

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

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

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

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

All financial information in this MD&A is stated in Canadian dollars, the Company's reporting currency, unless otherwise noted. The MD&A was prepared as of August 29, 2011. Additional information relating to CMX can be found at [www.sedar.com](http://www.sedar.com).

## **MATERIAL FORWARD-LOOKING STATEMENTS**

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

Specific forward looking statements include:

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

## **RESPONSIBILITY OF MANAGEMENT**

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

## **2011 SECOND QUARTER OVERVIEW**

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company's main focus is on exploration for silver and copper in the United States. The Company is currently completing the listing application for listing on a Canadian stock exchange. As part of this process the Company is also working on the completion of a \$4,000,000 financing which is anticipated to be closed in the third quarter of 2011.

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

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

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

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

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

On April 15, 2011, the Company entered into an agreement with Azteca Gold Corp giving the Company an option to enter into a joint venture on the Marietta Property (see Mineral Properties). As a condition of the agreement on May 6, 2011 the Company issued 2,500,000 common shares as an option payment to Azteca Gold Corp.

On May 6, 2011 the Company completed private placements with the issuance of 2,870,000 units for gross proceeds of \$143,500. Each unit consisted of a common share and a two year common share purchase warrant entitling the holder to purchase one common at \$0.15 per share

## RESULTS OF OPERATIONS

The Company incurred a net loss of \$480,723 for the six months ended June 30, 2011 compared with a net and comprehensive loss of \$38,144 for the six months ended June 30, 2010.

### *Net Loss from Operations*

During the six months ended June 30, 2011, net loss from operations was \$482,075 compared to \$36,794 during the six months ended June 30, 2010, resulting in an increase of \$445,281. As the Company has become more active with the purchase of the Clayton property, negotiation of the Marietta joint venture and the ongoing application for listing on a Canadian stock exchange, the Company has seen an all round increase in its operating expenses. The following table itemizes the net loss from operations for the six months ended June 30, 2010 and 2009.

### SCHEDULE OF NET LOSS FROM OPERATIONS

For the six months ended June 30,	2011	2010
Exploration and acquisition of mineral properties	272,016	--
Management fees	76,500	--
Professional fees	55,933	14,113
General and Administrative	37,082	14,573
Listing fees and agent fees	27,477	6,453
Shareholder reporting	15,241	1,598
Interest and bank charges	397	57
Change in fair value of warrant liability	(2,571)	--
Total Administrative expenses	482,075	36,794

## MINERAL PROPERTIES

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

### **Clayton Property**

The Company acquired 100 per cent of the Clayton Silver Mine Property (the "Property") for a cost of US\$500,000. The acquisition cost was US\$250,000 in cash and the balance by the issuance of 2.5 million common shares of the Company at US\$0.10 per share. In connection with this acquisition, the Company agreed to issue to Azteca Gold Corp. ("Azteca") a finder's fee of 897,280 common shares and warrants to purchase 3 million common shares of the Company at a price of US\$0.10 per share exercisable for a period of two years from the date the Company's common shares commence trading on a stock exchange.

The Clayton Silver Mine was discovered in the late 1800's and historically was one of the most active underground mines in the Bayhorse Mining District in central Idaho for lead, zinc, copper and silver. The Property is comprised of 29 patented mining claims and covers 565 acres. Small scale mining operations were carried out on a regular basis from 1935 to 1986. Historical production records for about 50 years of operation indicate recovery of 7 million Troy ounces of silver (218,692 kg), 39,358,903 kg of lead, 12,778,700 kg of zinc, 754,858 kg of copper and minor gold. The old mine workings extended to a depth of 1,100 feet, but earlier drilling indicated that the mineralization likely extends 430 feet deeper than the 1,100 feet

level. The strike length of the mined zone averages 410 feet with variable width due to the nature of the replacement. Historical production information, which is found in a Master's Thesis prepared by B. Hillman written in 1986, is not NI 43-101 compliant, but the Company and the Company's Qualified Person, Dr. Jennifer Thomson, consider this information to be reliable.

The Company is preparing a National Instrument 43-101 compliant technical report for the Clayton Silver Property. The Company is developing an exploration program to be carried out during the second half of 2011 that will include geologic data analysis and a drilling program on the patented property.

### **Marietta Property**

The Company issued to Azteca Gold Corp. ("Azteca") 2,500,000 common shares of the Company at a price of US\$0.10 per share as an option payment on the Marietta Project. Pursuant to the option agreement, the Company has agreed to incur an aggregate of US\$2,000,000 in exploration expenses on the Property over a period of two years from the date the Company's common shares commence trading on a stock exchange. If the listing does not occur prior to December 18, 2011, then each party has the right to terminate the option agreement and, in such event, Azteca will return the 2,500,000 common shares of the Company for cancellation.

The Company will earn a 30 percent interest in the Property by spending at least US\$1,000,000 in exploration expenses on Marietta Project. Further exploration expenditures of a least US\$1,000,000 will earn the Company an additional 20 percent interest in the Property. After earning a 50 percent interest, the Company will have the option of obtaining operatorship under the joint venture by spending another US\$500,000 within six months of exercising such option. The Company and Azteca have agreed to an area of interest consisting of all mineral claims, mining leases or other mineral interests within a distance of two (2) kilometers from the external perimeter of the Property.

The Marietta project has a large land package that encompasses an entire historical silver district centrally located in the Walker Lane mineral belt, and consists of 13 patented claims and 143 unpatented claims. The property contains at least four minor historical silver mines dating back to the 1870s as outlined in a national instrument 43-101 technical report that is presently being prepared. During the 1980s and early 1990s, before the ownership of the property was consolidated, different areas of the property were explored by companies such as American Gold Resources, Phelps Dodge, Battle Mountain Gold and ASARCO.

### **SUMMARY OF QUARTERLY RESULTS**

	2011			2010			2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net loss (income) from operations	\$377,813	\$102,262	\$266,888	\$8,362	\$21,496	\$15,298	\$(22,130)	\$16,135
Net loss (income) from operations on a per share basis	(0.02)	(0.006)	0.036	0.001	0.004	0.002	(0.003)	0.003
Net loss (income)	\$378,006	\$102,717	\$262,319	\$8,362	\$21,426	\$16,718	\$(27,152)	\$16,122
Net loss (income) on a per share basis	(0.02)	(0.006)	0.035	0.001	0.003	0.002	(0.004)	0.004

### **LIQUIDITY AND CAPITAL RESOURCES**

The net loss from operations for the six months ended June 30, 2011 was funded with cash reserves and the issuance of equity shares. As of June 30, 2011 the Company had net working capital deficiency of \$261,429 (2010 - \$129,317). Future operations will be funded by the issuance of capital stock. The Company is currently arranging a \$4,000,000 financing to fulfill the required property commitments and general working capital requirements required for a stock exchange listing.

The Company's ability to continue operations is dependent on it being able to raise equity as it currently has no other potential sources of funds.

### **COMMITMENTS**

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

Clayton property - \$650  
 Marietta Property - \$95,000

## SUBSEQUENT EVENTS

The Company had no subsequent events to report.

## ARRANGEMENTS

The Company does not have any off-balance sheet arrangements and it is not likely that the Company will enter into off-balance sheet arrangements in the foreseeable future.

## OUTSTANDING SHARE DATA

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Common Shares Issued and Outstanding as at August 29, 2011	23,352,274
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	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, January 1, 2010	5,000,000	\$0.25
Cancelled on refund of deposit	(2,500,000)	\$0.25
Issued with private placements	4,800,000	\$0.15
Balance, December 31, 2010	7,300,000	\$0.18
Issued with shares for debt	1,551,740	\$0.15
Issued with private placements	3,880,000	\$0.15
Issued for finder's fee (note )	3,000,000	USD\$0.10
Balance, August 29, 2011	15,731,740	\$0.16

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

There are no options issued or outstanding.

## TRANSACTIONS WITH RELATED PARTIES

During the period management fees of \$76,500 were paid to a corporation controlled indirectly by a director of the Company. This transaction was measured at the exchange amounts that was the amount of consideration established and agreed upon by the related parties that approximated fair market value.

The Company settled \$40,000 of debt due a corporation controlled indirectly by a director of the Company with the issuance of 800,000 common shares and 800,000 share purchase warrants exercisable at \$0.15 per share, expiring January 18, 2013. The Company also completed a \$15,000 private placement with a director of the Company with the issuance of 300,000 shares and 300,000 share purchase warrants exercisable at \$0.15 per share, expiring on May 6, 2013.

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

## CONTINGENT LIABILITIES

The Company has no contingent liabilities.

## FINANCIAL INSTRUMENTS

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

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

## Fair values of financial instruments

	Carrying Value	June 30, 2011 Fair Value	Carrying Value	June 30, 2010 Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 30,964	\$ 30,964	\$ 32,703	\$ 32,703
Trades and other receivables	15,456	15,456	5,773	5,773
	<u>\$ 46,420</u>	<u>\$ 46,420</u>	<u>\$ 38,476</u>	<u>\$ 38,476</u>
<b>Financial liabilities</b>				
		December 31, 2010 Fair Value	Carrying Value	December 31, 2009 Fair Value
			(restated note 16)	
Trade and other payables and accrued liabilities	\$ 127,117	\$ 127,117	\$ 24,233	\$ 24,233
Dividends payable	143,560	143,560	143,560	143,560
Due to shareholders	52,172	52,172	--	--
Warrant liability	85,780	85,780	--	--
	<u>\$ 408,629</u>	<u>\$ 408,629</u>	<u>\$ 167,793</u>	<u>\$ 167,793</u>

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and accrued liabilities, dividends payable and due to shareholders approximate fair value due to the short term nature of these instruments. The Company's financial instruments classified as held for trading are included in level 1 of the hierarchy for fair value instruments.

### Financial risk

#### a) Credit risk

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

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

#### b) Liquidity risk

Liquidity risk is that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had a net working capital deficiency of \$261,429 (2010 – \$129,317). Management of the Company is currently working to raise funds in the equity markets to ensure that it can meet its commitments.

The contractual maturities of financial liabilities as of June 30, 2011 are as follows:

	Total	2011	Thereafter
Trades and other payables and accrued liabilities	\$ 127,117	\$ 127,117	--
Due to shareholder	52,172	52,172	--
Dividends payable	143,560	143,560	--
	<u>\$ 322,849</u>	<u>\$ 322,849</u>	<u>--</u>

#### c) Market risk

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

i) Interest rate risk

The Company has cash balances and its current policy is to invest excess cash in investment-grade short-term money market accounts. The Company periodically monitors the investments it makes and is satisfied with the credit worthiness of its investments. The Company relies on the money market managers to maximize the interest earned on the short-term investment to minimize any negative effects and maximize any positive effects from interest rate fluctuations. The Company regularly monitors its cash management policy.

Interest rate risk is minimal as interest rates are anticipated to remain at historically low levels with little fluctuation and any excess cash is invested in money market funds to maximize interest revenue.

i) Foreign currency risk

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

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

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

## **CAPITAL MANAGEMENT**

Upon completion of an acquisition the Company's objectives in managing its capital will be:

- i) To have sufficient capital to ensure that the Company can continue to meet its commitments with respect to the acquisition and to meet its day to day operating requirements in order to continue as a going concern.
- ii) To provide a long-term adequate return to shareholders.

The Company's initial source of funds will come from the issuance of capital stock.

The Company considers its capital under management to be its capital stock, as presented on the statement of financial position.

The Company will manage its capital structure and make adjustments to it in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. 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.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

These are the Company's second consolidated interim financial statements for the period covered by the first annual consolidated 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 Company's accounting policies under IFRS have been applied in preparing the financial statements for the period ended June 30, 2011, the comparative information presented in these financial statements for the period ended June 30, 2010 and in the preparation of the comparative statement of financial position at December 31, 2010 and an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

### **FIRST TIME ADOPTION OF IFRS (IFRS 1)**

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

The Company has elected to apply the following optional exemptions:

#### **Business Combinations**

IFRS 1 allows that a first time adopter may elect not to apply IFRS 3, Business Combinations retrospectively to business combinations prior to the date of transition avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after January 1, 2010.

#### **Cumulative Translation Differences**

The Company has elected not to retrospectively apply the requirements for cumulative translation differences that existed at the date of transition to IFRS. Therefore the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

#### **Reconciliation to Previously Reported Financial Statements**

The Interim Consolidated Statement of Financial Position as at January 1, 2010, June 30, 2010 and December 31, 2010 were not affected by the transition to IFRS, therefore, no reconciliation was necessary.

#### **Future accounting pronouncements**

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

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment is not expected to significantly impact the Company. Disclosures are not required for comparative periods before the date of initial application of the amendments. The Company is currently assessing the impact that the adoption of IFRS 7 may have on its financial statements.

##### **IFRS 9 Financial Instruments (effective January 1, 2013)**

The standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, regarding derecognition of financial assets and financial liabilities. The Company is currently assessing the impact that the adoption of IFRS 9 may have on its financial statements.

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

This standard is issued to supersede IAS 27, "Consolidated and Separate Financial Statements" and SIC 12, "Consolidation – Special Purpose Entities. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact that the adoption of IFRS 10 may have on its financial statements.

##### **IFRS 11, Joint Arrangements (effective January 1, 2012)**

This standard is issued to supersede IAS 31, "Interest in Joint Venture" and SIC 13, "Consolidation of Jointly Controlled Entities – Non Monetary Contributions by Ventures". This standard is intended to provide a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. The Company is currently assessing the impact that the adoption of IFRS 11 may have on its financial statements.

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

This standard specifies disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company is currently assessing the impact that the adoption of IFRS 12 may have on its financial statements.

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

The main provisions for this standard include defining fair value, setting out in a single standard a framework for measuring fair value and specifying certain disclosure requirements about fair value measurements. The Company is currently assessing the impact that the adoption of IFRS 13 may have on its financial statements.

##### **IAS 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. The Company is currently evaluating the impact of this amendment to IAS 12 on its financial statements.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).