

**CMX GOLD & SILVER CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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 March 31, 2019. 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, 2018.

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31, 2019 (unaudited)	December 31, 2018 (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 214	\$ 903
Trade and other receivables	-	-
Prepaid expenses	12,027	12,027
	12,241	12,930
Exploration and evaluation (note 5)	690,251	704,659
	\$ 702,492	\$ 717,589
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	\$ 141,507	\$ 135,219
Subscriptions received (note 6)	22,035	22,035
Due to related parties (note 7)	579,530	533,856
Convertible debentures to related parties (notes 7 and 8)	231,007	-
Convertible debentures (note 8)	125,672	-
Derivative financial instruments (note 9)	429	1,499
	1,100,180	692,609
Convertible debentures to related parties (notes 7 and 8)	-	227,634
Convertible debentures (note 8)	-	124,603
Total liabilities	1,100,180	1,044,846
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (note 10)	3,997,253	3,997,253
Warrants (note 13)	621,572	637,117
Contributed surplus (note 11)	500,098	484,553
Accumulated other comprehensive loss	173,518	186,596
Deficit	(5,690,129)	(5,632,776)
Total shareholders' deficiency	(397,688)	(327,257)
	\$ 702,492	\$ 717,589

Going concern (note 1)  
Commitments (note 18)  
Subsequent events (note 19)

Approved on behalf of the Board

/s/ "Bruce J. Murray"

/s/ "Jan M. Alston"

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

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

For the three months ended March 31,	2019	2018
<b>Expenses</b>		
Management fees (note 7)	\$ 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 (note 5)	497	410
Shareholder reporting and investor communications	300	1,636
	<u>42,375</u>	<u>47,973</u>
Loss before financing expenses	(42,375)	(47,973)
<b>Financing income (expenses)</b>		
Interest income	-	2
Related party, long-term and debenture interest (notes 7 and 8)	(14,245)	(27,942)
Bank charges	(870)	(1,273)
Gain (loss) on revaluation of related party long-term debt (note 7)	(933)	145
Change in fair value of derivative instrument (note 9)	1,070	743
	<u>(57,353)</u>	<u>(76,298)</u>
Net loss for the three-month period	(57,353)	(76,298)
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to net income or loss		
Exchange difference on translating foreign operation	(13,078)	23,793
	<u>(13,078)</u>	<u>23,793</u>
Total comprehensive income (loss)	\$ (70,431)	\$ (52,505)
<b>Basic and diluted loss per share</b>		
	\$ (0.002)	\$ (0.002)
<b>Weighted average number of shares outstanding – basic and diluted</b>		
	36,265,724	35,081,280

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		Warrants	Accumulated other comprehensive income	Contributed Surplus	Deficit	Total
	#	\$					
Balance December 31, 2017	34,215,724	\$ 3,876,699	\$ 601,436	\$ 130,385	\$ 435,788	\$ (5,623,000)	\$ (578,692)
Shares issued for cash (notes 10 and 13)	2,050,000	120,554	84,446	-	-	-	205,000
Expired warrants (note 13)	-	-	(48,765)	-	48,765	-	-
Net loss for the year	-	-	-	-	-	(9,776)	(9,776)
Exchange difference on translating foreign operation	-	-	-	56,211	-	-	56,211
Balance December 31, 2018	36,265,724	\$ 3,997,253	\$ 637,117	\$ 186,596	\$ 484,553	\$ (5,632,776)	\$ (327,257)
Expired warrants (note 13)	-	-	(15,545)	-	15,545	-	-
Net loss for the three-month period	-	-	-	-	-	(57,353)	(57,353)
Exchange difference on translating foreign operation	-	-	-	(13,078)	-	-	(13,078)
Balance March 31, 2019	36,265,724	\$ 3,997,253	\$ 621,572	\$ 173,518	\$ 500,098	\$ (5,690,129)	\$ (397,688)

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

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,	2019	2018
Cash flow used in operating activities		
Net loss	\$ (57,353)	\$ (76,298)
Items not affecting cash		
Management fees (note 7)	28,840	30,410
Related party, long-term and debenture interest (notes 7 and 8)	14,245	27,811
General and administrative (note 7)	7,645	-
Loss (gain) on foreign exchange	1,241	(278)
Loss (gain) on revaluation of related party long-term debt (note 7)	933	(145)
Change in fair value of derivative instrument (note 9)	(1,070)	(743)
Changes in non-cash working capital items (note 14)	4,830	(119,696)
	<u>(689)</u>	<u>(138,939)</u>
Cash flows generated from financing activities		
Share issuance (note 10)	-	205,000
Cash payments to related parties (note 7)	-	(55,533)
	<u>-</u>	<u>149,467</u>
Net change in cash and cash equivalents	(689)	10,528
Cash and cash equivalents, beginning of year	903	193
Cash and cash equivalents, end of three-month period	\$ 214	\$ 10,721

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

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2019 and 2018

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CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 pursuant to the laws of the Province of Alberta, Canada and changed its name from Enee Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name to CMX Gold & Silver Corp. on February 11, 2011. The Company is designated as a "reporting issuer" pursuant to the Alberta Securities Act and Regulations. The Company is listed on the Canadian Securities Exchange under the trading symbol "CXC". The Company is a junior mining company with a silver-lead-zinc property in the United States of America. The registered office of the Company is:

CMX Gold & Silver Corp.  
c/o Dentons Canada LLP  
15<sup>th</sup> Floor, Bankers Court  
850 – 2<sup>nd</sup> Street SW  
Calgary, Alberta  
Canada T2P 0R8

The consolidated financial statements were authorized for issuance by the Board of Directors on May 30, 2019.

**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 three months ended March 31, 2019, the Company incurred a net loss of \$57,353 (2018 - \$76,298). As a result of the recurring losses over the Company's history, the Company has an accumulated deficit of \$5,690,129 as at March 31, 2019 (2018 - \$5,699,298). At March 31, 2019, the Company had a working capital deficiency of \$1,087,939 (2018 - \$508,075). 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. As a result of these circumstances there is material uncertainty that may cast significant doubt about the Company's ability 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 issuance.

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.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**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 (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee.

**Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments which have been accounted for at fair value.

**Functional and presentation currency**

The functional currency of the Company is Canadian dollars, and all amounts are presented in Canadian dollars unless otherwise stated. The functional currency of the Company’s wholly owned subsidiary, CMX Gold & Silver (USA) Corp., is the US dollar.

**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. Management annually assesses the carrying value of the capitalized assets for impairment.

The Company must make use of estimates in calculating the fair value of warrant issuances and share-based payments. Amounts recorded for warrants issuances and 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 warrant or option life. Forfeiture rate is determined based on actual historical forfeitures.

The fair values of derivative financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

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.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2019 and 2018

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#### 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:

##### **Basis of consolidation**

These consolidated financial statements include the accounts of CMX Gold & Silver Corp. and its wholly-owned subsidiary, CMX Gold & Silver (USA) Corp. A subsidiary is fully consolidated from the date on which control is obtained and is de-consolidated from the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

##### **Financial instruments**

The Corporation records financial instrument in accordance with *IFRS 9 Financial Instruments*, which the result of the first phase of the International Accounting Standards Board ("IASB") project 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 cost and fair value.

In accordance with IFRS 9 on initial recognition, a financial asset is classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Purchases and sales of financial assets are recorded on a settlement date basis.

All financial instruments are initially recorded at their fair value. After initial recognition, all investments are measured at fair value. All gains and losses arising from changes in fair value of the investments are presented in comprehensive loss within changes in unrealized depreciation/appreciation of investments in the period in which the gains and losses arise. The Corporation would only reclassify a financial asset when the Corporation changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

- i) Financial assets classified at fair value through profit and loss  
Financial assets are classified as FVTPL if the asset is an equity investment, if the Corporation has not elected to classify the equity investment as FVOCI, or if the Corporation's business model for holding the investment is achieved other than by both collecting contractual cash flows and by selling the assets.

FVTPL assets are initially recorded at fair value with realized gains and losses on disposition and subsequent changes in fair value recorded in net income. Directly attributable transaction costs are reported in net income as incurred

- ii) Non-derivative financial liabilities

Non-derivative financial liabilities are recognized initially on the date the Corporation becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value along with directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost using the effective interest rate method.

The following table presents the Corporation's classification of financial assets and financial liabilities as at March 31, 2019:

<b>Financial assets/ financial liability</b>	<b>Classification</b>
Cash	FVTPL
Trade and other payable	Amortized cost
Subscription received	Amortized cost
Due to related parties	Amortized cost
Trade and other receivables	Amortized cost
Long-term debt	Amortized cost
Convertible debentures	Amortized cost
Derivative financial instruments	FVTPL

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2019 and 2018

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Compound instruments**

Convertible debentures are considered to be a compound instrument that can be converted into common shares of the Company at the option of the holder. The equity component of the instrument is recognized in contributed surplus and the fair value component is recognized as a liability. Subsequent to initial recognition interest is accrued using the effective interest method.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model for calculating impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Company applied the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables. No change in measurement related to these items was recorded on the prior year comparative information, as there was no material impact.

**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 of disposal and its value in use.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

Fair value less costs of disposal 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.

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.

**Income taxes**

Income tax is recognized in operations except to the extent that it relates to items recognized directly in equity, in which case, the income tax is recognized directly in equity. Current taxes for the current and prior periods are measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the liability method of accounting for deferred taxes. Under this method deferred taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in the operations or in shareholders' equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**Revenue recognition**

As required, the Company adopted IFRS 15 as of January 1, 2018. IFRS 15 replaces existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers.

IFRS 15 requires that revenue be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Revenue recognition**

As required, the Company adopted IFRS 15 as of January 1, 2018. IFRS 15 replaces existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers.

IFRS 15 requires that revenue be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company completed an assessment of the impact of IFRS 15. As the Company is only generating interest revenues, this standard has no impact on the consolidated financial statements. 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 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 classified as equity**

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 year. 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 year. In net loss per share situations, the dilutive per share amount is the same as that for basic, as all instruments are anti-dilutive.

CMX GOLD & SILVER CORP.  
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**5. EXPLORATION AND EVALUATION ASSETS**

Total expenditures on exploration and evaluation properties capitalized:

Balance at December 31, 2017	\$ 647,993
Foreign exchange effect	56,666
Balance at December 31, 2018	704,659
Foreign exchange effect	(14,408)
Balance at March 31, 2019	690,251

In 2010, the Company purchased the Clayton Mine property consisting of 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. In 2015, the Company staked 6 unpatented claims.

Exploration expenditures Clayton	– balance December 31, 2017	\$ 322,900
	– 2018 expenditures	3,674
	– balance December 31, 2018	326,574
	– 2019 expenditures	497
Total expenditures to March 31, 2019:		\$ 327,071

**6. SUBSCRIPTIONS RECEIVED**

During 2017, the Company received US\$16,875 (CAN\$22,035) under the Company’s US Regulation A offering and \$10,000 from a Canadian investor. During 2018, the Company issued 100,000 shares related to the Canadian investor (see note 10). The shares related to the Regulation A offering have not been issued as at March 31, 2019.

**7. DUE TO 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 (see note 10 and 13). These transactions were initially measured at fair value.

**8. CONVERTIBLE DEBENTURES**

On January 11, 2016, the Company issued two-year convertible debentures in exchange for \$295,641 in amounts due to related parties and long-term debt. No principal repayments were due until the maturity date of January 31, 2018. Interest will accrue at a rate of 6% per annum from January 11, 2016, payable every quarter commencing March 31, 2016. Any unpaid interest will be compounded on the interest payment due date.

The convertible debentures are convertible at the holder’s option into common shares of the Company at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption thereof, at the conversion price, being \$0.125 for one common share.

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**8. CONVERTIBLE DEBENTURES, continued**

The convertible debentures are a compound financial instrument. The fair value of the liability component was calculated at \$241,955 utilizing a 15.7% market interest rate. The residual balance of \$53,686 represented the equity component of the debenture and was recorded in contributed surplus net of tax of \$14,495.

On December 30, 2017, the convertible debentures maturity date was extended to January 31, 2019 and effective January 31, 2019, was further extended to January 31, 2020. The extension of the maturity date was determined not to be a substantial modification of the terms and therefore was not accounted for as an extinguishment.

**9. DERIVATIVE FINANCIAL INSTRUMENTS**

Under the terms of a shares for debt settlement agreement, the company issued warrants to purchase 107,000 shares exercisable for two years at an exercise price of US\$0.15 per share expiring November 7, 2018 (see note 14). During the year ended December 31, 2018, the Company extended the expiry date to November 7, 2019. As the price is denominated in US dollars and therefore not fixed in the reporting currency of the Company, the warrants are classified as derivative financial instruments.

	Initial recognition November 7, 2017	Fair value at December 31, 2018	Changes in fair value	Fair value at March 31, 2019
107,000 Warrants issued	\$ 6,793	\$ 1,499	\$ 1,070	\$ 429

A pricing model with observable market-based inputs was used to estimate the fair value of the warrants using the following assumptions as at March 31, 2019: an exercise price of US\$0.19, 0.61 years, a risk-free interest rate of 1.55% and volatility of 143%.

**10. 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 a 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 December 31, 2018 or March 31, 2019.

**In 2018:**

On February 23, 2018, the Company issued 2,050,000 units at \$0.10 per unit for gross proceeds of \$205,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.10 per share, expiring February 23, 2021.

The total number of shares outstanding as at March 31, 2019 is 36,265,724 (2018 – 36,265,724).

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**11. CONTRIBUTED SURPLUS**

Balance at December 31, 2017	\$	435,788
Expired warrants (note 13)		48,765
Balance at December 31, 2018		484,553
Expired warrants (note 13)		15,545
Balance at March 31, 2019	\$	500,098

**12. 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.

Exercise price (per option)	Number of options outstanding and exercisable	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

**13. WARRANTS**

**In 2018:**

Warrants to purchase 2,050,000 common shares at \$0.10 per share, having an expiration date of February 23, 2021 were issued as part of a private placement completed on February 23, 2018. These warrants have been valued at \$93,927.

Warrants to purchase 2,500,000 common shares at US\$0.25 expired May 28, 2018 valued at \$48,765.

On June 5, 2018, the Company extended the expiry date of 10,231,740 warrants exercisable at \$0.15 per share expiring on June 30, 2018. The new expiry date is June 30, 2019.

On September 20, 2018, the Company extended the expiry date of 750,000 warrants exercisable at \$0.10 per share expiring on October 9, 2018. The new expiry date is October 9, 2019.

On September 20, 2018, the Company extended the expiry date of 1,185,000 warrants exercisable at \$0.20 per share expiring on October 9, 2018. The new expiry date is October 9, 2019.

On September 20, 2018, the Company extended the expiry date of 500,000 warrants exercisable at \$0.20 per share expiring on November 7, 2018. The new expiry date is November 7, 2019.

On September 20, 2018, the Company extended the expiry date of 107,000 warrants exercisable at US\$0.15 per share expiring on November 7, 2018. The new expiry date is November 7, 2019.

On September 20, 2018, the Company extended the expiry date of 1,100,000 warrants exercisable at \$0.20 per share expiring on November 24, 2018. The new expiry date is November 24, 2019.

On September 20, 2018, the Company extended the expiry date of 1,000,000 warrants exercisable at \$0.20 per share expiring on November 28, 2018. The new expiry date is November 28, 2019.

On September 20, 2018, the Company extended the expiry date of 100,000 warrants exercisable at \$0.20 per share expiring on January 11, 2019. The new expiry date is January 11, 2020.

**In 2019:**

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

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.

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**13. WARRANTS continued**

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2017	21,801,740	\$0.18
Issued with private placements	2,050,000	\$0.10
Expired warrants	(2,500,000)	\$0.25
Balance, December 31, 2018	21,727,240	\$0.164
Expired warrants	(375,500)	\$0.20
Balance, March 31, 2019	21,351,740 <sup>(1)</sup>	\$0.164

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
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
21,351,740 <sup>(1)</sup>	\$0.164	

<sup>(1)</sup> Warrants issued does not include the 107,000 warrants issued in US dollars that are treated as a derivative financial instrument (see note 9).

Weighted average contractual life remaining of warrants at March 31, 2019 is 0.544 years.

**14. 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.

	2019	2018
Trade and other receivables	\$ -	\$ (1,239)
Trade and other payables	4,388	(92,458)
Subscriptions received	-	(10,000)
Due to related parties	442	(15,999)
	\$ 4,830	\$ (119,696)

**15. SEGMENTED INFORMATION**

The Company has the following geographical segments:

	Canada	United States	Total
	March 31, 2019		
Identifiable assets	\$ 12,241	\$ 690,251	\$ 702,492
Exploration expenditures	-	497	497
	March 31, 2018		
Identifiable assets	25,290	665,955	691,245
Exploration expenditures	\$ -	\$ 410	\$ 410

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**16. 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, 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, subscriptions received and trade and other payables approximate its fair value due to their short-term nature. The fair value of the due to related parties, long-term debt and convertible debentures 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.

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.

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**16. FINANCIAL INSTRUMENTS, continued**

**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 (see note 1 ).

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 US 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 US 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. The Company is exposed to currency risk as its the functional currency of its subsidiary is 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.

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**17. 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 year.

**18. COMMITMENTS**

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.

**19. SUBSEQUENT EVENTS**

There were no subsequent events.