CMX GOLD & SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

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 interim consolidated financial statements for the period ended September 30, 2014. 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 consolidated financial statements for the year ended December 31, 2013.

CMX GOLD & SILVER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 11,638	$ 2,089
Accounts receivable	2,484	-
Prepaid expenses	50,000	185
	64,122	2,274
Exploration and evaluation (note 5)	578,910	549,365
	$ 643,032	$ 551,639
LIABILITIES		
Current		
Trade and other payables	$ 94,514	$ 109,197
Due to related parties (note 6)	26,612	23,923
Dividends payable (note 7)	131,373	131,373
Subscriptions received	15,000	-
	267,499	264,493
Due to related parties (note 6)	285,520	311,923
Long-term debt (note 8)	218,983	266,421
Total liabilities	772,002	842,837
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	3,545,661	3,306,072
Contributed surplus (note 10)	182,532	89,776
Warrants (note 12)	509,509	363,853
Accumulated other comprehensive income	62,395	32,872
Deficit	(4,429,067)	(4,083,771)
Total shareholders' deficiency	(128,970)	(291,198)
	$ 643,032	$ 551,639

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

Approved on behalf of the Board

Bruce Murray *("Signed")*

Jan Alston *("Signed")*

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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Expenses				
Share-based payments (note 11)	$ 51,948	$ -	$ 92,756	$ -
Management fees (note 6)	22,563	14,275	89,588	75,525
Exploration and evaluation expenditures (note 5)	62,676	4,552	67,887	4,602
General and administrative	7,647	4,290	47,599	15,079
Filing and agent fees	985	462	11,521	10,468
Professional fees	1,079	330	7,829	4,049
Shareholder reporting	902	-	2,121	65
Loss on foreign exchange	(29)	-	405	103
Recovery of prior period expenditures	-	(21,687)	-	(21,687)
	147,771	2,222	319,706	83,602
Loss before financing expenses	(147,771)	(2,222)	(319,706)	(83,602)
Financing expenses				
Interest income	5	-	57	-
Interest and bank charges	(7,830)	(6,608)	(25,647)	(12,624)
Prospectus costs	-	-	-	(58,676)
Net loss, for the period	(155,596)	(8,830)	(345,296)	(154,902)
Items that may be reclassified subsequently to net loss				
Exchange difference on translating foreign operation	7,252	-	29,523	-
Total comprehensive loss	$ (148,344)	$ (8,830)	$ (315,773)	$ (154,902)
Basic and diluted net loss per share	$ 0.005	$ 0.0004	$ 0.013	$ 0.007
Weighted average number of shares outstanding – basic	29,093,224	22,787,274	27,508,262	22,787,274

The accompanying notes are an integral part of these consolidated financial statements

CMX GOLD & SILVER CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital #	Issued share capital $	Warrants	Accumulated other comprehensive income	Contributed Surplus	Deficit	Total
Balance, December 31, 2012	25,287,274	$ 3,311,723	$ 363,853	$ -	$ -	$ (4,080,299)	$ (404,723)
Shares returned to treasury	2,500,000	(247,000)	-	-	-	247,000	-
Net loss for the period	-	-	-	-	-	(154,902)	(154,902)
Balance, September 30, 2013	22,787,274	$ 3,064,723	$ 363,853	$ -	$ -	$ (3,988,201)	$ (559,625)
Balance, December 31, 2013	25,200,764	$ 3,306,071	$ 363,853	$ 32,872	$ 89,776	$ (4,083,771)	$ (291,199)
Shares issued for debt (note 9)	617,460	61,746					61,746
Shares issued for debt (note 9)	735,000	40,811	32,689				73,500
Shares issued for cash (note 9)	2,540,000	137,033	112,967				250,000
Share-based payments (note 11)	-	-	-	-	92,756	-	92,756
Net loss for the period	-	-	-	-	-	(345,296)	(345,296)
Exchange difference on translating foreign operation	-	-	-	29,523	-	-	29,523
Balance, September 30, 2014	29,093,224	$ 3,545,661	$ 509,509	$ 62,395	$ 182,532	$ (4,429,067)	$ (128,970)

The accompanying notes are an integral part of these consolidated financial statements

CMX GOLD & SILVER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Cash flow from operating activities				
Net loss	$ (155,596)	$ (4,278)	$ (345,296)	$ (166,112)
Items not involving cash				
Share-based payments	51,948	-	92,756	-
Management fees	22,562	14,275	46,044	75,525
Recovery of prior period expenditures	-	(21,687)	-	(21,687)
Accrued interest on deferred debt	7,846	-	24,348	-
Loss on foreign exchange	(32)	-	405	103
	(73,272)	(11,690)	(181,743)	(112,171)
Change in non-cash working capital items (note 13)	19,918	10,514	(44,760)	73,307
	(53,354)	(1,176)	(226,503)	(38,864)
Cash flows from financing activities				
Share issuance	-	-	155,478	-
Warrant issuance	-	-	94,522	-
Subscriptions received	15,000	-	15,000	-
Due to related parties	(2,725)	1,504	(27,354)	38,972
Long-term debt	(256)	--	(1,594)	-
	12,019	1,504	236,052	38,972
Net change in cash and cash equivalents	(41,335)	328	9,549	108
Cash and cash equivalents, beginning of period	52,973	2,637	2,089	2,857
Cash and cash equivalents, end of period	$ 11,638	$ 2,965	$ 11,638	$ 2,965

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, 2010. 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 of America. The registered office of the Company is as follows:

CMX Gold & Silver Corp.
c/o Norton Rose Fulbright Canada LLP
3700, 400 Third Avenue SW
Calgary, Alberta
Canada T2P 4H2

The consolidated financial statements were authorized for issuance by the Board of Directors on November 28, 2014.

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 consolidated financial statements of the Company have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its obligations as they become due in the normal course of operations. For the nine months ended September 30, 2014, the Company incurred a net loss of $345,296 (2013 - $154,902). As a result of the recurring losses over the Company’s history, the Company has an accumulated deficit of $4,429,067 as at September 30, 2014 (December 31, 2013 - $4,083,771). At September 30, 2014, the Company had a working capital deficiency of $203,377 (December 31, 2013 - $262,219). 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 ability of the Company to continue as 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 issuances.

The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and reported revenues and expenses, that might be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance
The consolidated 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 in effect at September 30, 2014.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments.

Basis of Consolidation
These consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary CMX Gold & Silver (USA) Corp. All intercompany transactions and balances are eliminated on consolidation.

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 consolidated 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 consolidated 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 consolidated 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 area of operations, settlement of operating expenses, and the funds from financing activities are assessed at each reporting date.

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 consolidated statement of financial position.

Amounts recorded for warrant valuations are based on management's estimates of share price volatility and the expected life of the warrants.

The Company must make use of estimates in calculating the fair value of share-based payments. Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, dividend yield, risk-free interest rates, forfeiture rate estimates, and expected option life.

Tax interpretations, regulations and legislation in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, due to related parties, dividends payable and long-term debt. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- Financial assets at fair value through profit or loss

  An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

  Financial instruments are designated at fair value through profit or loss if the Company manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has no instruments in this category.

- Loans and receivables

  Trade and other receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment loss.

- Other financial liabilities

  Trade and other payables, due to related parties, dividends payable and long-term debt are classified as other financial liabilities. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities are subsequently carried at amortized cost using the effective interest method.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis.

The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of operations and comprehensive loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of operations and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Foreign exchange translations and transactions

For foreign entities whose functional currency is the Canadian dollar, the Company translates monetary assets and liabilities at period-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in the consolidated statement of operations and comprehensive loss in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in other comprehensive income as exchange difference on translating foreign operation.

Transactions of the Canadian entity in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from the changes in exchange rates are recognized in the consolidated statement of operations and comprehensive loss in the period of occurrence. Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in accumulated other comprehensive income.

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 assets

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 property specific cash generating unit (“CGU”) basis. Upon development of a commercially viable mineral property 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 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 profit or loss. 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. SIGNIFICANT 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 are expensed based on the fair value of the options at the grant date. Fair values are 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.

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. Decommissioning liabilities include those legal obligations where the Company will estimate can be made. Decommissioning liabilities 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.

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 contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued.

The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

Loss per share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted per share amounts are computed by giving effect to the potential dilution that would occur if stock options and warrants were exercised. The Company uses the treasury stock method to determine the dilutive effect of stock options and share purchase warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase shares at the average market price for the period. In net loss per share situations, the dilutive per share amount is the same as that for basic, as all instruments are anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Standards issued but not yet effective

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, 2018)

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.

The Company is currently assessing the impact that the adoption of the new standards may have on its financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Total expenditures on exploration and evaluation properties capitalized:

Balance at December 31, 2013	$	549,365
Foreign exchange effect		29,545
Balance at September 30, 2014	$	578,910

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 common shares at a price of US$0.10 per share and made a cash payment of US$250,000.

Total expenditures on exploration and evaluation properties expensed:

Exploration expenditures Clayton	– balance December 31, 2012	$	174,983
	– 2013		4,650
	– 2014		67,887
		$	247,520

6. DUE TO RELATED PARTIES

During the nine months ended September 30, 2014, the Company incurred management fees of $73,588 (2013 - $59,525) to a corporation controlled by the spouse of a director of the Company.

During the nine months ended September 30, 2014, the Company incurred management fees of $12,000 (2013 - $12,000) to the CFO of the Company.

At September 30, 2014, the Company owed to officers and directors, $312,132 (2013 - $307,313) of which $285,520 (2013 - $307,313) has been deferred, with payment due July 1, 2016. These deferred balances bear an interest rate of 6% per annum.

On April 16, 2014 related parties settled $43,500 in debt with the purchase of 435,000 units of the Company, each unit consisting of one share and one share purchase warrant to purchase one share at $0.20 expiring April 16, 2016.

On April 16, 2014 a related party completed a purchase of 400,000 units of the Company, each unit consisting of one share and one share purchase warrant to purchase one share at $0.20 expiring April 16, 2016 for gross proceeds of $40,000.

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

7. DIVIDENDS PAYABLE

In 2006, the Company sold certain investments and declared a cash dividend payable to shareholders of record on September 30, 2006. Some shareholders failed to keep their addresses up to date on the shareholders' record and consequently, the Company carried out searches to determine the whereabouts of these shareholders. The aggregate amount of dividends payable to these shareholders is $131,373. It is management's intention to pay the dividends to shareholders who are found and establish their share ownership. On October 1, 2016, any remaining dividends payable will be non-payable under the *Limitations Act* (Alberta) and derecognized.

8. LONG-TERM DEBT

Certain third parties agreed to defer the payment of professional fees to July 1, 2016. These outstanding amounts bear interest at a rate of 6% per annum. The outstanding balance as at September 30, 2014 was $218,983 (2013 – 336,593) and total interest accrued during the period was $11,404 (2013 – nil).

9. SHARE CAPITAL

Authorized

Common voting shares:
The common 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.

Series A voting preferred shares:
Non-cumulative annual dividend at 8% of the issued price
Convertible into two Common voting shares
Redeemable at the issue price

Series B voting preferred shares:
Non-cumulative annual dividend at 8% of the issued price
Convertible into two Common voting shares
Redeemable at a price of $10 per share

The preferred shares rank in priority to the common shares as to the payment of dividends and as to the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Preferred shares may also be given such other preference over the common shares as may be determined for any series authorized to be issued.

There were no Series A or Series B voting preferred shares issued as at September 30, 2014 or September 30, 2013.

On September 30, 2013, 2,500,000 common shares issued with respect to the Marietta option agreement were returned to treasury for cancellation and share capital was reduced by $247,000, representing the issuance value.

On October 13, 2013, the Company issued 2,413,490 common shares at a price of $0.10 per share in settlement of $241,349 in debt.

On March 31, 2014, the Company issued 562,460 common shares at a price of $0.10 per share in settlement of $56,246 in debt.

On April 16, 2014, the Company issued 55,000 common shares at a price of $0.10 per share in settlement of $5,500 in debt.

On April 16, 2016, the Company issued under an offering memorandum 2,540,000 units at a price of $0.10 per share for gross proceeds of $254,000. Each unit consisted of one common share and one share purchase warrant to purchase one common share at $0.20 expiring on April 16, 2016. The fair value of the warrants was calculated at $112,967 (term of two years, volatility of 206%, risk free interest rate of 1%). Finder's fees totaling $4,000 were paid to a third party with respect to the issuance.

9. SHARE CAPITAL, continued

On April 16, 2016, the Company issued under an offering memorandum 735,000 units at a price of $0.10 per share in settlement of $73,500 in debt. Each unit consisted of one common share and one share purchase warrant to purchase one common share at $0.20 expiring on April 16, 2016. The fair value of the warrants was calculated at $32,689 (term of two years, volatility of 206%, risk free interest rate of 1%).

10. CONTRIBUTED SURPLUS

	2014	2013
Balance at December 31, 2013	$ 89,776	$ -
Share-based payments (note 11)	92,756	-
Balance at September 30	$ 182,532	$ -

11. SHARE BASED PAYMENTS

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.

On October 8, 2013, the Company granted options to purchase 2,200,000 shares at an exercise price of $0.10 per share. The options vest over a two year period and expire on October 8, 2018. These options were cancelled on September 30, 2014

On September 30, 2014, the Company granted new options to purchase 2,700,000 shares at an exercise of $0.10 per share. The options vest over a two year period and expire on September 30, 2019.

The Company estimates the fair value of the options using the Black-Scholes option pricing model with the following assumptions: a term of five years, vesting one-third immediately, one-third on September 30, 2015 and the remaining one-third on September 30, 2016, a risk free interest rate (per Bank of Canada) of 1.63%, zero forfeiture rate and volatility of 306%. A total of $269,837 in share-based payments will be amortized over the two year vesting period, of which $92,756 (2013 – $nil) was recognized in the consolidated statement of operations and comprehensive loss in the current period.

12. WARRANTS

Warrants to purchase 750,000 common shares at $0.20 per share, having an expiration date of October 9, 2014 were issued as part of a private placement completed on October 9, 2012. These warrants have been valued at $27,015 (term of two years, volatility of 140%, risk free rate of 1.1%).

Warrants to purchase 1,050,000 common shares at $0.25 per share, having an expiration date of October 9, 2014 were issued as part of a private placement completed on October 9, 2012. These warrants have been valued at $58,775 (term of two years, volatility of 140%, risk free rate of 1.1%).

Warrants to purchase 135,000 common shares at $0.25 per share, having an expiration date of October 9, 2014 were issued as part of a shares for debt settlement completed on October 9, 2012. These warrants have been valued at $7,557 (term of two years, volatility of 140%, risk free rate of 1.1%).

In 2013 warrants to purchase 1,185,000 shares at $0.25 per share having an expiration date of October 9, 2014 were extended to October 9, 2015 at a reduced exercise price of $0.20 per share and warrants to purchase 750,000 shares at $0.20, having an expiration date of October 9, 2014 had their exercise price reduced to $0.10 per share.

Warrants to purchase 2,540,000 common shares at $0.20 per share, having an expiration date of April 16, 2016 were issued under an offering memorandum that closed on April 16, 2014. These warrants have been valued at $145,656 (term of two years, volatility of 206%, risk free rate of 1%).

During the period, the expiration dates were extended for the following: warrants to purchase 2,500,000 shares at $0.25 per share, having an expiration date of May 28, 2015 were extended to May 28, 2016;

12. WARRANTS, continued

warrants to purchase 10,231,740 shares at $0.15 per share, having an expiration date of June 30, 2015 were extended to June 30, 2016; warrants to purchase 750,000 shares at $0.10 per share, having an expiration date of October 9, 2015 were extended to October 9, 2016; warrants to purchase 1,185,000 shares at $0.20 per share, having an expiration date of October 9, 2015 were extended to October 9, 2016

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2013 and 2012	17,666,740	$ 0.157
Issued for debt under an offering memorandum	735,000	$0.20
Issued for cash under an offering memorandum	2,540,000	$0.20
Balance, September 30, 2014	20,941,740	$ 0.164

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
2,500,000	$0.25	May 28, 2016
10,231,740	$0.15	June 30, 2016
750,000	$0.10	October 9, 2016
1,185,000	$0.20	October 9, 2016
3,275,000	$0.20	April 16, 2016
3,000,000	USD$0.10	2 years from commencement of trading
20,941,740	$0.164	

13. SUPPLEMENTAL DISCLOSURES

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	
	2014	2013	2014	2013
Trade and other receivables	$ 1,231	$ 5,282	$ (2,484)	$ 5,760
Prepaid	-	-	(49,815)	(174)
Trade and other payables	18,687	5,232	7,359	67,721
	$ 19,918	$ 10,514	$ (44,760)	$ 73,307

14. SEGMENTED INFORMATION

The Company has the following geographical segments:

	Canada	United States
		September 30, 2014
Identifiable assets	$ 64,122	$ 578,910
Exploration expenditures	-	67,887
		September 30, 2013
Identifiable assets	$ 3,405	$ 516,515
Exploration expenditures	-	4,602

15. FINANCIAL INSTRUMENTS

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated financial statements.

Fair value represents the price at which a financial instrument could be exchanged for in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Fair value of financial instruments	Carrying value	September 30, 2014 Fair value	Carrying value	December 31, 2013 Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 11,638	$ 11,638	$ 2,089	$ 2,089
Trade and other receivables	2,484	2,484	-	-
	$ 14,122	$ 14,122	$ 2,089	$ 2,089
Financial liabilities				
Other financial liabilities				
Trade and other payables	$ 94,514	$ 94,514	$ 109,197	$ 109,197
Due to related parties	312,132	312,132	335,846	335,846
Dividends payable	131,373	131,373	131,373	131,373
Subscriptions received	15,000	15,000	-	-
Long-term debt	218,983	218,983	266,421	266,421
	$ 772,002	$ 772,002	$ 842,837	$ 842,837

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, dividends payable and subscriptions received approximate its fair value due to their short-term nature. The carrying value of due to related parties and long-term debt approximate their fair values due to the interest rates applied to these facilities, which approximate market interest rates.

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.

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, 2014, the Company had a net working capital deficiency of $203,377 (December 31, 2013 - $262,219). 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 equity offering.

15. FINANCIAL INSTRUMENTS, continued

The following amounts are the contractual maturities of financial liabilities and other commitments as at September 30, 2014:

	Total	2014	Thereafter
Trade and other payables	$ 94,514	$ 94,514	$ -
Due to related parties	312,132	26,612	285,520
Dividends payable	131,373	131,373	-
Subscriptions received	15,000	15,000	-
Long-term debt	218,983	-	218,983
	$ 772,002	$ 267,499	$ 504,503

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 either does not have significant interest-bearing instruments or the interest is at a fixed rate.

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.

16. 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' deficiency.

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 share capital. 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 is not subject to externally imposed capital requirements. There have been no changes in the Company's capital management in the current period.

17. COMMITMENTS

The Company has the following commitments in 2015 with respect to the Clayton property:

Property taxes	$	790

18. SUBSEQUENT EVENTS

On November 24, 2014 the Company completed private placements under an offering memorandum for a total of 1,100,000 units for gross proceeds of $110,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.20 expiring November 24, 2016.

On November 24, 2014 the Company issued 300,000 shares in settlement of $30,000 in debt to a third party for consulting fees with respect to the Clayton property.

On November 28, 2014 the Company completed private placements under an offering memorandum for a total of 1,000,000 units for gross proceeds of $100,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.20 expiring November 28, 2016. A total of 200,000 units were issued to a director of the Company.

19. RECLASSIFICATION

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