsequent years. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS. The Company does not anticipate any major effects from the transition.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPENDIX C

### AUDIT COMMITTEE CHARTER

#### CMX GOLD AND SILVER CORP.

#### (the "Company") Audit Committee Charter

##### **Mandate**

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- (1) serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- (2) review and appraise the performance of the Company's external auditor;
- (3) provide an open avenue of communication among the Company's auditor, financial and senior management and the Board of Directors; and
- (4) report regularly to the Board of Directors the results of its activities.

##### **Composition**

The Committee shall be comprised of a minimum three directors as determined by the Board of Directors. If the Company ceases to be a "venture issuer" (as that term is defined in Multilateral Instrument 52-110 entitled "Audit Committees"), then all of the members of the Committee shall be free from any material relationship with the Company that, in the opinion of the Board of Directors, would interfere with the exercise of their independent judgment as a member of the Committee.

If the Company ceases to be a venture issuer then all members of the Committee shall also have accounting or related financial management expertise. All members of the Audit Committee should have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting or until their successors are duly elected. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

##### **Meetings**

The Committee shall meet a least once quarterly, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor in separate sessions.

##### **Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

- A. Documents/Reports Review

1. review and update this Audit Committee Charter annually;
2. review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditor; and
3. review regular summary reports of directors and officers expense account claims at least annually. Establish and review approval policies for expense reports and, as required, request audits of expense claims and policies for expense approval and reimbursements. The Chairman of the Audit Committee or of the Compensation Committee to approve expense reports of the President and the CEO and the CEO to approve those of the directors and officers.

B. External Auditor

1. review annually, the performance of the external auditor who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company;
2. obtain annually, a formal written statement of external auditor setting forth all relationships between the external auditor and the Company;
3. review and discuss with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor;
4. take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
5. recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval;
6. recommend to the Board of Directors the compensation to be paid to the external auditor;
7. at each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
8. review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
9. review with management and the external auditor the audit plan for the year-end financial statements; and
10. review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (a) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditor during the fiscal year in which the non-audit services are provided,
  - (b) such services were not recognized by the Company at the time of the engagement to be non-audit services, and
  - (c) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more

members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

C. Financial Reporting Processes

1. in consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;
2. consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
3. consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management;
4. review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;
5. following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
6. review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements;
7. review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;
8. review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
9. review certification process;
10. establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
11. establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
12. on at least an annual basis, review with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies.

D. Authority

The Audit Committee will have the authority to:

1. review any related-party transactions;
2. engage independent counsel and other advisors as it determines necessary to carry out its duties;
3. to set and pay compensation for any independent counsel and other advisors employed by the Committee;

4. communicate directly with the auditors; and
5. conduct and authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel and other professionals to assist in the conduct of any investigation.



## APPENDIX D

### STATEMENT OF CORPORATE GOVERNANCE

#### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

<u>Disclosure Requirement</u>	<u>Our Corporate Governance Practices</u>
1. Board of Directors	
(a) Disclose the identity of proposed directors who are independent.	Bruce Murray and Robert Russell are independent as that term is defined in section 1.4 of Multilateral Instrument 52-110 <i>Audit Committees</i> ("MI 52-110").
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	Jan Alston is not independent as he is an officer of the Corporation.
2. Directorships	
(a) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	The directors are also directors or trustees of the reporting issuers set out beneath their respective names below:  Jan Alston – Azteca Gold Corp. Bruce Murray – Passport Energy Ltd., Footsource Inc. Robert L. Russell - Josephine Mining Corp., St. Augustine Gold and Copper Limited and Mines Management Inc.
3.	
(a) Describe what steps, if any, the board takes to orient new board members and describe any measures the board takes to provide continuing education for directors	New directors will be made aware of the nature and operation of the business of the Corporation through interviews with other board members and management during which they are briefed on the Corporation and its current business issues. Information on courses pertaining to corporate governance is circulated to Board members who are encouraged to attend.
4. Ethical Business Conduct	
(a) Describe what steps, if any, the board takes to promote a culture of ethical business conduct.	The Board promotes a culture of ethical business - conducted by a regular oversight of the Corporation's business. Ensures that all directors, officers, employees and consultants are persons of high ethical standards.  Directors must disclose all interests and relationships of which the director is aware which may give rise to a conflict of interest. Directors are also required to disclose any

## Disclosure Requirement

## Our Corporate Governance Practices

### 5. Nomination of Directors

(a) Describe what steps, if any, are taken to identify new candidates for board nominations including:

- (i) who identifies new candidates; and
- (ii) the process of identifying new candidates.

actual or potential personal interest in a matter on which the Board is making a decision and withdraw from the deliberations.

The members of the Board share responsibility for proposing new nominees for the Board.

### 6. Compensation

(a) Describe what steps, if any, are taken to determine the compensation for the issuer's directors and CEO, including:

- (i) who determines compensation; and
- (ii) the process of determining compensation.

The board periodically reviews the adequacy and form of compensation of directors to ensure that the level of compensation realistically reflects the responsibilities and risks involved in being an effective director.

The non-management directors on the Board set the annual salary, bonus and other benefits, direct and indirect, of the CEO after hearing recommendations from the board as a whole and approves the compensation for all other designated officers after considering the recommendations of the CEO.

### 7. Other Board Committees

(a) If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Given the small number of members, the Board does not have any other committees other than the audit committee.

### 8. Assessments

(a) Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

The Board conducts an annual review of its effectiveness as well as the effectiveness and contribution of each Board committee and each individual director.