

# **CMX GOLD & SILVER CORP.**

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

The following discussion is management's analysis of CMX Gold & Silver Corp.'s (the "Company" or "CMX") operating and financial data for the three months ended March 31, 2015 and 2014 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 unaudited consolidated financial statements and notes for the three months ended March 31, 2015 and 2014 and the audited consolidated financial statements and notes for the years ended December 31, 2014 and 2013.

This Management's Discussion and Analysis ("MD&A") and the consolidated financial statements and comparative information have been prepared in accordance with IFRS.

Technical disclosure for the Clayton Property included in this MD&A has been reviewed by Richard Walker, P.Geo., a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

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 May 27, 2015. Additional information relating to CMX can be found at [www.sedar.com](http://www.sedar.com).

## **MATERIAL FORWARD-LOOKING STATEMENTS**

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

## **RESPONSIBILITY OF MANAGEMENT**

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

## **ABOUT CMX GOLD & SILVER CORP.**

CMX is a junior mining company with a silver-lead-zinc property in the United States of America. The Company's main focus is the development of its Clayton property located in Idaho, USA, focusing on the feasibility of reactivating the mine. The Clayton has historically produced silver, lead and zinc with minor gold. The property is held by its wholly-owned subsidiary, CMX Gold & Silver (USA) Corp.

## **THREE MONTH OVERVIEW**

With the listing of the Company's shares on the Canadian Securities Exchange ("CSE"), the Company's main focus is now to proceed with planning further sampling of the waste dump, planning geophysical work on the mine site and to organize the requisite funding. The objective of the geophysical work is to pin point potential drill targets for future drilling.

On February 18, 2015 the Company issued a demand note to a shareholder with respect to \$20,000 advanced to the Company. The note bears an interest rate of 6% per annum and is due on demand.

On February 20, 2015, the Company completed its analysis of the 2014 sampling program (see "Exploration and Evaluation Assets" below).

On March 4, 2015, the Company issued under an offering memorandum 660,000 units at a price of \$0.10 per share for gross proceeds of \$66,000. Each unit consisted of one common share and one share purchase warrant to purchase one common share at \$0.20 expiring on March 4, 2017.

On March 31, 2015 the Company completed a review of the historical data on the Clayton Mine (see "Exploration and Evaluation Assets" below).

## **RESULTS OF OPERATIONS**

In the three months ended March 31, 2015, net loss before financing expenses was \$126,039 compared to a net loss before financing expenses of \$67,288 in 2014, resulting in a change of \$58,751. The Company continued the analysis on its Clayton property during the period incurring mineral property expenditures totaling \$32,037 (2014 – nil). With the commencement of

trading on the CSE, the Company saw an increase in shareholder reporting, investor communications, listing, and filing fees with total expenditures of \$29,509 (2014 - \$630). The following table itemizes the net loss from operations for the three months ended March 31, 2015 and 2014.

**SCHEDULE OF NET INCOME (LOSS) BEFORE FINANCING EXPENSES**

<b>For the three months ended March 31,</b>	<b>2015</b>	<b>2014</b>
Management fees	\$ 38,313	\$ 29,838
Mineral property expenditures	32,037	-
Shareholder reporting and investor communications	25,937	168
Compensation expense	13,746	20,404
General and administrative	11,556	16,406
Listing and filing fees	3,572	462
Loss on foreign exchange	878	10
<b>Loss before financing income (expenses)</b>	<b>\$ (126,039)</b>	<b>\$ (67,288)</b>

**EXPLORATION AND EVALUATION ASSETS**

In December 2010, the Company completed the purchase of the Clayton Silver Mine (“Clayton”).

**Clayton Property**

The Company acquired 100 percent of Clayton for a cost of US\$500,000. The Company paid US\$250,000 in cash and issued 2,500,000 common shares of the Company at a deemed price of US\$0.10 per common share. In addition, the Company granted to the vendor a production royalty of one percent of any amount received by CMX for any ore or ore concentrates produced from the property.

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, silver, and copper with minor gold. Located approximately 30 km south-southwest of Challis in Custer County, southeast Idaho, the 276 ha (684 acre) property consists of 29 patented mining claims and two patented mills sites, comprising approximately 228 ha (565 acres). An additional six unpatented mining claims were filed in January 2015 and comprise 48 ha (119 acres) adjacent to and contiguous with the property to the south.

The Company initiated compilation of available historical drilling and mining information for the Clayton Mine and the Clayton Silver Property (see News Release dated Feb. 20, 2015). Information available in the public domain has been obtained from both the United States and Idaho Geological Surveys. Several sub-surface mine plans have been obtained from private sources, as well as the U.S. Department of the Interior, Office of Surface Mining. These data provide the basis for an initial compilation of the sub-surface workings tied to surface. The underground workings are flooded and inaccessible and, consequently, historical records are the only source of information available.

The former Clayton silver-lead-zinc-copper mine had total production of 218,692 kg silver (7,031,110 oz), 39,358,903 kg lead (86,771,527 lbs), 12,778,700 kg zinc (28,172,211 lbs), and 754,858 kg copper (1,664,177 lbs), with 67 kg (2,154 oz) gold from an estimated 2,145,652 tonnes of ore mined between 1934 and 1985. Mineralization was originally discovered in 1877, with the mine operating almost continuously over 50 years until its closure in 1986 due to low metal prices.

The former Clayton Mine was developed on 8 levels to a depth of 1,100 feet (335 m) below surface and is comprised of approximately 6,000 metres (19,690 feet) of underground development. Two major ore bodies were mined: the “South Ore Body” and the “North Ore Body”. Both are tabular ore bodies raking northeast to depth. Production was initiated on the South Ore Body with development extending north, and to depth, on the North Ore Body until 1986 when the mine was closed.

**The following information was derived from records for a working mine and is not compliant with the requirements of NI 43-101.** Historical records indicate the “South Ore Body” was mined from the 100 foot level to the 800 foot level, while the “North Ore Body” was mined from the 100 foot level to the 1100 foot level. Internal mine records from 1966 indicate a resource of 597,075 tonnes between the 800 foot level and 1300 foot level, having a weighted average grade of 3.83 oz Ag/t. Values for lead and zinc were not disclosed. Underground development on the 800 foot level was extended to the “North Ore Body”, with subsequent development down to the 1100 foot level to access the ore. Records indicate that as of January 1, 1982, there were approximately 458,590 tonnes of ore identified between the 800 and 1100 foot levels. Of this resource, 52,800 tonnes were mined in 1983, 76,110 tonnes in 1984 and 102,258 in 1985, suggesting 227,422 tonnes grading 3.83 oz Ag/t have not been mined. Additional tonnage identified down to the 1530 foot level was not mined and, therefore, is interpreted to remain available. Significant potential is demonstrated in hole 1501-A, drilled in the mid-1960’s, which penetrated the mineralized zone at 1,425 feet. At that depth, the hole intercepted 22 feet (6.70 m) of 4.07 oz Ag/t, 5.75% lead and 5.37% zinc (note: true width is unknown).

On March 7, 2013, CMX filed a NI 43-101 compliant technical report for Clayton on SEDAR.

### **2014 Clayton Evaluation Program**

In August 2014, representatives of the Company collected a total of 95 samples from 19 locations, including 16 locations on the Waste Dump situated immediately adjacent to the old Clayton Mine workings and extending to the south. An additional three locations were sampled on the Tailings Pile south of the mine. An aggregate of over 3,000 kilograms of sample material was collected. Sample locations were selected to ensure representative samples. CMX representatives were on site during sampling to ensure random sample selection. A tracked backhoe was used to trench to a maximum depth of approximately 12 feet and five representative samples, each weighing roughly 33 kg, were taken at 2-3 foot intervals for each location.

The preliminary results from analysis of the Waste Dump samples confirm the presence of a suite of metals of potential interest. Panning of material from the Waste Dump has confirmed the presence of free, relatively coarse gold, while analysis of the samples documents the presence of gold in each sample. In particular, assays confirmed gold values up to 2.84 gm/t (Sample 11369) with an average of 0.80 gm/t for the 16 locations comprised of the initial suite of samples. Management plans to undertake a more detailed follow-up sampling program in 2015 to assess economic potential. The program is expected to include 75 to 100 additional sample locations from both the Waste Dump and Tailings Pile. The Waste Dump is estimated to contain several hundred thousand tonnes of metal-bearing material readily available for immediate processing. Upon completion of a second phase sampling program and conditional on satisfactory results, CMX intends to proceed with a preliminary economic assessment (PEA) which, if positive, is expected to support refurbishing and modernizing the mill on the property as the first phase of reactivating the mine.

### **SUMMARY OF QUARTERLY RESULTS**

	2015		2014		2013			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net loss (income) before financing costs	\$126,039	\$133,462	\$147,771	\$104,647	\$67,288	\$75,470	\$(2,300)	\$35,182
Net loss (income) before financing costs on a per share basis	0.004	0.005	0.005	0.004	0.003	0.003	(0.0001)	0.001
Net loss	\$134,605	\$141,908	\$155,596	\$113,600	\$76,100	\$84,360	\$4,278	\$105,690
Net loss on a per share basis	0.004	0.005	0.005	0.004	0.003	0.003	0.0002	0.004

### **LIQUIDITY AND CAPITAL RESOURCES**

The net loss from operations for the three month ended March 31, 2015 was funded through the issuance of shares and debt. As of March 31, 2015, the Company had a net working capital deficiency of \$173,940 (2014 - \$253,105). Future operations will be funded by the issuance of capital stock. CMX is currently working on a plan to raise sufficient funds required to carry out a program on Clayton later in 2015.

#### **Estimated Cash Flow Requirements for the Next 12 Months**

Sampling, exploration and site preparation work on the Clayton property (funding dependent)	\$ 500,000
General and administrative	<u>250,000</u>
Total estimated cash requirements	<u>\$ 750,000</u>

The total exploration program expenditures are contingent on CMX being able to raise sufficient equity capital in the future.

### **GOING CONCERN RISK**

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

## **COMMITMENTS**

The Company may enter into management contracts during 2015. These contracts will be negotiated in the normal course of operations and will be measured at the exchange amount which is the amount of consideration established and agreed by the parties and will reflect the values that the Company would transact with arm's length parties.

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

Clayton property - \$2,200, related to property taxes and claims fees

## **SUBSEQUENT EVENTS**

On April 8, 2015, the Company issued a demand note to a shareholder for a \$30,000 advance to the Company. The note bears an interest rate of 6% per annum and is due on demand.

On May 8, 2015, the Company granted options to purchase 500,000 common shares at a price of \$0.105 per share. The options were granted under the Company's stock option plan, vest over a two-year period, with a term of five years.

On May 22, 2015, the Company issued a demand note to a shareholder for a \$30,000 advance to the Company. The note bears an interest rate of 6% per annum and is due on demand.

## **ARRANGEMENTS**

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

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

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

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

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

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

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

There were no changes in the Company's business activities during the three month-ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

## **LIMITATIONS OF CONTROLS AND PROCEDURES**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control

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

## OUTSTANDING SHARE DATA

	May 27, 2015
Common Shares Issued and Outstanding	32,153,224
Warrants Outstanding	23,701,740

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2013 and 2012	17,666,740	\$0.16
Issued for debt under an offering memorandum	735,000	\$0.20
Issued with offering memorandum	4,640,000	\$0.20
Balance, December 31, 2014	23,041,740	\$0.17
Issued with offering memorandum	660,000	\$0.20
Balance, April 30, 2015	23,701,740	\$0.17

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 15, 2016
1,100,000	\$0.20	November 24, 2016
1,000,000	\$0.20	November 28, 2016
3,000,000	USD\$0.10	December 11, 2016
660,000	\$0.20	March 4, 2017
23,701,740	\$0.17	

## Stock Option Plan

Exercise price (per option)	Number of options outstanding	Weighted average exercise price (per option)	Year of expiry	Weighted average remaining contractual life
\$0.10	3,200,000	\$0.10	2019	4.63 years

## TRANSACTIONS WITH RELATED PARTIES

During the period ended March 31, 2015, the Company incurred management fees of \$34,313 (2014 - \$25,838) to a corporation controlled by the spouse of a director of the Company.

During the period ended March 31, 2015, the Company incurred management fees of \$4,000 (2014 - \$4,000) to the CFO of the Company.

During the period ended March 31, 2015, the Company completed private placements for gross proceeds of \$10,000 (2014 - \$Nil) with a director and officer of the Company with the issuance of 100,000 units (2014 - Nil units), each unit consisting of one common share and one common share purchase warrant exercisable at \$0.20 per share.

At March 31, 2015, the Company owed to officers and directors, \$266,854 (2014 - \$372,719) of which \$266,854 (2014 - \$316,533) has been deferred, with payment due July 1, 2016. These deferred balances bear an interest rate of 6% per annum.

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

## CONTINGENT LIABILITIES

The Company has no contingent liabilities.

## 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	March 31, 2015		March 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
<b>Loans and receivables</b>				
Cash and cash equivalents	\$ 1,548	\$ 1,548	\$ 114,467	\$ 114,467
Trade and other receivables	3,826	3,826	-	-
	<u>\$ 5,374</u>	<u>\$ 5,374</u>	<u>\$ 114,467</u>	<u>\$ 114,467</u>
Financial liabilities				
<b>Other financial liabilities</b>				
Trade and other payables	\$ 107,484	\$ 131,373	\$ 66,705	\$ 66,705
Due to related parties	266,854	266,854	372,719	372,719
Dividends payable	131,373	131,373	131,373	131,373
Long-term debt	212,337	212,337	270,358	270,358
	<u>\$ 718,048</u>	<u>\$ 718,048</u>	<u>\$ 954,655</u>	<u>\$ 954,655</u>

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and dividends payable 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 March 31, 2015, the Company had a net working capital deficiency of \$173,940 (2014 - \$253,105). 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 of Units.

The following amounts are the contractual maturities of financial liabilities and other commitments as at March 31, 2015:

	Total	2015	Thereafter
Trade and other payables	\$ 107,484	\$ 107,484	\$ -
Due to related parties	266,854	-	266,854
Dividends payable	131,373	131,373	-
Long-term debt	212,337	-	212,337
	\$ 718,048	\$ 238,857	\$ 479,191

**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.

**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 and long-term debt.

CMX is an early stage mining 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.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

### **Standards issued but not yet effective**

The following new IFRS pronouncements have been issued, are not yet effective and have not been early adopted, and may have impact on the Company in future are discussed below. In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Company's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. The IASB has determined the mandatory effective date of IFRS 9 to be January 1, 2018. IFRS 9 is still available for early adoption. The new standard is not expected to have a material impact on the presentation of the Company's financial position and results of operations.

On May 28, 2014, the IASB issued International IFRS 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Company is currently assessing the potential impact of the adoption of IFRS 15 on the Company's consolidated financial statements.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on CMX's website: [www.cmxgoldandsilver.com](http://www.cmxgoldandsilver.com).