

**CMX GOLD & SILVER CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

To the Shareholders of CMX Gold & Silver Corp.:

## Opinion

We have audited the consolidated financial statements of CMX Gold & Silver Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a consolidated net loss during the year ended December 31, 2020 and, as of that date, the Company's consolidated current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

July 26, 2021

*MNP* LLP

Chartered Professional Accountants

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 233	\$ 5,022
Exploration and evaluation (note 6)	657,646	670,885
	\$ 657,879	\$ 675,907
<b>LIABILITIES</b>		
Current		
Trade and other payables	\$ 214,960	\$ 160,727
Subscriptions received (note 7)	31,486	21,918
Due to related parties (note 8)	868,683	751,644
Debentures to related parties (notes 8 and 9)	255,821	241,316
Debentures (note 9)	139,172	131,281
Total liabilities	1,510,122	1,306,886
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (note 11)	4,001,253	4,001,253
Warrants (note 13)	84,445	87,920
Contributed surplus (note 14)	1,056,272	1,052,797
Accumulated other comprehensive loss	140,362	152,972
Deficit	(6,134,575)	(5,925,921)
Total shareholders' deficiency	(852,243)	(630,979)
	\$ 657,879	\$ 675,907

Going concern (note 2)  
Commitments (note 20)  
Subsequent events (note 21)

Approved on behalf of the Board of Directors

/s/ "Bruce J. Murray"

/s/ "Jan M. Alston"

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

For the years ended December 31,	2020	2019
<b>Expenses</b>		
Management fees (note 8)	\$ 56,385	\$ 111,053
Professional fees	30,000	32,097
General and administrative	24,384	41,852
Listing and filing fees	10,389	17,396
Mineral property expenditures (note 8)	4,728	4,600
Shareholder reporting and investor communications	915	15,226
Loss (gain) on foreign exchange	22	(96)
Share-based payments (notes 12 and 14)	-	19,047
	<u>126,823</u>	<u>241,175</u>
Loss before financing expenses	(126,823)	(241,175)
<b>Financing income (expenses)</b>		
Other income	-	20,000
Related party and debenture interest (notes 8 and 9)	(61,794)	(51,787)
Bank charges and third party interest	(20,037)	(21,682)
Change in fair value of derivative instrument (note 10)	-	1,499
Net loss for the year	(208,654)	(293,145)
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to net income or loss		
Exchange difference on translating foreign operation	(12,610)	(33,624)
Total loss and comprehensive loss for the year	\$ (221,264)	\$ (326,759)
<b>Basic and diluted loss per share</b>		
	\$ (0.006)	\$ (0.009)
<b>Weighted average number of shares outstanding – basic and diluted</b>		
	36,305,724	36,279,971

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, 2018	36,265,724	\$ 3,997,253	\$ 637,117	\$ 186,596	\$ 484,553	\$ (5,632,776)	\$ (327,257)
Shares issued for debt (note 11)	40,000	4,000	-	-	-	-	4,000
Expired warrants (note 13)	-	-	(549,197)	-	549,197	-	-
Net loss for the year	-	-	-	-	-	(293,145)	(293,145)
Share-based payments (note 14)	-	-	-	-	19,047	-	19,047
Exchange difference on translating foreign operation	-	-	-	(33,624)	-	-	(33,624)
Balance December 31, 2019	36,305,724	\$ 4,001,253	\$ 87,920	\$ 152,972	\$ 1,052,797	\$ (5,925,921)	\$ (630,979)
Expired warrants (note 13)	-	-	(3,475)	-	3,475	-	-
Net loss for the year	-	-	-	-	-	(208,654)	(208,654)
Exchange difference on translating foreign operation	-	-	-	(12,610)	-	-	(12,610)
Balance December 31, 2020	36,305,724	\$ 4,001,253	\$ 84,445	\$ 140,362	\$ 1,056,272	\$ (6,134,575)	\$ (852,243)

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

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2020	2019
Cash flow used in operating activities		
Net loss	\$ (208,654)	\$ (293,145)
Items not affecting cash		
Management fees (note 8)	56,385	111,052
General and administrative	23,595	37,040
Related party and debenture interest (notes 8 and 9)	76,070	64,790
Share-based payments (note 14)	-	23,047
Gain on foreign exchange	22	(96)
Change in fair value of derivative instrument (note 10)	-	(1,499)
Changes in non-cash working capital items (note 15)	56,186	41,330
	3,604	(17,481)
Cash flows generated from financing activities		
Cash payments from related parties (note 8)	14,700	93,200
Cash advances to related parties (note 8)	(33,093)	(71,600)
Subscriptions received	10,000	-
	(8,393)	21,600
Net change in cash and cash equivalents	(4,789)	4,119
Cash and cash equivalents, beginning of year	5,022	903
Cash and cash equivalents, end of year	\$ 233	\$ 5,022

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

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

Year ended December 31, 2020 and 2019

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**1. NATURE OF OPERATIONS**

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 Encee 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.  
31 Stranraer Place SW  
Calgary, Alberta  
  
Canada T3H 1H5

The consolidated financial statements were authorized for issuance by the Board of Directors on July 26, 2021.

COVID-19 had a major negative effect on the Company in 2020. Due to the negative economic effects of COVID-19 and the restrictions put in place by governments around the world, the Company was unable to close the reverse take-over ("RTO") transaction that had been announced on June 28, 2019. The Company had at that time requested a halt in trading pending the closing of the transaction and the Company was unable to recommence trading once the Company was informed that the RTO transaction would not be completed. This put the Company in a position where it could not raise funds to complete the annual audits resulting in the Company being unable to file its annual financial statements, which caused the issuance of a cease trade order on June 22, 2020.

As disclosed in the subsequent events (Note 21), the Company has initiated the process to complete a revocation of the cease trade order and expects to be in a position to move forward with the Company's exploration efforts in the 4<sup>th</sup> quarter of 2021.

The Company continues to be affected by the restrictions in place due to COVID-19 with respect to management travel to the property but anticipates an easing of these restrictions as we move through 2021.

Other than as disclosed above, the Company does not anticipate any further negative effects from COVID-19 for the remainder of 2021, although determining what will happen past 2021 is impossible due to the inability to predict future outbreaks of COVID-19.

**2. 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 year ended December 31, 2020, the Company incurred a net loss of \$208,654 (2019 - \$293,145). As a result of the recurring losses over the Company's history, the Company has an accumulated deficit of \$6,134,575 as at December 31, 2020 (2019 - \$5,925,921). At December 31, 2020, the Company had a working capital deficiency of \$1,509,889 (2019 - \$1,301,864). 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.



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

Year ended December 31, 2020 and 2019

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**2. GOING CONCERN, continued**

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.

**3. 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.

**4. 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 Company's ability to execute its strategy as a going concern by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

The determination of the Company's functional currency requires management's 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.

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

Year ended December 31, 2020 and 2019

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**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS, continued**

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.

**5. 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*.

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. There has been no reclassification for the year ended December 31, 2020, or 2019.

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 December 31, 2020 and 2019:

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

Year ended December 31, 2020 and 2019

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**5. SIGNIFICANT ACCOUNTING POLICIES, continued**

<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

**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**

The Company applies 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

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

Year ended December 31, 2020 and 2019

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**5. SIGNIFICANT ACCOUNTING POLICIES, continued**

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.

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.

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

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**5. SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 terms of expiry 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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**6. EXPLORATION AND EVALUATION ASSETS**

Total expenditures on exploration and evaluation properties capitalized:	
Balance at December 31, 2018	\$ 704,659
Foreign exchange effect	(33,774)
Balance at December 31, 2019	<u>670,885</u>
Foreign exchange effect	(13,239)
Balance at December 31, 2020	<u>\$ 657,646</u>

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.

The following table shows exploration expenditures to date on the Clayton property. These expenditures are expensed in the year that they occur.

Exploration expenditures Clayton	– balance December 31, 2018	\$ 326,574
	– 2019 expenditures	<u>4,600</u>
	– balance December 31, 2019	331,174
	– 2020 expenditures	<u>4,728</u>
	Total expenditures to December 31, 2020	<u>\$ 335,902</u>

**7. SUBSCRIPTIONS RECEIVED**

During 2017, the Company received US\$16,875 (CAN\$21,486) under the Company's US Regulation A offering. The Regulation A offering expired without the issuance of shares. The Company will refund the subscriptions. During 2020, the Company received a subscription from a Canadian investor to purchase 200,000 shares for gross proceeds of \$10,000. The shares have not been issued as at December 31, 2020

**8. DUE TO RELATED PARTIES**

During the year ended December 31, 2020, the Company incurred management fees of \$46,305 (2019 - \$70,053) 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 year ended December 31, 2020, the Company incurred management fees of \$10,080 (2019 – 25,000) to the President of the Company.

During the year ended December 31, 2020, the Company incurred consulting fees of \$23,595 (2019 - \$35,090) to the consulting accountant of the Company. These fees are unpaid and included in due to related parties.

During the year ended December 31, 2020, related parties received cash payments of \$10,077 (2019 – related parties advanced cash payments to the Company of \$39,751).

During the year ended December 31, 2020, \$61,413 (2019 - \$53,127) of related party interest was accrued and recorded to financing expenses. Related party debt bears an interest rate of 6% per annum and is due on demand.

During the year ended December 31, 2020, the Company incurred management fees of \$nil (2019- \$16,000) to the CFO of the Company. These fees are unpaid and included in due to related parties.

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**9. 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.

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 January 31, 2018, 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.

On January 31, 2020, the conversion factor expired, and the principal and interest portions of the debentures were due and payable.

**10. 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 13). 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 were classified as derivative financial instruments.

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

The warrants expired unexercised on November 7, 2019.

**11. SHARE CAPITAL**

Authorized

Common voting shares:

The common shares are entitled to dividends in such amounts as the Directors may from time to time declare and, in the event of liquidation, dissolution or winding-up of the Company, are entitled to share pro rata in the assets of the Company.

Series A voting preferred shares:

Non-cumulative annual dividend at 8% of the issued price

Convertible into two Common voting shares

Redeemable at the issue price

Series B voting preferred shares:

Non-cumulative annual dividend at 8% of the issued price

Convertible into two Common voting shares

Redeemable at a price of \$10 per share

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**11. SHARE CAPITAL, continued**

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, 2019 or December 31, 2020.

**In 2019:**

On August 23, 2019, the Company issued 40,000 common shares in settlement of \$4,000 in trade payables debt.

The total number of shares outstanding as at December 31, 2020 is 36,305,724 (2019 – 36,265,724).

**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.

Options to purchase 2,700,000 shares at \$0.10 per share expired unexercised on September 30, 2019.

Options to purchase 500,000 shares at \$0.105 per share expired unexercised on May 8, 2020.

On December 3, 2019, the Company issued options to purchase 2,700,000 shares at \$0.10 per share with an expiry date of December 3, 2020. These options expired unexercised on December 3, 2020. The fair value of the options was estimated to be \$19,047 recognized in 2019.

The Company estimated the fair value of the options issued in 2019 using the Black-Scholes option pricing model with the following assumptions: vesting immediately, a risk-free interest rate (per Bank of Canada) of 1.48%, zero forfeiture rate and volatility of 96%.

The Company had no options outstanding as at December 31, 2020.



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**13. WARRANTS**

**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.

On June 14, 2019, the Company extended the expiry date of 10,231,740 Warrants exercisable at \$0.15 per share expiring June 30, 2019. The new expiry date is November 15, 2019.

On September 4, 2019, 660,000 warrants exercisable at \$0.20 per share expired.

On September 16, 2019. 500,000 warrants exercisable at \$0.20 per share expired.

On October 9, 2019, 750,000 warrants exercisable at \$0.10 per share expired.

On October 9, 2019, 1,185,000 warrants exercisable at \$0.20 per share expired.

On October 16, 2019. 3,275,000 warrants exercisable at \$0.20 per share expired.

On November 7, 2019. 107,000 warrants exercisable at US\$0.15 per share expired.

On November 7, 2019. 500,000 warrants exercisable at \$0.20 per share expired.

On November 15, 2019. 10,231,740,000 warrants exercisable at \$0.15 per share expired.

On November 24, 2019. 1,100,000 warrants exercisable at \$0.20 per share expired.

On November 28, 2019. 1,000,000 warrants exercisable at \$0.20 per share expired.

**In 2020:**

On January 11, 2020, 100,000 warrants exercisable at \$0.20 per share expired.

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2018	21,727,240	\$ 0.164
Expired warrants	(19,577,240)	0.200
Balance, December 31, 2019	2,150,000	0.105
Expired warrants	(100,000)	0.200
Balance, December 31, 2020	2,050,000	\$ 0.100

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
2,050,000	0.10	February 23, 2021

Weighted average contractual life remaining of warrants at December 31, 2020 is 0.16 years.

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**14. CONTRIBUTED SURPLUS**

Balance at December 31, 2018	\$	484,553
Expired warrants (note 12)		549,197
Share based payments		19,047
Balance at December 31, 2019	\$	1,052,797
Expired warrants (note 12)		3,475
Balance at December 31, 2020	\$	1,056,271

**15. SUPPLEMENTAL DISCLOSURES**

**Cash Flow Statement Presentation**

The following table provides a detailed breakdown of certain line items contained within non-cash working capital from operating activities.

	2020	2019
Prepaid expenses	-	12,027
Trade and other payables	48,359	19,766
Due to related parties	7,827	9,537
	\$ 56,186	\$ 41,330

**16. SEGMENTED INFORMATION**

The Company has the following geographical segments:

	Canada	United States	Total
	December 31, 2020		
Total assets	\$ 233	\$ 657,646	\$ 657,879
Exploration expenditures	-	4,727	4,727
	December 31, 2019		
Total assets	\$ 5,022	\$ 670,885	\$ 675,907
Exploration expenditures	-	4,600	4,600

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**17. INCOME TAXES**

- a) The tax provision differs from the amount which would be obtained by applying the combined Canadian federal and provincial statutory income tax rate to the loss as follows:

	2020	2019
Loss for the year before income taxes	\$ (208,654)	\$ (293,217)
Canadian statutory rate	23.99%	26.5%
Anticipated income tax recovery	\$ (50,056)	\$ (77,703)
US tax rate differential	(120)	3
Share based payments	-	5,047
Change in deferred tax asset not recognized	48,180	74,614
Deferred tax recovery	\$ -	\$ -

The statutory tax rate declined from 26.5% to 23.99% due to a reduction in the Alberta corporate tax rate on July 1, 2020.

- b) The Company's deferred tax assets (liabilities) are as follows:

	2020	2019
Convertible debentures	\$ (150)	\$ (23)
Non-capital losses	150	23
Deferred tax asset	\$ -	\$ -

- c) Other than as set out below, the Company does not have any other tax assets available for future use as deductions from taxable income.

The components of the deferred tax balances in Canada are as follows:

	2020	2019
Non-capital loss carryforwards	\$ 4,080,700	\$3,895,241
Allowable capital loss carryforwards	5,142,236	5,142,236
Exploration and evaluation assets	293,359	293,359
Unrecognized deductible temporary differences	\$ 9,453,856	\$9,251,597

The components of the deferred tax balances in the United States are as follows:

	2020	2019
Net operating loss carryforwards	US\$ 22,847	US\$ 18,027

- d) The Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards (\$4,087,203) which can be applied to reduce future years' taxable income in Canada. These losses expire as follows:

2026	\$ 93,935
2027	62,754
2028	242,971
2029	173,002
2030	448,824
2031	299,594
2032	775,149
2033	245,451
2034	283,456
2035	348,526
2036	346,250
2037	275,520
2039	293,567
2040	191,701
	\$ 4,080,700

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**17. INCOME TAXES, continued**

For income tax purposes for the United States, the Company has net operating loss carry-forwards of US \$11,908 that expire between 2033 and 2038, losses of US\$10,939 have no expiry date.

**18. 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	December 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	\$ 233	\$ 233	\$ 5,022	\$ 5,022
	\$ 233	\$ 233	\$ 5,022	\$ 5,022
Financial liabilities				
Trade and other payables	\$ 214,960	\$ 214,960	\$ 160,727	\$ 160,727
Subscriptions received	31,486	31,486	21,918	21,918
Due to related parties	868,683	868,683	751,644	751,644
Debentures – related parties	255,821	255,821	241,316	241,316
Debentures – non-related parties	139,172	139,172	131,281	131,281
	\$ 1,510,122	\$ 1,510,122	\$ 1,306,886	\$ 1,306,886

The carrying value of cash and cash equivalents, and financial liabilities approximate its fair value due to their short-term nature.

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.

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. Cash is held with reputable chartered banks from which management believes the risk of loss is minimal. 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 December 31, 2020, the Company had a net working capital deficiency of \$1,509,889 (2019 - \$1,301,864). Management is continuously monitoring its working capital

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**18. FINANCIAL INSTRUMENTS, continued**

position and will raise funds through the equity markets as 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 financing (see note 1).

The following amounts are the contractual maturities of financial liabilities and other commitments as at December 31, 2020:

	Total	1 year	2 – 5 years
Trade and other payables	\$ 214,960	\$ 214,960	\$ -
Subscriptions received	31,486	31,486	-
Due to related parties	868,683	868,863	-
Convertible debentures	394,993	394,993	-
	\$ 1,510,122	\$ 1,510,122	\$ -

**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**

When the Company has cash balances its policy is to invest excess cash in investment-grade short-term money market accounts. The Company will periodically monitor the investments it makes to ensure the credit worthiness of its investments. Fluctuations in interest rates do not materially affect the Company as 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.

**19. 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 does not earn any revenue from its mineral properties and therefore does 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.

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**19. CAPITAL MANAGEMENT, continued**

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.

**20. COMMITMENTS**

The Company currently has the following yearly commitments:

Clayton property: US\$2,120 for property taxes and claims fees

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

**21. SUBSEQUENT EVENTS**

On June 15, 2021, the Company was granted a partial revocation of the failure-to-file cease trade order by the Alberta Securities Commission to permit the Company to raise \$200,000 in cash and the settlement of \$150,000 in debt with the issuance of 7,000,000 units, each unit consisting of one share and one share purchase warrant expiring 2 years from issue. The share purchase warrant has an exercise price of \$0.10.

On June 30, 2021, the Company closed the issuance of 7,000,000 units for gross proceeds of \$200,000 and the settlement of \$150,000 of debt.