

# 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, 2019 and 2018 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, 2019 and 2018.

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 30, 2019. 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 focus is the development of its 100%-owned Clayton property located in Idaho, U.S.A., with the primary focus being to determine the feasibility of reactivating the mine. The Clayton property has historically produced silver, lead and zinc with minor gold. The property is held by CMX's wholly-owned subsidiary, CMX Gold & Silver (USA) Corp.

In Canada, the Company's shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol "CXC", and in the USA, the Company's shares trade on the OTC Markets under the trading symbol "CXXMF".

## 2019 OVERVIEW

The Company's strategy is to proceed with work programs on the Clayton Silver Property, including further sampling of the mine dump, geophysical work on the mine site to delineate future drilling targets and preliminary engineering on the refurbishment of the mill.

To carry out further programs on the Clayton property the Company is pursuing several funding programs. CMX has made significant progress attracting a strategic investor to provide multi-year funding for the Clayton project. Although there is no certainty that the financing efforts will be successful, the Company's goal is to secure funds during the current period for work programs on the Clayton property commencing in summer 2019.

On January 17, 2019, 375,500 warrants exercisable at \$0.20 per share expired.

Effective January 31, 2019, the convertible debentures maturity date was further extended to January 31, 2020.

On February 18, 2019, the Company extended the expiry date of 660,000 warrants exercisable at \$0.20 per share expiring on March 4, 2019. The new expiry date is September 4, 2019.

On February 18, 2019, the Company extended the expiry date of 3,275,000 Warrants exercisable at \$0.20 per share expiring April 16, 2019. The new expiry date is October 16, 2019.

## RESULTS OF OPERATIONS

During the three-month period ended March 31, 2019 the company realized a loss before financing expenses of \$42,375 compared to a loss before financing expenses of \$47,973 in 2018, resulting in a decrease of \$5,598. The Company's focus during the period continued to be on raising funds to facilitate the commencement of programs on the Clayton property with the major expenditures during the period relating to these efforts. The following table itemizes the net loss from operations for the three months ended March 31, 2019 and 2018.

### SCHEDULE OF LOSS BEFORE FINANCING EXPENSES

For the three months ended March 31,	2019	2018
Management fees	\$ 28,840	\$ 30,410
General and administrative	7,645	11,502
Listing and filing fees	3,117	3,773
Loss (gain) on foreign exchange	1,241	(278)
Professional fees	735	520
Mineral property expenditures	497	410
Shareholder reporting & investor communications	300	1,636
Loss before financing income (expenses)	\$ 42,375	\$ 47,973

## EXPLORATION AND EVALUATION ASSETS

### Clayton 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 has compiled and comprehensively reviewed available historical drilling and mining information for the Clayton Mine and the Clayton Silver Property. Information available in the public domain was obtained from both the United States and Idaho Geological Surveys. Several sub-surface mine plans were 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 meters) below surface and is comprised of approximately 6,000 meters (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 tonnage 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 November 23, 2015, CMX filed on SEDAR a NI 43-101 compliant technical report dated March 7, 2013 for Clayton.

### Clayton Evaluation Program

In August 2014, representatives of the Company collected a total of 95 samples from 19 locations, including 16 locations on the Mine 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 Mine Dump samples confirmed the presence of a suite of metals of potential interest. Panning of material from the Mine 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.

### **Clayton 2019 Work Programs**

The Company is planning, during the third quarter of 2019 (funding dependent), to carry out geophysical work on the property to pinpoint drill locations for an immediate follow-up drilling program to delineate the resource potential of the known mineralized systems identified and referred to as the South and North Ore Bodies in the old mine workings. The Company will also drill locations to identify other mineralized zones adjacent to the known structures. CMX has concluded that very little geophysics was done on the property historically.

Management is also planning a more detailed follow-up sampling program commencing in fall 2019 to assess the economic potential of the Mine Dump. The program will include drilling in a grid pattern over the mine dump to recover multiple samples from each location. The Mine Dump is estimated to contain greater than 500,000 tonnes of metal-bearing material readily available for immediate processing. Upon completion of the detailed sampling and conditional on satisfactory results, CMX intends to proceed with a preliminary economic assessment (PEA) specifically for the mine dump.

### **SUMMARY OF QUARTERLY RESULTS**

	2019		2018		2017			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Loss (profit) before financing costs	\$42,375	\$(123,709)	\$36,323	\$45,848	\$47,973	\$66,016	\$38,958	\$71,236
Loss (profit) before financing costs on a per share basis	0.001	(0.003)	0.001	0.001	0.001	0.002	0.001	0.002
Net loss (profit)	\$57,353	\$(209,432)	\$66,411	\$76,499	\$76,298	\$100,571	\$40,982	\$89,843
Net loss (profit) on a per share basis	0.002	(0.006)	0.002	0.002	0.002	0.003	0.001	0.003

### **LIQUIDITY AND CAPITAL RESOURCES**

The net loss from operations for the three-month period ended March 31, 2019 was funded through the issuance of debt. As of March 31, 2019, the Company had a net working capital deficiency of \$1,087,939 (2018 - \$508,075). 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 the planned 2019 programs on Clayton (see "EXPLORATION AND EVALUATION ASSETS").

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

Sampling, drilling, exploration and site preparation work on the Clayton property (funding dependent)	\$ 1,500,000
General and administrative	<u>300,000</u>
Total estimated cash requirements	<u>\$ 1,800,000</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 at some future date. 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 currently has the following yearly commitments:

Clayton property: \$2,200 for property taxes and claims fees

These commitments will change if the Company acquires other property or completes further claim staking.

## **SUBSEQUENT EVENTS**

There were no subsequent events.

## **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 period ended March 31, 2019 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 30, 2019

Common Shares Issued and Outstanding	36,265,724
Warrants Outstanding	21,458,740

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2016	21,908,740	\$ 0.18
Issued by offering memorandum	346,500	\$ 0.20
Issued for debt	29,000	\$ 0.20
Balance, December 31, 2017	22,284,240	\$ 0.18
Issued for cash	2,050,000	\$ 0.10
Expired warrants	(2,500,000)	\$ 0.25
Expired warrants	(375,500)	\$ 0.20
Balance, May 30, 2019	21,458,740	\$ 0.165

Warrants Outstanding and Exercisable	Exercise Price -CAD	Expiry Date
10,231,740	\$0.15	June 30, 2019
660,000	\$0.20	September 4, 2019
500,000	\$0.20	September 16, 2019
750,000	\$0.10	October 9, 2019
1,185,000	\$0.20	October 9, 2019
3,275,000	\$0.20	October 16, 2019
500,000	\$0.20	November 7, 2019
107,000	US\$0.15	November 7, 2018
1,100,000	\$0.20	November 24, 2019
1,000,000	\$0.20	November 28, 2019
100,000	\$0.20	January 11, 2020
2,050,000	\$0.10	February 23, 2021
21,458,740	\$0.165	

### 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	2,700,000	\$0.10	2019	0.50 years
\$0.105	500,000	\$0.105	2020	1.11 years
	3,200,000	\$0.101		0.60 years

### TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2019, the Company incurred management fees of \$24,840 (2018 - \$26,410) to a corporation controlled by the spouse of a director of the Company. These fees are unpaid and included in due to related parties.

During the three months ended March 31, 2019, the Company incurred management fees of \$4,000 (2018 - \$4,000) to the CFO of the Company. These fees are unpaid and included in due to related parties.

During the three months ended March 31, 2019, the Company incurred consulting fees of \$7,645 (2018 - \$11,248) to the consulting accountant of the Company. These fees are unpaid and included in due to related parties.

During the three-month period, related parties made cash payments to the Company of \$442 (2018 – received cash payments from the Company of \$102,528).

During the three-month period \$11,716 (2018 - \$16,636) of related party interest was accrued and recorded to financing expenses. Related party debt bears an interest rate of 6% per annum.

During the year ended December 31, 2018, the Company completed private placements totaling \$205,000 of which \$100,000 were with related parties with the issuance of 1,000,000 units, each unit consisting of one common share and one common share purchase warrant exercisable at \$0.10 per share. These transactions were initially measured at fair value.

### 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 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, 2019		March 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 214	\$ 214	\$ 10,721	\$ 10,721
Trade and other receivables	-	-	2,542	2,542
	\$ 214	\$ 214	\$ 13,263	\$ 13,263
<b>Financial liabilities</b>				
Trade and other payables	\$ 141,507	\$ 141,507	\$ 86,033	\$ 86,033
Subscriptions received	22,035	22,035	22,035	22,035
Due to related parties	579,530	579,530	419,167	419,167
Long-term debt	-	-	251,933	251,933
Convertible debentures	356,679	356,679	335,459	335,459
<b>FVTPL</b>				
Derivative financial instruments	429	429	2,815	2,815
	\$ 1,100,180	\$ 1,100,180	\$ 1,117,442	\$ 1,117,442

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 fair value of the due to related parties and long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follow:

- Level 1 – quoted prices in active markets for identical assets or liabilities; and
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are unobservable and significant to the overall fair value measurement.

Derivative financial instruments are included in Level 2.

Cash and cash equivalents are included in Level 1. Due to related parties, long-term debt, convertible debentures and derivative financial instruments are included in Level 2.

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, 2019, the Company had a net working capital deficiency of \$1,087,939 (2018 - \$508,075). 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.

The following amounts are the contractual maturities of financial liabilities and other commitments as at March 31, 2019:

	Total	1 year	2 – 5 years
Trade and other payables	\$ 141,507	\$ 141,507	\$ -
Subscriptions received	22,035	22,035	-
Due to related parties	579,530	579,530	-
Convertible debentures	356,679	356,679	-
	\$ 1,099,751	\$ 1,099,751	\$ -

**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 U.S. dollar and the Canadian dollar would not have a significant effect on the Company liquidity or working capital. The Company is exposed to currency risk as its exploration property is denominated in US dollars. A 5% appreciation in the US currency would result in a gain of \$34,513 in other comprehensive income and a 5% depreciation in the US currency would result in a loss of \$32,869 in other comprehensive income.

**CAPITAL MANAGEMENT**

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 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.

CMX is an early stage mining company which involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently will not earn any revenue from its mineral properties and therefore will not generate cash flow from operations. The Company's primary source of funds will come from the issuance of capital stock.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments.

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the Company. The Company's long-term debt is held by related parties or shareholders and CMX is not subject to externally imposed capital requirements. There have been no changes in the Company's capital management in the current year.

**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).