

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion is management's analysis of CMX Gold & Silver Corp.'s (the "Company" or "CMX") operating and financial data for the years ended December 31, 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, 2011 and 2010.

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 IFRS1, 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 audited 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 audited financial statements for the years ended December 31, 2011 and 2010.

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 April 30, 2012. Additional information relating to CMX can be found at www.sedar.com.

MATERIAL FORWARD-LOOKING STATEMENTS

This MD&A 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.

ABOUT CMX GOLD & SILVER CORP.

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, gold and copper in the United States. Subsequent to the year-end, the Company received final receipt for its prospectus for an initial public offering ("IPO") of units comprised of one common share and one common share purchase warrant. The minimum to be raised under the IPO is \$3,000,000 with a maximum raise of \$4,200,000. The Company has also received conditional listing approval to list its common shares on the TSX Venture Exchange ("TSXV") upon the closing of the IPO. The Company anticipates closing the IPO in the second quarter of 2012.

2011 OVERVIEW

The Company's main activities during the year were completing several seed share financings, negotiating the Marietta option agreement, working to obtain a conditional listing approval from the TSXV, and moving forward with its prospectus filing with the regulatory authorities.

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. (“Azteca”) 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 5, 2011, the Company issued 2,500,000 common shares as an option payment to Azteca.

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 US\$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 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.

SELECTED ANNUAL INFORMATION

For the year ended December 31,	2011	2010	2009
			(restated)
Net loss from operations	\$ 591,471	\$ 308,705	\$ 309,617
Net loss from Operations on a per share basis	0.028	0.042	0.049
Net loss	592,967	308,825	313,099
Net loss on a per share basis	0.028	0.042	0.049
Total assets	724,469	546,586	219,442
Total liabilities	579,056	457,734	325,615

RESULTS OF OPERATION

In 2011, net loss from operations was \$591,471 compared to \$308,705 in 2010, resulting in an increase of \$282,766. The Company incurred mineral exploration costs related to the option on the Marietta property (see Mineral Properties) as well as costs associated with the preparation of the National Instrument 43-101 compliant technical reports on both the Clayton and Marietta properties. All other categories of operating costs reflected an increase as the Company moved forward with its strategy to complete a prospectus for an IPO to raise funds for exploration programs on both the Clayton and Marietta properties and to obtain a listing on the TSXV. The following table itemizes the net loss from operations for the years ended December 31, 2011 and 2010.

SCHEDULE OF NET LOSS FROM OPERATIONS

For the years ended December 31,	2011	2010
Mineral property expenditures	\$ 293,359	\$ 163,215
Management fees	140,000	46,000
Professional fees	72,629	63,304
General and administrative	50,197	27,295
Listing fees and agent fees	21,075	10,271
Shareholder reporting	15,579	1,839
Gain on foreign exchange	(1,368)	(3,219)
Total expenses	\$ 591,471	\$ 308,705

EXPLORATION AND EVALUATION

In December 2010, the Company completed the purchase of the Clayton Property and commenced negotiations on the option to acquire an interest in the Marietta Property, which was signed in 2011.

Clayton Property

The Company acquired 100 percent of the Clayton Silver Mine Property (“Clayton”) for a cost of US\$500,000. The acquisition was paid by US\$250,000 in cash and the balance by the issuance of 2,500,000 common shares of the Company at US\$0.10 per share. In connection with this acquisition, the Company agreed to issue to 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 Canadian 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. Clayton 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 6.7 million Troy ounces of silver, 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 427 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.

On April 11, 2012, the Company filed a National Instrument 43-101 compliant technical report for Clayton on SEDAR. Subject to successful closing of its IPO, the Company is developing an exploration program to be carried out during 2012 that will include geologic data analysis and a drilling program on the patented property.

Marietta Property

The Company issued to 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 (“Marietta”). Pursuant to the option agreement, the Company has agreed to incur an aggregate of US\$2,000,000 in exploration expenses on Marietta over a period of two years from the date the Company’s common shares commence trading on a Canadian stock exchange. If the listing does not occur prior to June 17, 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 of the Company for cancellation.

The Company will earn a 30 percent interest in Marietta by spending at least US\$1,000,000 in exploration expenses on Marietta. Further exploration expenditures of a least US\$1,000,000 will earn the Company an additional 20 percent interest in Marietta. 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.

Marietta 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. Marietta contains at least four minor historical silver mines dating back to the 1870s as outlined in a National Instrument 43-101 technical report that was filed on SEDAR on April 11, 2012.

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/gold 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.

Marietta 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 Marietta. 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. The National Instrument 43-101 technical report states that the data suggests a possible source for the hydrothermal fluids that produced the veins (in the area of interest on Marietta) may be a hidden porphyry system with an associated intrusive at depth. The Company will conduct further work regarding this interpretation. Subject to successful closing of its IPO, the Company is developing an exploration program to be carried out in 2012, 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

	2011				2010			
	Q4	Q3 (restated)	Q2 (restated)	Q1 (restated)	Q4	Q3	Q2	Q1
Net loss from operations	\$33,177	\$73,648	\$378,281	\$106,365	\$263,549	\$8,362	\$21,496	\$15,298
Net loss from operations on a per share basis	0.002	0.003	0.017	0.006	0.036	0.001	0.003	0.002
Net loss	\$36,087	\$73,586	\$378,474	\$104,820	\$262,319	\$8,362	\$21,426	\$16,718
Net loss on a per share basis	0.002	0.003	0.017	0.006	0.036	0.001	0.003	0.002

FOURTH QUARTER ANALYSIS

During the fourth quarter, the Company incurred a \$33,177 net loss from operations. Activity was limited as the Company worked to complete its prospectus.

LIQUIDITY AND CAPITAL RESOURCES

The net loss from operations for the year ended December 31, 2011 was funded with cash reserves and private placements. As of December 31, 2011, the Company had a net working capital deficiency of \$371,102 (2010 - \$427,663). Future operations will be funded by the issuance of capital stock. The Company is currently working to complete its IPO for an equity raise of a minimum \$3,000,000 and maximum \$4,200,000. Subject to closing the IPO, the anticipated net proceeds from the offering will be a minimum of \$2,560,000 and a maximum of \$3,664,000, which will be allocated to the Company's exploration programs over the next twelve month period and used for general working capital. Subsequent to closing the IPO, the Company's listing on the TSXV will be completed.

Estimated Cash Flow Requirements for the Next 12 Months

Exploration programs (minimum/maximum IPO)	\$1,295,000/\$2,009,950
General and administrative	500,000
Total estimated expenses (minimum/maximum IPO)	<u>\$1,795,000/\$2,509,950</u>

The total exploration program expenditures are contingent on the final amount raised in the IPO and will be determined once the IPO has closed.

GOING CONCERN RISK

The Company has no source of operating cash flow and operations to date have been funded primarily from the issue of share capital. The Company's ability to continue as a going concern is contingent on obtaining additional financing. Whether the Company will be successful with any future financing ventures is uncertain, and this uncertainty casts significant doubt upon the Company's ability to continue as a going concern. While the Company intends to advance its plans through additional equity financing, there is no assurance that any funds will ultimately be available for operations.

COMMITMENTS

The Company anticipates that it will enter into management contracts during 2012. 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.

The Corporation has the following commitments for the next 12-month period:

Clayton property - \$650, related to property taxes

Marietta Property - \$95,000, related to claim payments and remedial work.

SUBSEQUENT EVENTS

On March 6, 2012, the Company appointed John Neidermaier as a director of the Company.

On April 11, 2012, the Company received conditional listing approval from the TSX Venture Exchange.

On April 12, 2012, the Company received a final receipt for its prospectus. The Company is raising through the IPO a

minimum \$3,000,000 and a maximum \$4,200,000 with the sale of a minimum of 20,000,000 and a maximum of 28,000,000 units at a price of \$0.15 per unit. Each unit consists of one common share and one warrant entitling the holder to purchase one common share at \$0.25 per share, such warrant expiring two years from the date of the close of the IPO.

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.

CRITICAL ACCOUNTING ESTIMATES

The Company has continuously refined its management and internal reporting systems to ensure that accurate, timely, internal and external information is gathered and disseminated.

The Company's financial and operating results incorporate certain estimates including:

- i) estimated capital expenditures on projects that are in progress;
- ii) estimated future recoverable value of property associated with exploration and evaluation and any associated impairment charges or recoveries.
- iii) estimated deferred income tax assets and liabilities based on current tax interpretations, regulations and legislation that is subject to change.

The Company's management and consultants have the skills required to make such estimates and ensures that individuals with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

The Company's management team's mandate includes ongoing development of procedures, standards and systems to allow the Company to make the best decisions possible.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

There were no changes in the Company's business activities during the year-ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

OUTSTANDING SHARE DATA

April 30, 2012

Common Shares Issued and Outstanding	23,352,274
Warrants Outstanding	15,731,740

	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	2,091,740	\$0.15
Issued with private placements	3,340,000	\$0.15
Issued for finder's fee	3,000,000	US\$0.10
Balance, December 31, 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	US\$0.10	2 years from commencement of TSXV 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 year ended December 31, 2011, the Company incurred management fees of \$132,000 (2010 - \$46,000) to a corporation controlled indirectly by a director of the Company.

During the year ended December 31, 2011, the Company incurred management fees of \$8,000 (2010 - \$nil) to the CFO of the Company.

During the year ended December 31, 2011, 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.

During the year ended December 31, 2011, 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.

During the year, a director of the Company loaned US\$10,000 to the Company. This loan is payable on demand and bears an interest rate of 6% per annum.

At December 31, 2011, the Company owed \$120,785 to shareholders (December 31, 2010 - \$53,064) for management fees and expenses, which are unsecured, non-interest bearing and payable within the next 12-month period.

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

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. The Board of Directors also provides regular guidance for overall risk management.

Fair value of financial instruments	December 31,		December 31,	
	Carrying value	2011 Fair value	Carrying value	2010 Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	\$ 2,910	\$ 2,910	\$ 13,777	\$ 13,777
Trade and other receivables	9,988	9,988	11,627	11,627
	<u>\$ 12,898</u>	<u>\$ 12,898</u>	<u>\$ 25,404</u>	<u>\$ 25,404</u>
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	\$ 304,541	\$ 304,541	\$ 261,110	\$ 261,110
Related parties	130,955	130,955	53,064	53,064
Dividends payable	143,560	143,560	143,560	143,560
	<u>\$ 579,056</u>	<u>\$ 579,056</u>	<u>\$ 457,734</u>	<u>\$ 457,734</u>

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 receivables. Cash is held with reputable chartered banks from which management believes the risk of loss is minimal.

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

b) Liquidity risk

Liquidity risk is that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient resources to meet liabilities when due. As at December 31, 2011, the Company had a net working capital deficiency of \$371,102 (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 with an IPO.

The following amounts are the contractual maturities of financial liabilities and other commitments as at December 31, 2011:

	Total	2012	Thereafter
Trade and other payables	\$ 304,541	\$ 304,541	\$ --
Related parties	130,955	130,955	--
Dividends payable	143,560	143,560	--
Claim payments and property taxes	21,650	21,650	21,650
Other commitments	74,000	74,000	--
	<u>\$ 674,706</u>	<u>\$ 674,706</u>	<u>\$ 21,650</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.

ii. 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 working capital deficit and shareholders' equity.

The Company will be an exploration stage company which involves a high degree of risk. The Company has not determined whether its 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.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's has issued its first 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 below.

The accounting policies set out in Note 4 to the audited financial statements have been applied on a consistent basis in preparing the financial statements for the year ended December 31, 2011, the comparative information for the year ended 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 IFRS 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, 2015)

The standard is the first step in the process to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized costs and fair value. Portions of the standard remain in development and the full impact of the standard on the Company’s financial statements will not be known until the project is complete.

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, 2013)

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, 2013)

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.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.