CMX GOLD & SILVER CORP.
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

April 30, 2012

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the accompanying financial statements and for the consistency therewith of all other financial and operating data presented in these audited financial statements for the years ended December 31, 2011 and 2010. The financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

The Board of Directors approves the financial statements. Their financial statement related responsibilities are fulfilled mainly through the Audit Committee. The Audit Committee is composed of three directors of the Company of which two are independent directors. The Audit Committee meets regularly with management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The financial statements have been audited by Grant Thornton LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards.

Management's Report on Internal Control over Financial Reporting

Management has developed and maintains a system of internal controls 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.

We have audited the accompanying financial statements of CMX Gold & Silver Corp., which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CMX Gold & Silver Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of $592,967 during the year ended December 31, 2011 and, as of that date, the Company has an accumulated deficit of $3,277,412. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Grant Thornton LLP

Calgary, Canada
April 30, 2012

Chartered Accountants

CMX GOLD & SILVER CORP.
STATEMENT OF FINANCIAL POSITION

As at	December 31, 2011	December 31, 2010 (note 20)	January 1, 2010 (note 20)
ASSETS			
Current			
Cash and cash equivalents	$ 2,910	$ 13,777	$ 36,118
Trade and other receivables	9,988	11,627	58,324
Prepaid expenses (note 5)	195,056	4,667	--
	207,954	30,071	94,442
Deposit (note 6)	--	--	125,000
Exploration and evaluation (note 7)	516,515	516,515	--
	$ 724,469	$ 546,586	$ 219,442
LIABILITIES			
Current			
Trade and other payables	$ 304,541	$ 261,110	$ 182,055
Due to related parties (note 8)	130,955	53,064	--
Dividends payable (note 9)	143,560	143,560	143,560
	579,056	457,734	325,615
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital (note 10)	3,152,319	2,661,047	2,171,916
Warrants (note 12)	270,506	112,250	97,531
Deficit	(3,277,412)	(2,684,445)	(2,375,620)
	145,413	88,852	(106,173)
	$ 724,469	$ 546,586	$ 219,442

Going concern (note 1)
Subsequent events (note 18)

Approved on behalf of the Board

Bruce Murray *("Signed")*

Jan Alston *("Signed")*

CMX GOLD & SILVER CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Years ended December 31,	2011	2010 (note 20)
Expenses		
Mineral property expenditures (note 7)	$ 293,359	$ 163,215
Management fees (note 8)	140,000	46,000
Professional fees	72,629	63,304
General and administrative	50,197	27,295
Listing and agent fees	21,075	10,271
Shareholder reporting	15,579	1,839
Gain on foreign exchange	(1,368)	(3,219)
	591,471	308,705
Loss before financing expenses	(591,471)	(308,705)
Financing expenses		
Interest income	4	--
Interest and bank charges	(1,500)	(120)
Net loss, being comprehensive loss	$ (592,967)	$ (308,825)
Basic and diluted net loss per share	$ (0.028)	$ (0.042)
Weighted average number of shares outstanding – basic	20,963,486	7,440,925

CMX GOLD & SILVER CORP.
STATEMENTS OF CHANGES IN EQUITY

	Issued share capital #	$	Warrants	Deficit	Total
Balance, January 1, 2010 (note 20)	8,373,254	$ 2,171,916	$ 97,531	$ (2,375,620)	$ (106,173)
Cancellation of units	(2,500,000)	(76,235)	(48,765)	--	(125,000)
Property acquisition	2,500,000	251,925	--	--	251,925
Private placements issued for cash	4,800,000	178,441	63,484	--	241,925
Shares issued for debt	1,350,000	135,000	--	--	135,000
Loss for the year	--	--	--	(308,825)	(308,825)
Balance, December 31, 2010 (note 20)	14,523,254	$ 2,661,047	$ 112,250	$ (2,684,445)	$ 88,852
Units issued 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 year	--	--	--	(592,967)	(592,967)
Balance December 31, 2011	23,352,274	$ 3,152,319	$ 270,506	$ (3,277,412)	$ 145,413

CMX GOLD & SILVER CORP.
STATEMENTS OF CASH FLOWS

Years ended December 31,	2011	2010
Cash flow from operating activities		
Net loss	$ (592,967)	$ (308,825)
Items not affecting cash		
Shares issued for exploration and evaluation	247,000	--
Management fees	113,197	46,000
	(232,770)	(262,825)
Changes in non-cash working capital items (note 13)	43,907	210,085
	(188,863)	(52,740)
Cash flows from investing activities		
Purchase of exploration and evaluation assets	--	(264,590)
Cash flows from financing activities		
Share issuance	122,419	178,441
Warrant issuance	42,829	63,484
Due to related parties	12,748	53,064
	177,996	294,989
Net change in cash and cash equivalents	(10,867)	(22,341)
Cash and cash equivalents, beginning of year	13,777	36,118
Cash and cash equivalents, end of year	$ 2,910	$ 13,777

The accompanying notes are an integral part of the financial statements

CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 and changed its name from Encee Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name to CMX Gold & Silver Corp. on February 11, 2011. The Company is designated as a "reporting issuer" pursuant to the Alberta Securities Act and Regulations and subsequent to the year-end received conditional listing approval from the TSX Venture Exchange. The Company is an exploration stage company engaged in the acquisition, exploration and development of silver and copper/gold properties in the United States. The registered office of the Company is as follows:

CMX Gold & Silver Corp.
c/o Norton Rose LLP
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Calgary, Alberta
Canada T2P 4H2

The financial statements were authorized for issuance by the Board of Directors on April 30, 2012.

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 year ended December 31, 2011, the Company incurred a net loss of $592,967 (2010 - $308,825). As a result of the recurring losses over the Company's history, the Company has a deficit of $3,277,412 as at December 31, 2011 (December 31, 2010 - $2,684,445). At December 31, 2011, the Company had a working capital deficiency of $371,102 (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 18).

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

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

The Company has consistently applied the same accounting policies in the 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 the statements of financial position, operations and comprehensive loss, cash flows and change in equity including the nature and effect of significant changes in accounting policies from those used in the financial statements for the year ended December 31, 2010 was limited to changes in presentation format. The application of IFRS 1, "First-time Adoption of International Financial Reporting Standards", which governs the first-time adoption of IFRS, did not affect the financial statements as of the transition date of January 1, 2010.

A summary of the Company's significant accounting policies under IFRS is presented in Note 4. These policies have been retrospectively and consistently applied.

An explanation of how the transition to IFRS has affected the statements of financial position, changes in equity, operations and comprehensive loss, and cash flows of the Company is provided in Note 20.

Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset on the date of the transaction.

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.

The determination of the Company's functional currency requires management judgment based on an evaluation of all relevant information in relation to the related primary and secondary hierarchy factors. Considerations regarding currency and influences of sales in the area of operations, settlement of operating expenses, and the funds from financing activities are assessed at each reporting date.

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.

Tax interpretations, regulations and legislation in jurisdictions 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, certain costs related to the exploration and evaluation of a property are best estimated to be non-recoverable and are therefore expensed in the year in which they occur. Only real property is capitalized to the statement of financial position.

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

4. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the accounting policies summarized as follows:

Financial instruments

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 related parties 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.

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 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 option acquisitions and exploration expenditures related to mineral properties are expensed in the year in which they occur.

Land purchases, patented mineral claims and development costs are 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.

Each reporting period, the Company assesses whether there is an indication that a cgu 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 a cgu exceeds its recoverable amount, the cgu will be considered impaired and written down to its recoverable amount.

4. **SUMMARY OF ACCOUNTING POLICIES, continued**

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.

Share based payments

The Company has a stock based compensation plan for employees and directors. 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 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 will be 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 will be recorded as accretion of decommissioning liabilities and will be charged to operations.

Actual expenditures incurred will be charged against accumulated obligations.

4. SUMMARY OF ACCOUNTING POLICIES, continued

Warrants

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

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

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to other reserves within equity. Warrants, issued as part of private placement units, 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 year. 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 year. In net loss per share situations, the dilutive per share amount is the same as that for basic, as all instruments are anti-dilutive.

Future accounting pronouncements

All accounting standards effective for periods on or after January 1, 2011 have been adopted as part of the transition to IFRS. The following new IFRS pronouncements that have been issued, that are not yet effective and have not been early adopted, and may have impact on the Company in future are discussed below.

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, "Interests in Joint Ventures" 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.

4. **SUMMARY OF ACCOUNTING POLICIES, continued**

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 adoption of the new standards may have on its financial statements.

5. **PREPAID EXPENSES**

The Company has incurred $195,056 in fees related to the preparation of a prospectus (see note 18). These costs will be applied against the gross proceeds raised on the closing of an initial public offering ("IPO") and reflected in share capital.

6. **DEPOSIT**

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

7. **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 notes 10 and 12).

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 trade and other payables and expensed to mineral property expenditures.

7. EXPLORATION AND EVALUATION, continued

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 June 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		268,062
– report writing, site visits		25,297
Total expenditures to date	$	456,574

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

8. DUE TO 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 USD$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.

9. 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. 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.

10. SHARE CAPITAL

Authorized

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

Class A voting preferred shares:
Non-cumulative annual dividend at 8% of the issued price, convertible into two common voting shares and 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 and 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 December 31, 2011, December 31, 2010 or January 1, 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 13, 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 (note 7).

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 (note 7).

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.

10. SHARE CAPITAL, continued

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

11. STOCK OPTIONS

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

As at December 30, 2011, December 31, 2010 and January 1, 2010, the Company had not granted any stock options under the plan.

12. WARRANTS

The Company estimates the fair value of warrants using the Black-Scholes option pricing model with the following assumptions (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 7).

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 year, the Company extended the expiration date of the warrants by two years.

12. **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	2,091,740	$0.15
Issued with private placements	540,000	$0.15
Issued for finder's fee (note 7)	3,000,000	USD$0.10
Issued with private placements	2,800,000	$0.15
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
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	

13. **SUPPLEMENTAL DISCLOSURES**

Income Statement Presentation
The Company's statement of operations and comprehensive loss is prepared by nature of expense with financing expenses separated into its own section.

Cash Flow Statement Presentation
The following table provides a detailed breakdown of certain line items contained within the cash flow from operating activities.

	2011	2010
Trade and other receivables	$ 6,649	$ 46,697
Prepaid expenses	(190,389)	(4,667)
Trade and other payables	227,647	168,055
	$ 43,907	$ 210,085

During the year ended December 31, 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 7 and 10).

During the year ended December 31, 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 January 13, 2013.

13. **SUPPLEMENTAL DISCLOSURES, continued**

During the year ended December 31, 2011, the Company settled $48,719 in trade and other 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 year ended December 31, 2010, the Company cancelled 2,500,000 shares and warrants with a deemed value of $125,000 (note 6).

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 7 and 10).

On December 29, 2010, the Company issued 1,350,000 shares at $0.10 per share as settlement of a trade and other payable.

14. **SEGMENTED INFORMATION**

The Company has the following geographical segments:

	Canada	United States
		December 31, 2011
Identifiable assets	$ 207,954	$ 516,515
Exploration expenditures	--	293,359
		December 31, 2010
Identifiable assets	$ 30,071	$ 516,515
Exploration expenditures	--	163,215
		January 1, 2010
Identifiable assets	$ 219,442	$ --
Exploration expenditures	--	--

15. **FUTURE INCOME TAXES**

a) The tax provision differs from the amount which would be obtained by applying the combined Canadian federal and provincial statutory income tax rate to the loss as follows:

	2011	2010
Loss for the years before income taxes	$ (592,967)	$ (308,825)
Canadian statutory rate (1)	26.5%	28%
Anticipated income tax recovery	$ (157,136)	$ (86,471)
Effect of tax rate change	4,494	4,371
Change in deferred tax asset not recognized	152,642	33,800
Losses expiring	--	48,300
	$ --	$ --

(1) The general combined Federal/Provincial tax rate lowered to 26.5% in 2011 from 28% in 2010 due to the Federal rate dropping from 18% in 2010 to 16.5% in 2011.

15. FUTURE INCOME TAXES, continued

b) Other than as set out below, the Company does not have any other tax assets available for future use as deductions from taxable income. The Company does not have any deferred tax assets or liabilities.

The components of unrecognized future income tax balances are as follow:

	2011	2010
Non-capital loss carry-forwards	$ 479,001	$ 404,103
Capital loss carry-forwards	1,558,101	1,558,101
E & E tax value in excess of asset	114,144	40,804
	2,151,246	2,003,008
Unrecognized deferred tax asset	(2,151,246)	(2,003,008)
	$ -	$ -

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	313,099
2030	145,700
2031	299,594
	$ 1,916,004

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.

16. 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	Carrying value	December 31, 2011 Fair value	Carrying value	December 31, 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
	$ 12,898	$ 12,898	$ 25,404	$ 25,404
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
	$ 579,056	$ 579,056	$ 457,734	$ 457,734

16. **FINANCIAL INSTRUMENTS, continued**

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.

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 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 through a prospectus equity offering (see note 18).

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	$	--
Shareholder loans		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		--
	$	674,706	$	674,706	$	21,650

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.

16. FINANCIAL INSTRUMENTS, continued

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.

17. 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'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.

18. SUBSEQUENT EVENTS

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

On April 12, 2012, the Company received final receipt on a prospectus for an IPO. The Company's IPO is raising a minimum $3,000,000 and a maximum $4,200,000 with the sale of equity 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.

19. RECLASSIFICATION

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

20. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As noted in Note 2, these are the Company's 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 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 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, 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 to IFRS and there were no optional exemptions taken.