CMX GOLD & SILVER CORP.
UNAUDITED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 and 2011

Notice to reader

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2012. These financial statements and the notes thereto have been prepared by the Company's management in accordance with International Financial Reporting Standards using management's best judgments, consistent with prior periods, and should be read in conjunction with the audited financial statements for the year ended December 31, 2011.

CMX GOLD & SILVER CORP.
INTERIM STATEMENT OF FINANCIAL POSITION

As at		September 30, 2012 (Unaudited)		December 31, 2011 (Audited)
ASSETS				
Current				
Cash and cash equivalents	$	6,981	$	2,910
Trade and other receivables		5,845		9,988
Prepaid expenses (note 5)		271,376		195,056
		284,202		207,954
Exploration and evaluation (note 6)		516,515		516,515
	$	800,717	$	724,469
LIABILITIES				
Current				
Trade and other payables	$	480,066	$	304,541
Due to related parties (note 7)		274,284		130,955
Dividends payable (note 8)		143,560		143,560
		897,910		579,056
Due to related parties (note 7)		45,392		--
		943,302		579,056
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (note 9)		3,152,319		3,152,319
Warrants (note 11)		270,506		270,506
Deficit		(3,565,410)		(3,277,412)
		(142,585)		145,413
	$	800,717	$	724,469

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.
INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Unaudited – Prepared by Management

	Three months ended September 30		Nine months ended September 30	
	2012	2011 (restated) (note 17)	2012	2011 (restated) (note 17)
Expenses				
Management fees (note 7)	$ 39,176	$ 27,863	$ 136,388	$ 104,363
Professional fees	45,223	4,489	60,469	60,422
Listing and agent fees	30,576	13,075	35,792	40,552
Exploration and evaluation expenditures (note 6)	22,709	21,097	27,562	293,113
General and administrative	7,843	6,673	19,583	43,755
Shareholder reporting	67	143	67	15,384
Gain on foreign exchange	(550)	(62)	(550)	(1,414)
	145,044	73,278	279,311	556,175
Loss before financing expenses	(145,044)	(73,278)	(279,311)	(556,175)
Financing expenses				
Interest and bank charges	(1,861)	(308)	(8,687)	(705)
Net loss, being comprehensive loss	$ (146,905)	$ (73,586)	$ (287,998)	$ (556,880)
Basic and diluted net loss per share	$ (0.006)	$ (0.003)	$ (0.012)	$ (0.028)
Weighted average number of shares outstanding – basic	23,352,274	23,352,274	23,352,274	20,158,473

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

	Issued share capital #	$	Warrants	Deficit	Total
Balance, December 31, 2010	14,523,254	$ 2,661,047	$ 112,250	$ (2,684,445)	$ 88,852
Shares 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 period (restated)	--	--	--	(556,880)	(556,880)
Balance, September 30, 2011 (restated) (note 17)	23,352,274	3,152,319	270,506	(3,241,325)	181,500
Balance December 31, 2011	23,352,274	3,152,319	270,506	(3,277,412)	145,413
Loss for the period	--	--	--	(287,998)	(287,998)
Balance September 30, 2012	23,352,274	$ 3,152,319	$ 270,506	$ (3,565,410)	$ (142,585)

The accompanying notes are an integral part of these financial statements

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

	Three months ended September 30 2012	Three months ended September 30 2011 (restated) (note 17)	Nine months ended September 30 2012	Nine months ended September 30 2011 (restated) (note 17)
Cash flow from operating activities				
Net loss	$ (146,905)	$ (73,586)	$ (287,998)	$ (556,880)
Items not involving cash				
Management fees	39,176	22,613	136,388	72,301
Exploration and evaluation	--	--	--	247,000
	(107,729)	(50,973)	(151,610)	(237,579)
Change in non-cash working capital items (note 12)	81,264	14,328	103,348	52,873
	(26,465)	(36,645)	(48,262)	(184,706)
Cash flows from financing activities				
Share issuance	--	--	--	122,419
Warrant issuance	--	--	--	42,829
Due to related parties	27,977	10,429	52,333	10,429
	27,977	10,429	52,333	175,677
Net change in cash and cash equivalents	1,512	26,216	4,071	(9,029)
Cash and cash equivalents, beginning of period	5,469	30,964	2,910	13,777
Cash and cash equivalents, end of period	$ 6,981	$ 4,748	$ 6,981	$ 4,748

The accompanying notes are an integral part of these financial statements

CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 and changed its name from Encee Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name to CMX Gold & Silver Corp. on February 11, 2011. The Company is designated as a "reporting issuer" pursuant to the Alberta Securities Act and Regulations. 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
3700, 400 Third Avenue SW
Calgary, Alberta
Canada T2P 4H2

The financial statements were authorized for issuance by the Board of Directors on November 29, 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 period ended September 30, 2012, the Company incurred a net loss of $287,998 (2011 - $556,880). As a result of the recurring losses over the Company's history, the Company has a deficit of $3,565,410 as at September 30, 2012 (December 31, 2011 - $3,277,412). At September 30, 2012, the Company had a working capital deficiency of $613,708 (December 31, 2011 - $371,102). 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.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", using accounting policies consistent 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 throughout all periods presented. A summary of the Company's significant accounting policies under IFRS is presented in Note 4. These policies have been retrospectively and consistently applied.

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 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 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, in management's opinion, been properly 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.

4. SUMMARY OF ACCOUNTING POLICIES, continued

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.

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.

4. SUMMARY OF ACCOUNTING POLICIES, continued

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 the period-end, the Company had not issued any options under the plan.

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 legal and constructive 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 financing cost of decommissioning liabilities and will be charged to operations.

Actual expenditures incurred will be charged against accumulated obligations.

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.

4. SUMMARY OF ACCOUNTING POLICIES, continued

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.

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).

4. SUMMARY OF ACCOUNTING POLICIES, continued

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 $271,376 in fees related to the preparation of a prospectus and an amended and restated prospectus (see note 16). These costs will be applied against the gross proceeds raised on the closing of the initial public offering ("IPO") and reflected in share capital.

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 notes 9 and 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%.

Marietta property

Effective March 17, 2011, the Company entered into an option agreement with Azteca Gold Corp. ("Azteca") 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. If the listing did not occur prior to June 17, 2012, then each party had the right to terminate the option agreement and, in such event, Azteca was to return the 2,500,000 common shares of the Company for cancellation. On June 12, 2012, the Company and Azteca agreed to amend the Option Agreement to provide that if the listing does not occur by June 17, 2012 a party must provide thirty days' written notice of any intention to terminate the Option Agreement. To the knowledge of the management of CMX, no such notice has been given be either party to the Option Agreement.

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

6. EXPLORATION AND EVALUATION, continued

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
Exploration expenditures in 2012 – Marietta claim payments		20,020
– report writing		7,542
Total expenditures to the period ended September 30, 2012	$	484,136

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

7. DUE TO RELATED PARTIES

During the period ended September 30, 2012, the Company incurred management fees of $117,638 (2011 - $104,363) to a corporation controlled indirectly by a director of the Company.

During the period ended September 30, 2012, the Company incurred management fees of $18,750 (2011 - $nil) to the chief financial officer of the Company.

At September 30, 2012, the Company owed $45,392 (2011 - $nil) to directors and officers of the Company with respect to cash loans and advances. These loans and advances are due and payable on January 1, 2014 and bear an interest rate of 6% per annum.

At September 30, 2012, the Company owed $22,000 (2011 - $10,170) to a director of the Company with respect to a cash loan which is unsecured, non-interest bearing and payable within the next 12-month period.

At September 30, 2012, the Company owed $252,284 to officers (2011 - $86,607) for management fees, which are unsecured, non-interest bearing and payable within the next 12-month period. See subsequent event note 16.

During the period ended September 30, 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. See subsequent event note 16.

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

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. 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:

9. SHARE CAPITAL, continued

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 September 30, 2012 or September 30, 2011.

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. Subsequent to the period end the expiry date was extended to June 30, 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. Subsequent to the period end the expiry date was extended to June 30, 2013.

On March 8, 2011, the Company issued 470,000 units at US$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. Subsequent to the period end the expiry date was extended to June 30, 2013.

On March 25, 2011, the Company issued 451,740 units at US$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. Subsequent to the period end the expiry date was extended to June 30, 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 6).

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 6).

On May 6, 2011, the Company issued 1,800,000 units at $0.05 per unit for gross proceeds of $90,000. 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 May 6, 2013. Subsequent to the period end the expiry date was extended to June 30, 2013.

On May 6, 2011, the Company issued 1,000,000 units at US$0.05 per unit for gross proceeds of $48,248. 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. Subsequent to the period end the expiry date was extended to June 30, 2013.

On May 6, 2011, the Company issued 70,000 units at US$0.05 per unit for settlement of US$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. Subsequent to the period end the expiry date was extended to June 30, 2013.

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, 2012 and September 30, 2011, 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%.

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. Subsequent to the period end the expiry date was extended to June 30, 2013.

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. Subsequent to the period end the expiry date was extended to June 30, 2013.

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. Subsequent to the period end the expiry date was extended to June 30, 2013.

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. Subsequent to the period end the expiry date was extended to June 30, 2013.

Warrants to purchase 3,000,000 common shares at US$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. Subsequent to the period end the expiry date was extended to June 30, 2013.

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. Subsequent to the period end the expiry date was extended to June 30, 2013.

Warrants to purchase 2,500,000 shares at $0.25 per share, having an expiration date of May 28, 2013 were issued as part of the private placements completed in 2009. Subsequent to the period end the expiry date was extended to May 28, 2014.

	Warrants Outstanding	Weighted Average Exercise Price
Balance December 31, 2010	7,300,000	$0.18
Issued for shares for debt	2,091,740	$0.15
Issued with private placements	3,340,000	$0.15
Issued for finder's fee (note 6)	3,000,000	US$0.10
Balance September 30, 2012 and December 31, 2011	15,731,740	$0.16

11. WARRANTS, continued

Warrants Outstanding and exercisable	Exercise Price	Expiry Date
2,500,000	$0.25	May 28, 2014
4,800,000	$0.15	June 30, 2013
1,100,000	$0.15	June 30, 2013
1,010,000	$0.15	June 30, 2013
451,740	$0.15	June 30, 2013
2,870,000	$0.15	June 30, 2013
3,000,000	US$0.10	2 years from commencement of trading
15,731,740	$0.16	

12. 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.

	3 months		9 months	
	2012	2011	2012	2011
Trade and other receivables	$ (6)	$ 7,022	$ 4,143	$ 5,677
Prepaid expenses	3,851	(22,700)	(76,320)	(33,033)
Trade and other payables	77,419	30,006	175,525	80,229
	$ 81,264	$ 14,328	$ 103,348	$ 52,873

During the 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 (notes 6, 9 and 11).

During the 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 expiring January 13, 2013. Subsequent to the period end the expiry date was extended to June 30, 2013.

During the period ended September 30, 2011, the Company settled $45,219 in trade and other payables with the issuance of 921,740 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 and March 25, 2013. Subsequent to the period end the expiry date was extended to June 30, 2013.

13. SEGMENTED INFORMATION

The Company has the following geographical segments:

	Canada	United States
		September 30, 2012
Identifiable assets	$ 284,202	$ 516,515
Exploration expenditures	$ --	$ 27,562
		December 31, 2011
Identifiable assets	$ 207,954	$ 516,515
Exploration expenditures	$ --	$ 293,359

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.

Fair value of financial instruments		September 30, 2012 Carrying value		September 30, 2012 Fair value		December 31, 2011 Carrying value		December 31, 2011 Fair value
Financial assets								
Loans and receivables								
Cash and cash equivalents	$	6,981	$	6,981	$	2,910	$	2,910
Trade and other receivables		5,845		5,845		9,988		9,988
	$	12,826	$	12,826	$	12,898	$	12,898
Financial liabilities								
Financial liabilities measured at amortized cost								
Trade and other payables	$	480,066	$	480,066	$	304,541	$	304,541
Due to related parties		319,676		319,676		130,955		130,955
Dividends payable		143,560		143,560		143,560		143,560
	$	943,302	$	943,302	$	579,056	$	579,056

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 September 30, 2012, the Company had a net working capital deficiency of $613,708 (December 31, 2011 - $371,102). 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 an IPO (see note 16).

The following amounts are the contractual maturities of financial liabilities and other commitments as at September 30, 2012:

		Total		2012		Thereafter
Trade and other payables	$	480,066	$	480,066	$	--
Due to related parties – short-term		274,284		274,284		--
Dividends payable		143,560		143,560		--
Due to related parties – long-term		45,392		--		45,392
Claim payments and property taxes		21,650		21,650		21,650
Other commitments		20,000		20,000		--
	$	984,952	$	939,560	$	67,042

14. FINANCIAL INSTRUMENTS, continued

c) Market risk

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

i. Interest rate risk

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

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.

15. 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.

16. SUBSEQUENT EVENTS

On November 2, 2012, the Company filed a preliminary prospectus with a new agent for an initial public offering of units (the "IPO"). Each unit is priced at $0.15 and is comprised of one common share and one common share purchase warrant exercisable at $0.25 per share for two years from the date of closing of the IPO. The IPO is for a minimum of $3 million and a maximum of $4.2 million with the sale of a minimum of 20,000,000 and a maximum of 28,000,000 units. The Company anticipates closing the IPO in the first quarter of 2013.

On October 9, 2012, the Company completed a private placement of 750,000 units for gross proceeds of $75,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.20 per share expiring on October 9, 2014. The warrants have been valued at $27,015.

On October 9, 2012, the Company completed private placements of 1,185,000 units for gross proceeds of $177,750. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share expiring on October 9, 2014. The warrants have been valued at $66,331. A total of 635,000 units for gross proceeds of $95,250 were issued to related parties.

On October 9, 2012, the Company extended the expiry date of 2,500,000 warrants exercisable into common shares at a price of $0.25 to May 28, 2014 and the expiry date of 10,231,740 warrants exercisable into common shares at a price of $0.15 to June 30, 2013.

Subsequent to the period end the Company made payments to related parties in the amount of $146,615.

17. 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
Changes in Financial Position			
Warrant liability	$ 66,453	$ (66,453)	$ --
Warrants	182,155	88,351	270,506
Deficit	(3,219,427)	(21,898)	(3,241,325)
Statement of Operations			
Change in fair value of warrant liability	(21,898)	21,898	--
Net loss and comprehensive loss	534,982	21,898	556,880
Basic and diluted loss per share	(0.027)	(0.001)	(0.028)
Statement of Changes in Cash Flow			
Net loss	534,982	21,898	556,880
Change in fair value of warrant liability	$ 21,898	$ (21,898)	$ --