

CMX GOLD & SILVER CORP.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Independent Auditor's Report

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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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 of \$9,776 during the year ended December 31, 2018 and, as of that date, the Company's consolidated current liabilities exceeded its current assets by \$679,679. 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.
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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

April 29, 2019

MNP LLP
Chartered Professional Accountants

MNP

CMX GOLD & SILVER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31,	2018	2017
ASSETS		
Current		
Cash and cash equivalents	\$ 903	\$ 193
Trade and other receivables	-	1,303
Prepaid expenses	12,027	12,027
	12,930	13,523
Exploration and evaluation (note 5)	704,659	647,993
	\$ 717,589	\$ 661,516
LIABILITIES		
Current		
Trade and other payables	\$ 135,219	\$ 183,946
Subscriptions received (note 6)	22,035	32,035
Due to related parties (note 7)	533,856	101,749
Derivative financial instruments (note 10)	1,499	3,558
	692,609	321,288
Due to related parties - long-term (note 7)	-	352,609
Long-term debt (note 8)	-	243,711
Convertible debentures to related parties (notes 7 and 9)	227,634	208,994
Convertible debentures (note 9)	124,603	113,696
Total liabilities	1,044,846	1,240,298
SHAREHOLDERS' DEFICIENCY		
Share capital (note 11)	3,997,253	3,876,699
Warrants (note 14)	637,117	601,436
Contributed surplus (note 12)	484,553	435,788
Accumulated other comprehensive loss	186,596	130,385
Deficit	(5,632,776)	(5,623,000)
Total shareholders' deficiency	(327,257)	(578,692)
	\$ 717,589	\$ 661,516

Going concern (note 1)
Subsequent events (note 21)
Commitments (note 20)

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 years ended December 31,	2018	2017
Expenses		
Management fees (note 7)	\$ 112,075	\$ 108,100
Shareholder reporting and investor communications	4,102	57,978
General and administrative	50,081	38,277
Professional fees	27,776	31,689
Listing and filing fees	17,736	17,228
Mineral property expenditures (note 5)	3,674	4,540
Share-based payments (note 13)	-	2,722
Loss (gain) on foreign exchange	47	(919)
Recovery of prior period expenditures (note 8)	(209,056)	(13,312)
	6,435	246,303
Loss before financing expenses	(6,435)	(246,303)
Financing income (expenses)		
Interest recovery (note 8)	74,202	9,551
Related party, long-term and debenture interest (notes 7 and 9)	(72,102)	(102,076)
Bank charges	(3,979)	(2,976)
Gain on revaluation of related party long-term debt (note 7)	(3,521)	18,870
Change in fair value of derivative instrument (note 10)	2,059	3,235
Net loss for the year	(9,776)	(319,699)
Other comprehensive loss		
Items that may be reclassified subsequently to net income or loss		
Exchange difference on translating foreign operation	56,211	(46,595)
Total comprehensive income (loss)	\$ 46,435	\$ (366,294)
Basic and diluted loss per share		
	\$ (0.001)	\$ (0.010)
Weighted average number of shares outstanding – basic and diluted		
	35,962,436	34,178,223

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, 2016	33,360,224	\$ 3,807,667	\$ 585,892	\$ 176,980	\$ 433,065	\$ (5,303,301)	\$ (299,697)
Shares issued for cash (note 11)	346,500	20,307	14,343	-	-	-	34,650
Shares issued for debt (note 11)	509,000	48,725	1,201	-	-	-	49,926
Share-based payments (note 13)	-	-	-	-	2,723	-	2,723
Net loss for the year	-	-	-	-	-	(319,699)	(319,699)
Exchange difference on translating foreign operation	-	-	-	(46,595)	-	-	(46,595)
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 11 and 14)	2,050,000	120,554	84,446	-	-	-	205,000
Expired warrants (note 14)	-	-	(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)

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,	2018	2017
Cash flow used in operating activities		
Net loss	\$ (9,776)	\$ (319,699)
Items not affecting cash		
Management fees (note 7)	112,075	108,100
General and administrative	-	31,838
Related party, long-term and debenture interest (notes 7 and 9)	29,547	101,749
Share-based payments (note 13)	-	2,723
Loss (gain) on foreign exchange	(455)	(919)
Change in fair value of derivative instrument (note 10)	(2,059)	(3,235)
Interest recovery	(74,202)	9,551
Recovery of prior period expenditures (note 8)	(209,056)	(13,312)
Gain on revaluation of related party long-term debt (note 7)	-	(18,870)
Changes in non-cash working capital items (note 15)	(50,364)	47,318
	<u>(204,290)</u>	<u>(54,756)</u>
Cash flows generated from financing activities		
Share issuance (note 11)	205,000	34,650
Cash payments from related parties (note 7)	-	19,560
	<u>205,000</u>	<u>54,210</u>
Net change in cash and cash equivalents	710	(546)
Cash and cash equivalents, beginning of year	193	739
Cash and cash equivalents, end of year	<u>\$ 903</u>	<u>\$ 193</u>

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

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

Years ended December 31, 2018 and 2017

CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 and changed its name from Eence 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
15th Floor, Bankers Court
850 – 2nd Street SW
Calgary, Alberta
Canada T2P 0R8

The consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 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 year ended December 31, 2018, the Company incurred a net loss of \$9,776 (2017 - \$319,699). As a result of the recurring losses over the Company's history, the Company has an accumulated deficit of \$5,632,776 as at December 31, 2018 (2017 - \$5,623,000). At December 31, 2018, the Company had a working capital deficiency of \$679,679 (2017 - \$307,765). 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

Years ended December 31, 2018 and 2017

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

Years ended December 31, 2018 and 2017

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.

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

Years ended December 31, 2018 and 2017

4. SIGNIFICANT ACCOUNTING POLICIES, continued

The following table presents the Corporation's classification of financial assets and financial liabilities as at December 31, 2018:

Financial assets/ financial liability	Classification
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

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.

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

Years ended December 31, 2018 and 2017

4. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

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

Years ended December 31, 2018 and 2017

4. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

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

Years ended December 31, 2018 and 2017

4. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Standards issued but not yet effective

The following new IFRS pronouncements have been issued, are not yet effective and have not been early adopted, and may have impact on the Company in future are discussed below.

On January 13, 2016, the IASB issued International IFRS 16, "Leases", which is the result of the joint project with the Financial Accounting Standards Board. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained and becomes effective January 1, 2019. The Company expects no material impact on the consolidated statement of operations and comprehensive loss of financial position.

5. EXPLORATION AND EVALUATION ASSETS

Total expenditures on exploration and evaluation properties capitalized:

Balance at December 31, 2016	\$ 693,495
Foreign exchange effect	(45,502)
	647,993
Balance at December 31, 2017	647,993
Foreign exchange effect	56,666
	704,659

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, 2016	\$ 318,360
	– 2017 expenditures	4,540
		322,900
	– balance December 31, 2017	322,900
	– 2018 expenditures	3,674
		\$ 326,574

Total expenditures to December 31, 2018:

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 the year, the Company issued 100,000 shares related to the Canadian investor (see note 11). The shares related to the Regulation A offering have not been issued as at December 31, 2018.

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7. DUE TO RELATED PARTIES

During the year ended December 31, 2018, the Company incurred management fees of \$86,075 (2017 - \$82,100) 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, 2018, the Company incurred management fees of \$10,000 (2017 - 10,000) to the President of the Company. These fees are unpaid and included in due to related parties.

During the year ended December 31, 2018, the Company incurred management fees of \$16,000 (2017 - \$16,000) to the CFO of the Company. These fees are unpaid and included in due to related parties.

During the year ended December 31, 2018, the Company incurred consulting fees of \$40,370 (2017 - \$31,838) to the consulting accountant of the Company. These fees are unpaid and included in due to related parties.

During the year related parties received cash payments from the Company of \$128,149 (2017 - made cash advances to the Company of \$20,000).

During the year \$38,638 (2017 - \$32,888) of related party interest was accrued and recorded to financing expenses.

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 11 and 14). These transactions were initially measured at fair value. The outstanding balances bear an interest rate of 6% per annum. The fair value of the related party long-term debt was calculated utilizing a 15.7% market interest rate.

8. RECOVERY OF PRIOR PERIOD EXPENDITURES

In 2012 and 2013, the Company accrued unbilled fees for services provided by a third party. The accrued expense with interest totaled \$243,711 as at December 31, 2017. The third party agreed successively to defer payment by the Company and has never billed for the services or demanded payment. A portion of the written-off debt related to interest for \$74,202 and GST of \$8,072. The remainder of the recovery of prior period expenditures relates to third party services previously rendered in the amount of \$47,619. The Company's obligation to pay these amounts is statute barred under the *Alberta Limitations Act*.

9. 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.

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. 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.

During the year, \$25,002 of accretion was recorded to financing expenses. A fair value adjustment of \$3,521 (2017 - \$18,870) was recorded to gain on revaluation of related party long-term debt.

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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 14). During the year, 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, 2017	Changes in fair value	Fair value at December 31, 2018
107,000 Warrants issued	\$ 6,793	\$ 3,558	\$ 2,059	\$ 1,499

A pricing model with observable market-based inputs was used to estimate the fair value of the warrants using the following assumptions as at December 31, 2018: an exercise price of US\$0.19, 0.85 years, a risk-free interest rate of 1.86% and volatility of 184%.

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 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 December 31, 2017.

In 2017:

On January 17, 2017, the Company issued 29,000 units at \$0.10 per unit in settlement of \$2,900 in debt. 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 \$0.20 per share expiring on January 17, 2019.

On January 17, 2017, the Company issued 346,500 units at \$0.10 per unit for gross proceeds of \$34,650. 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 \$0.20 per share expiring on January 17, 2019.

On January 17, 2017, the Company issued 480,000 common shares at US\$0.075 per share in settlement of US\$35,834 (CAN\$47,026) in debt.

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.

Total number of shares outstanding as at year end is 36,265,724 (2017 – 34,215,724).

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12. CONTRIBUTED SURPLUS

Balance at December 31, 2016	\$	433,066
2017 Share-based payments (note 13)		2,722
Balance at December 31, 2017		435,788
Expired warrants (note 14)		48,765
Balance at December 31, 2018	\$	484,553

13. 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.

A total of \$nil (2017 - \$2,722) in fair value of options issued prior to 2017 was recognized in the current year.

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	0.75 years
\$0.105	500,000	\$0.105	2020	1.36 years
	3,200,000	\$0.101		0.85 years

14. WARRANTS

In 2017:

The Company estimated the fair value of the following warrants using the Black-Scholes option pricing model with the following assumptions: a term of two years, a risk-free interest rate (per Bank of Canada) of 0.69%, volatility of 210% and share price of \$0.10 for warrants issued January 17, 2017

Warrants to purchase 29,000 common shares at \$0.20 per share, having an expiration date of January 17, 2019 were issued as part of a shares for debt settlement completed on January 17, 2017. These warrants have been valued at \$1,298.

Warrants to purchase 346,500 common shares at \$0.20 per share, having an expiration date of January 17, 2019 were issued as part of a private placement completed on January 17, 2017. These warrants have been valued at \$15,506.

On February 21, 2017, the Company extended the expiry dates of 660,000 warrants exercisable at \$0.20 per share until March 4, 2019.

On August 29, 2017, the Company extended the expiry dates of 500,000 warrants exercisable at \$0.20 per share until September 16, 2019.

On December 30, 2017, the Company extended the expiry dates of 100,000 warrants exercisable at \$0.20 per share until January 11, 2019 and 3,275,000 warrants exercisable at \$0.20 per share until April 16, 2019.

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.

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14. WARRANTS continued

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.

Weighted average contractual life remaining of warrants at December 31, 2018 is 0.774 years.

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2016	21,801,740	\$0.18
Issued with private placements	346,500	\$0.20
Issued for settlement of debt	29,000	\$0.20
Balance, December 31, 2017	22,177,240	\$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 ⁽¹⁾	\$0.164

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
375,500	\$0.20	January 17, 2019
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
21,727,240 ⁽¹⁾	\$0.18	

⁽¹⁾ Warrants issued does not include the 107,000 warrants issued in US dollars that are treated as a derivative financial instrument (see note 10).

15. 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.

	2018	2017
Trade and other receivables	\$ 1,303	\$ 1,692
Prepaid expenses	-	55,894
Trade and other payables	(9,180)	(58,044)
Subscriptions received	(10,000)	32,035
Due to related parties	(32,487)	15,741
	\$ (50,364)	\$ 47,318

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16. SEGMENTED INFORMATION

The Company has the following geographical segments:

	Canada	United States		Total
	December 31, 2018			
Identifiable assets	\$ 12,760	\$ 704,659	\$	717,419
Exploration expenditures	-	3,674	\$	3,674
December 31, 2017				
Identifiable assets	13,523	647,993	\$	661,516
Exploration expenditures	\$ -	\$ 4,540	\$	4,540

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:

	2018	2017
Loss for the year before income taxes	\$ (9,776)	\$ (319,699)
Canadian statutory rate	27%	27%
Anticipated income tax recovery	\$ (2,640)	\$ (86,319)
US tax rate differential	38	(483)
Share based payments	-	735
Foreign exchange	7,209	-
Change in deferred tax asset not recognized	(4,607)	86,067
Deferred tax recovery	\$ -	\$ -

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

	2018	2017
Convertible debentures	\$ (70)	\$ (2,649)
Non-capital losses	70	2,649
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:

	2018	2017
Non-capital loss carry-forwards	\$ 3,595,825	\$3,637,568
Allowable capital loss carry-forwards	5,142,236	5,142,236
Exploration and evaluation assets	237,621	264,023
Derivative liability	1,499	3,558
Unrecognized deductible temporary differences	\$ 8,977,181	\$9,047,385

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

	2018	2017
Net operating loss carry-forwards	\$ 14,814	\$ 6,985
Exploration and evaluation assets	-	224,567
Unrecognized deductible temporary differences	\$ 14,814	\$ 231,552

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17. INCOME TAXES continued

- d) The Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards (\$3,595,825) which can be applied to reduce future years' taxable income in Canada. These losses expire as follows:

2026			\$	94,328
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
			\$	3,595,825

The Company has accumulated allowable capital losses for Canadian tax purposes in the amount of \$5,142,236. These losses are available to offset future year's capital gains.

For income tax purposes for the United States, the Company has net operating loss carry-forwards of \$6,617 USD that expire between 2033 and 2037 and \$5,921 USD that have no expiry.

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, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	\$ 903	\$ 903	\$ 193	\$ 193
Trade and other receivables	-	-	1,303	1,303
	\$ 903	\$ 903	\$ 1,496	\$ 1,496
Financial liabilities				
Trade and other payables	\$ 135,219	\$ 135,219	\$ 183,946	\$ 183,946
Subscriptions received	22,035	22,035	32,035	32,035
Due to related parties	533,856	533,856	454,358	454,358
Long-term debt	-	-	243,711	243,711
Convertible debentures	352,237	352,237	322,690	322,690
FVTPL				
Derivative financial instruments	1,499	1,499	3,558	3,558
	\$ 1,044,846	\$ 1,044,846	\$ 1,240,298	\$ 1,240,298

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.

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18. FINANCIAL INSTRUMENTS, continued

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.

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, 2018, the Company had a net working capital deficiency of \$679,679 (2017 - \$307,765). 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 December 31, 2018:

	Total	1 year	2 – 5 years
Trade and other payables	\$ 135,219	\$ 135,219	\$ -
Subscriptions received	22,035	22,035	-
Due to related parties	533,856	533,856	-
Convertible debentures	352,237	-	352,237
	<u>\$ 1,043,347</u>	<u>\$ 691,110</u>	<u>\$ 352,237</u>

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.

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18. FINANCIAL INSTRUMENTS, continued

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 \$35,233 in other comprehensive income and a 5% depreciation in the US currency would result in a loss of \$33,555 in other comprehensive income.

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 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.

20. 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.

21. SUBSEQUENT EVENTS

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

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