

CARMAX MINING CORP.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 and 2010



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Carmax Mining Corp.

Report on the financial statements

We have audited the accompanying financial statements of Carmax Mining Corp., which comprise the balance sheets as at July 31, 2011 and 2010 and the statements of operations and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Carmax Mining Corp. as at July 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, BC

November 23, 2011

"Morgan & Company"

Chartered Accountants

Tel: (604) 687 – 5841
Fax: (604) 687 – 0075
www.morgan-cas.com

MEMBER OF



P.O. Box 10007 Pacific Centre
Suite 1488 – 700 West Georgia Street
Vancouver, BC V7Y 1A1

CARMAX MINING CORP.

BALANCE SHEETS

	JULY 31	
	2011	2010
ASSETS		
Current		
Cash	\$ 970,396	\$ 36,465
Short term investment	1,756,051	1,003,062
Other receivables	137,727	3,343
B.C. Mining Exploration Tax Credit receivable	233,237	21,040
Prepaid expenses	-	403
	<u>3,097,411</u>	<u>1,064,313</u>
Equipment (Note 7)	3,760	-
Investment (Note 8)	16,000	19,000
Reclamation Deposits (Note 9)	110,000	110,000
Resource Properties (Note 10)	6,958,455	5,920,933
	<u>\$ 10,185,626</u>	<u>\$ 7,114,246</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 641,625	\$ 4,284
Future Income Tax Liabilities (Note 11)	-	76,000
	<u>641,625</u>	<u>80,284</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 12)	11,197,484	8,541,922
Contributed Surplus	1,166,644	674,144
Accumulated Other Comprehensive Loss	(8,500)	(5,500)
Deficit	(2,811,627)	(2,176,604)
	<u>9,544,001</u>	<u>7,033,962</u>
	<u>\$ 10,185,626</u>	<u>\$ 7,114,246</u>

Approved on behalf of the Board of Directors:

"Jevin Werbes"
Director

"Matthew G Wright"
Chief Financial Officer

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

CARMAX MINING CORP.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	YEARS ENDED JULY 31	
	2011	2010
Expenses		
Amortization	\$ -	\$ 15,104
Consulting (Note 13)	45,000	34,816
Investor relations	31,500	-
Management fees (Note 13)	105,500	105,000
Office administration (Note 13)	39,227	60,016
Professional fees (Note 13)	85,932	54,703
Promotion and entertainment	4,309	43,836
Property investigation (Note 13)	-	15,455
Rent (Note 13)	24,000	29,733
Shareholder communications (Note 13)	12,405	-
Stock based compensation	347,400	-
Transfer agent and regulatory fees	48,592	17,484
Travel	8,769	3,414
Loss Before Other Item	(752,634)	(379,561)
Other Item		
Interest income	11,278	20,832
Loss Before Income Taxes	(741,356)	(358,729)
Future Income Tax Recovery (Expense)	106,333	(29,000)
Net Loss For The Year	(635,023)	(387,729)
Other Comprehensive (Loss) Income		
Net unrealized (loss) gain arising on available-for-sale investments during the year	(3,000)	12,000
Comprehensive Loss For The Year	\$ (638,023)	\$ (375,729)
Basic And Diluted Loss Per Share	\$ (0.04)	\$ (0.04)
Weighted Average Number Of Shares Outstanding	15,461,583	9,945,443

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

CARMAX MINING CORP.
STATEMENTS OF CASH FLOWS

	YEARS ENDED JULY 31	
	2011	2010
Cash Flows From (Used In) Operating Activities		
Net loss for the year	\$ (635,023)	\$ (387,729)
Items not affecting cash:		
Amortization	-	15,104
Stock based compensation	347,400	-
Future income tax (recovery) expense	(106,333)	29,000
Accrued interest	(2,989)	831
	<u>(396,945)</u>	<u>(342,794)</u>
Changes in non-cash working capital items:		
Prepaid expenses	403	2,847
Other receivables	(134,384)	7,198
Accounts payable and accrued liabilities	96,552	(48,618)
	<u>(434,374)</u>	<u>(381,367)</u>
Cash Flows From (Used in) Investing Activities		
Short term investment	(750,000)	304,225
Acquisition of equipment	(4,000)	-
Exploration advances	-	(8,334)
Resource property costs	(697,190)	(222,450)
B.C. Mining Exploration Tax Credit received	-	322,770
	<u>(1,451,190)</u>	<u>396,211</u>
Cash Flows From (Used in) Financing Activities		
Shares issued for cash	3,064,727	-
Share issue costs	(245,232)	-
	<u>2,819,495</u>	<u>-</u>
Increase In Cash For The Year	933,931	14,844
Cash, Beginning Of Year	36,465	21,621
Cash, End Of Year	\$ 970,396	\$ 36,465
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Interest received	\$ 5,874	\$ 16,385
Non-Cash Financing And Investing Activities		
Shares issued for resource property acquisition	\$ 11,500	\$ 220,000
Finder's units issued pursuant to private placement	\$ 18,903	\$ -
Broker's options granted pursuant to private placement	\$ 145,100	\$ -

The accompanying notes are an integral part of these financial statements

CARMAX MINING CORP.

STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED JULY 31, 2011 AND 2010

	SHARE CAPITAL		CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE	DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT		LOSS		
Balance, July 31, 2009	9,683,968	\$ 8,321,922	\$ 674,144	\$ (17,500)	\$ (1,788,875)	\$ 7,189,691
Revaluation of investment to market value at July 31, 2010	-	-	-	12,000	-	12,000
Shares issued pursuant to resource property agreement	1,100,000	220,000	-	-	-	220,000
Net loss for the year	-	-	-	-	(387,729)	(387,729)
Balance, July 31, 2010	10,783,968	8,541,922	674,144	(5,500)	(2,176,604)	7,033,962
Revaluation of investment to market value at July 31, 2011	-	-	-	(3,000)	-	(3,000)
Shares issued pursuant to resource property agreement	50,000	11,500	-	-	-	11,500
Shares issued for cash - flow-through units	1,009,000	110,990	-	-	-	110,990
Shares issued for cash - non-flow-through units	15,435,000	2,943,810	-	-	-	2,943,810
Finder's units issued pursuant to private placement	171,850	18,903	-	-	-	18,903
Shares issued on exercise of share purchase warrants	66,180	9,927	-	-	-	9,927
Share issuance costs	-	(409,235)	145,100	-	-	(264,135)
Tax benefits on flow-through shares	-	(30,333)	-	-	-	(30,333)
Fair value of stock options accrued or vesting in the year	-	-	347,400	-	-	347,400
Net loss for the year	-	-	-	-	(635,023)	(635,023)
Balance, July 31, 2011	27,515,998	\$ 11,197,484	\$ 1,166,644	\$ (8,500)	\$ (2,811,627)	\$ 9,544,001

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

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

1. NATURE OF OPERATIONS AND GOING CONCERN

a) Nature of Operations

The Company was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange. The Company's principal business activity is the acquisition and exploration of resource properties.

The Company is in the process of exploring its resource properties and has not yet determined whether the property contains ore reserves that are economically recoverable. The recoverability of the amount shown as resource properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

Pursuant to the shareholders' approval at the annual and special general meeting of shareholders held on August 6, 2010, the Company has changed its name to Carmax Mining Corp. and consolidated its common shares on a 10 old shares for 1 new share basis.

b) Going Concern

The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses as they arise. The Company will require additional financing to continue to explore its mineral claims. There is no assurance that such additional financing will be available.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not show the effect of any adjustments to the carrying values and classification of assets and liabilities that would be necessary, should it be determined that the Company is unable to continue as a going concern.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of July 31, 2011 and 2010, the Company had no cash equivalents.

b) Short Term Investment

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Actual results could differ from these estimates.

d) Measurement Uncertainty

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold, silver and metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

e) Equipment

Exploration equipment is recorded at cost and amortized over its estimated useful life using the 30% straight line method.

f) Investments

In accordance with the recommendations of Section 3855, "Financial instruments – Recognition and Measurement", of the Canadian Institute of Chartered Accountants ("CICA") Handbook, the Company has designated its investment, over which the Company does not exercise significant influence, as an available-for-sale investment and reports it at fair value. The amounts by which fair value for this investment differs from cost represent unrealized gains or losses which are recognized in other comprehensive income (loss). All realized gains and losses are recognized in net income in the period of disposition. The fair value of the investment is its market value. The market value of publicly traded investments is based on quoted market prices.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial Instruments – Recognition and Measurement

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either the Statement of Operations or the Statement of Comprehensive Income or Loss.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net income or loss, using the effective interest method.

Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in the Statements of Operations in the period in which they arise.

All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in the Statement of Operations in the period in which they arise.

In accordance with this standard, the Company has classified its financial instruments as follows:

Cash and short term investment are classified as held-for-trading, which are measured at fair value initially and in subsequent periods.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial Instruments – Recognition and Measurement (Continued)

Other receivables are classified as loans and receivables, which are measured at fair value and subsequently measured at amortized cost using the effective interest method.

Investment is classified as available-for-sale, which is measured at fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

Reclamation deposits are classified as held-for-trading, which are measured at fair value initially and in subsequent periods.

Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

h) Financial instruments – Disclosures

In June 2009, the CICA Handbook Section 3862, “*Financial Instruments – Disclosures*” (“Section 3862”) was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

i) Resource Properties

Resource property acquisition costs and related deferred exploration expenditures are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production or written off if the property is sold, allowed to lapse or abandoned.

Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance regulatory requirements.

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its resource property costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows resulting from the use of these assets and their eventual disposition.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

k) Impairment of Long-lived Assets

Long-lived assets include mineral properties. The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise in the exploration stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist. However, a mining enterprise is required to consider the conditions for impairment write-down. The conditions include unfavourable exploration results and significant unfavourable economic, legal, regulatory, environmental, political and other factors.

In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

l) Share Capital

i) Non-monetary consideration

Shares, agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX Venture Exchange ("TSX-V") on the date of the agreement to issue shares as determined by the Board of Directors.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Share Capital (Continued)

ii) Stock based compensation

The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date.

Stock based compensation is recognized as expense with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

iii) Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

iv) Fair value of warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. The value of warrants issued to brokers is determined by using the Black-Scholes model.

v) Flow-through shares

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the CICA Emerging Issues Committee ("EIC") in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, the Company records the income tax benefit arising from the renunciation as a recovery of income taxes in the Statement of Operations and a corresponding reduction in the share capital amounts recorded from the sale of the flow-through shares proceeds.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations.

In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended July 31, 2011 and 2010 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to reported loss from operations in computing diluted per share amounts.

n) Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. The future income tax liabilities or assets are measured using tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are provided where (net) future income tax assets are not more likely than not to be realized.

o) Asset Retirement Obligation

The Company follows the recommendations in CICA Handbook Section 3110 – “Asset Retirement Obligations” with respect to asset retirement obligations. Under Section 3110, legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset.

Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

As at July 31, 2011 and 2010, no provision has been made for asset retirement obligations.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Variable Interest Entities

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE exists when the entity's equity investment is at risk. When a VIE is determined to exist, the guidance requires the VIE to be consolidated by the primary beneficiary. The Company has determined that it does not have a primary beneficiary interest in VIEs.

3. NEWLY ADOPTED ACCOUNTING POLICIES

a) Section 1582, Business Combinations

On January 1, 2011, the Company's adopted CICA Section 1582, "Business Combinations". This section replaces Section 1581, "Business Combination", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP. The adoption of this pronouncement had no impact on the Statement of Operations, Statement of Cash Flows or the Company's financial position.

b) Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests

On January 1, 2011, the Company adopted CICA Sections 1601 and 1602, which change the accounting and reporting of ownership in interests in subsidiaries held by parties other than the parent. Non-controlling interests are presented in the Consolidated Statement of Financial Position (Balance Sheet) within equity, but separately from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the Consolidated Statement of Income (Loss). In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interest of the non-controlling owners. The adoption of this pronouncement had no impact on the Statement of Operations, Statement of Cash Flows or the Company's financial position.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The Company will adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company is currently considering the impact of the transition to IFRS on the Company's financial statements.

5. CAPITAL DISCLOSURES

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The Board determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Directors have not established quantitative return on capital criteria for capital management.

The Company holds three mineral properties and generates no revenue. Accordingly the Company will be dependent in the future upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

The Board reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the Statement of Changes in Shareholders' Equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

6. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

a) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The types of risk exposure and the way in which such exposure is managed is provided as follows:

i) Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions.

ii) Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that its sources of financing will be sufficient to cover the expected short and long term cash requirements.

iii) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company possesses an investment in a publicly traded security and its fair value is dependent upon prevailing market conditions.

iv) Foreign Currency Risk

The Company's operations are located in Canada and the Company rarely conducts transactions in currencies other than the Canadian dollar. Accordingly, the Company is not subject to significant foreign exchange risk currency fluctuations.

v) Interest Rate Risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity. Fluctuations in interest rates affect the value of cash.

CARMAX MINING CORP.

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YEARS ENDED JULY 31, 2011 AND 2010

6. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (Continued)

b) Section 3865, Hedging

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

c) Fair Values

The carrying values of cash, short term investment, other receivables, reclamation deposits and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity or ability to readily convert into cash.

The fair value of investments in equity securities classed as available-for-sale is determined using closing prices at the balance sheet date with any unrealized gains or losses recognized in other comprehensive income.

The fair values of the Company's financial instruments measured at July 31, 2011 constitute Level 1 measurements within the fair value hierarchy.

7. EQUIPMENT

	2011		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Exploration equipment	\$ 4,000	\$ 240	\$ 3,760

	2010		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Exploration equipment	\$ -	\$ -	\$ -

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

8. INVESTMENT

	<u>2011</u>	<u>2010</u>
Alexandria Minerals Corporation – 100,000 common shares at quoted market value	\$ 16,000	\$ 19,000

9. RECLAMATION DEPOSITS

Prior to the commencement of exploration of the Eaglehead Property in British Columbia, the Company was required to post a reclamation deposit in the amount of \$70,000, which will be refunded to the Company upon completion of reclamation to the satisfaction of the Inspector of Mines. During the year ended July 31, 2009, the Company was required to post a second reclamation deposit in the amount of \$40,000. The reclamation deposits are being held in term deposits with various interest rates. The Company has no contractual liabilities or existing obligations arising from environmental or reclamation costs.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

10. RESOURCE PROPERTIES

Summary of Resource Properties

	2011			
	GOLDTIP PROPERTY	WHISKEY JACK CREEK PROPERTY	EAGLEHEAD PROPERTY	TOTAL
Acquisition costs				
Balance, beginning of year	\$ 319,000	\$ 4,000	\$ 550,000	\$ 873,000
Shares issued	-	-	11,500	11,500
Cash	10,000	-	50,000	60,000
	10,000	-	61,500	71,500
Balance, end of year	\$ 329,000	\$ 4,000	\$ 611,500	\$ 944,500
Deferred exploration expenditures				
Balance, beginning of year	\$ -	\$ 474,392	\$ 4,565,207	\$ 5,039,599
Engineering and consulting	19,000	-	79,525	98,525
Camp costs	-	-	61,385	61,385
Supplies	-	-	5,299	5,299
Board and travel	19,310	-	84,408	103,718
Assays	5,000	-	14,640	19,640
Reports and mapping	7,225	-	1,992	9,217
Transportation	412	-	1,593	2,005
Labour and technicians	25,200	-	29,744	54,944
Assessment costs	6,004	-	-	6,004
Drilling	-	-	814,503	814,503
Equipment rental	-	-	2,739	2,739
Amortization of exploration assets	-	-	240	240
B.C. Mining Exploration Tax Credit receivable	-	-	(212,197)	(212,197)
	82,151	-	883,871	966,022
Balance, end of year	\$ 82,151	\$ 474,392	\$ 5,449,078	\$ 6,005,621
Exploration Advances				
Balance, beginning of year	-	-	8,334	8,334
Advances	-	-	53,528	53,528
Expended on property	-	-	(53,528)	(53,528)
Balance, end of year	\$ -	\$ -	\$ 8,334	\$ 8,334
Total balance, end of year	\$ 411,151	\$ 478,392	\$ 6,068,912	\$ 6,958,455

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

10. RESOURCE PROPERTIES (Continued)

Summary of Resource Properties (Continued)

	2010			TOTAL
	GOLDTIP PROPERTY	WHISKEY JACK CREEK PROPERTY	EAGLEHEAD PROPERTY	
Acquisition costs				
Balance, beginning of year	\$ -	\$ 4,000	\$ 550,000	\$ 554,000
Shares issued	220,000	-	-	220,000
Cash	99,000	-	-	99,000
	<u>319,000</u>	<u>-</u>	<u>-</u>	<u>319,000</u>
Balance, end of year	<u>\$ 319,000</u>	<u>\$ 4,000</u>	<u>\$ 550,000</u>	<u>\$ 873,000</u>
Deferred exploration expenditures				
Balance, beginning of year	\$ -	\$ 456,142	\$ 4,481,047	\$ 4,937,189
Engineering and consulting	-	18,250	45,450	63,700
Camp costs	-	-	27,939	27,939
Supplies	-	-	-	-
Travel	-	-	3,018	3,018
Assays	-	-	12,747	12,747
Reports and mapping	-	-	637	637
Transportation	-	-	(2,106)	(2,106)
Labour and technicians	-	-	1,925	1,925
Assessment costs	-	-	590	590
Drilling	-	-	-	-
Equipment rental	-	-	15,000	15,000
B.C. Mining Exploration Tax Credit receivable	-	-	(21,040)	(21,040)
	<u>-</u>	<u>18,250</u>	<u>84,160</u>	<u>102,410</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 474,392</u>	<u>\$ 4,565,207</u>	<u>\$ 5,039,599</u>
Exploration Advances				
Balance, beginning of year	-	-	-	-
Advances	-	-	20,000	20,000
Expended on property	-	-	(11,666)	(11,666)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,334</u>	<u>\$ 8,334</u>
Total balance, end of year	<u>\$ 319,000</u>	<u>\$ 478,392</u>	<u>\$ 5,123,541</u>	<u>\$ 5,920,933</u>

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

10. RESOURCE PROPERTIES (Continued)

a) Whiskey Jack Creek Property

The Company has an agreement to acquire a 100% interest, subject to a 3% net smelter return royalty, three mineral claims located in Cairo Townships, Ontario, known as the Whiskey Jack Creek Property. Considerations for the acquisition are cash payments totalling \$45,000 (paid) by August 31, 2007, and the Company must incur minimum exploration expenditures of \$200,000 (incurred).

Upon commencement of commercial production on the property, the Company shall pay the optionor a 3% net smelter return royalty to be reduced to 1% after the payment of \$2,000,000 in royalty payments.

The Company acquired an additional 5 claims through staking, consisting of 41 units adjoining the Whiskey Jack Creek Property to the south and east.

During the year ended July 31, 2007, the Company entered into an Earning Option Agreement with Alexandria Minerals Corporation ("AMC"), whereby the Company granted to AMC the right to explore and acquire a 50% interest in the 41 units owned by the Company adjoining the Whiskey Jack Creek Property, and to acquire a 50% interest in the rights to the Whiskey Jack Creek Property held by the Company.

In consideration for granting the Earning Option, the Company will receive:

- i) 50,000 common shares of AMC (received) and \$10,000 (received) on execution of the agreement;
- ii) prior to December 31, 2007, AMC is to incur not less than \$100,000 of exploration expenditures on the property and issue 50,000 common shares of AMC (received) to the Company;
- iii) prior to December 31, 2008, AMC is to incur not less than \$100,000 (\$200,000 cumulative) of exploration expenditures on the property;
- iv) prior to December 31, 2009, AMC is to incur not less than \$100,000 (\$300,000 cumulative) of exploration expenditures on the property;
- v) \$15,000 (received) to satisfy prior commitments of the Company.

The agreement is subject to a 3% net smelter return royalty, 2% of which can be purchased by AMC for \$500,000 per ½%.

Upon the Earning Option being exercised, a joint venture will be established with a 50% interest for each of the Company and AMC to further develop the property; and AMC will be the operator and manager of the property. The Company incurred finder's fees of \$2,500 (paid) in relation to the Earning Option Agreement.

On October 13, 2009, AMC earned its 50% interest in the property and the Company is currently negotiating the joint venture agreement.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

10. RESOURCE PROPERTIES (Continued)

b) Eaglehead Property

The Company has an agreement, effective October 31, 2005, with two directors of the Company, to acquire a 100% interest in the Eaglehead Property claims, subject to a 2.5% net smelter return royalty, located near the Dease Lake area of north central British Columbia.

Consideration for the acquisition are cash payments totalling \$350,000, issuing 300,000 common shares and spending \$6,000,000 in exploration and development work over a period of seven years ending October 31, 2011. The Company will earn 30% after it spends \$2,000,000, a further 30% after it spends the next \$2,000,000 and a final 40% after it spends the last \$2,000,000. The Company may also purchase a 1.5% royalty interest for \$2,000,000.

During the year ended July 31, 2008, the Company successfully staked an additional six claims adjoining the Eaglehead Property to the southeast.

During the year ended July 31, 2009, the Company earned its 60% interest in the property.

During the year ended July 31, 2011, the exploration expenditures on the property exceeded \$6,000,000 and accordingly, the Company has acquired a 100% interest in the claims as of July 31, 2011.

As of July 31, 2011, 300,000 (2010 – 250,000) common shares were issued and cash payments totalling \$350,000 (2010 - \$300,000) were paid pursuant to the agreement.

c) Goldtip Property

On May 5, 2010, the Company entered into an agreement with a director and President of the Company to acquire 59 mineral tenures in the Arlin Mining division of British Columbia ("The Goldtip Property"). The agreed purchase price for the claims was \$90,000 cash (paid) and the issuance of 1,000,000 common shares of the Company (issued). The Company also agreed to pay finder's fees comprising \$9,000 cash (paid) and the issuance of 100,000 common shares of the Company (issued).

During the year ended July 31, 2011, the Company successfully staked an additional six claims adjoining the Goldtip Property at a cost of \$10,000.

d) Exploration Advances

As at July 31, 2011, the Company had exploration advances of \$8,334 (2010 - \$8,334) to a company with a former common director for exploration expenditures.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

11. INCOME TAXES

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	2011	2010
Statutory tax rate	27%	29%
Expected tax recovery based on statutory Canadian combined federal and provincial tax rates	\$ (202,000)	\$ (104,000)
Non-deductible permanent differences	95,000	6,000
Effect of change in tax rate	(5,000)	(5,000)
Unrecognized benefits of tax losses	36,000	132,000
Tax benefits on renunciation of flow through expenditures	(30,333)	-
Future income tax (recovery) expense	<u>\$ (106,333)</u>	<u>\$ 29,000</u>

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2011	2010
Non-capital losses carried forward	\$ 887,000	\$ 753,000
Equipment	9,000	8,000
Share issuance costs deductible in future periods	60,000	28,000
Future income tax assets	956,000	789,000
Excess of book value over tax value:		
Resources properties and deferred exploration expenditures	(893,000)	(865,000)
Net future income tax assets (liabilities)	63,000	(76,000)
Valuation allowance	(63,000)	-
	<u>\$ -</u>	<u>\$ (76,000)</u>

The Company has Canadian non-capital losses carried forward of approximately \$3,549,000 (2010 - \$3,013,000) that may be available for tax purposes. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not. The losses expire as follows:

2014	\$ 168,000
2015	\$ 295,000
2026	\$ 511,000
2027	\$ 508,000
2028	\$ 578,000
2029	\$ 515,000
2030	\$ 447,000
2031	\$ 527,000

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

11. INCOME TAXES (Continued)

The Company has resource pools of approximately \$3,386,000 (2010 - \$2,460,000) available to offset future taxable income. The tax benefit of these amounts is available for carry-forward indefinitely.

12. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value

b) Issued and Outstanding

On August 6, 2010, the Company consolidated its common stock on a 10 old shares for 1 new share basis.

As at July 31, 2011, there were 27,515,998 (2010 – 10,783,968) common shares issued and outstanding.

- i) On June 1, 2011, the Company completed a private placement comprising of 13,844,000 non-flow-through units at a price of \$0.20 per unit for total gross proceeds of \$2,768,800.

Each non-flow-through unit consists of one non-flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.30 for the first year and \$0.40 for the second year following the closing of the private placement.

As compensation for the placing of the units, the Company paid cash commissions of \$182,864 and issued 938,610 broker's options exercisable at \$0.20 into units with a fair value of \$145,100. Each unit is identical in all respects to the non-flow-through units placed in the private placement. The Company also incurred other issuance costs comprising legal filing and regulatory fees aggregating \$41,198.

All units issued as a result of the private placement have a hold period which expired on October 1, 2011.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

12. SHARE CAPITAL (Continued)

b) Issued and Outstanding (Continued)

- ii) On October 6, 2010, the Company completed a private placement comprising of 1,009,000 flow-through units and 1,591,000 non-flow-through units at a price of \$0.11 per unit for total gross proceeds of \$286,000.

Each flow-through unit consists of one flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.15 for the first year and \$0.20 for the second year following the closing of the private placement.

Each non-flow-through unit consists of one non-flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.15 for the first year and \$0.20 for the second year following the closing of the private placement.

As compensation for the placing of the units, a finder's fee payable resulted in the issuance of 171,850 finder's units at \$0.15 per unit with a fair value of \$18,903. Each finder's unit is identical in all respects to the non-flow-through units placed in the private placement. The Company also incurred other issuance costs comprising legal filing and regulatory fees aggregating \$21,169.

All units issued as a result of the private placement have a hold period which expired on February 6, 2011.

- iii) On October 21, 2010, the Company issued 50,000 common shares with a fair value of \$11,500 pursuant to the Eaglehead mineral property agreement.
- iv) During the year ended July 31, 2011, the Company issued 66,180 common shares pursuant to the exercise of share purchase warrants for aggregate proceeds of \$9,927.
- v) During the year ended July 31, 2010, the Company issued 1,000,000 common shares with a fair value of \$200,000 pursuant to the Goldtip mineral property agreement and 100,000 common shares with a fair value of \$20,000 as finder's fees for the mineral property agreement.

c) Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX Venture Exchange ("TSX-V") regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 20% of the issued shares to be reserved for issuance under the plan.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

12. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

A summary of changes in stock options for the years ended July 31, 2011 and 2010 is presented below:

	2011		2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	235,000	\$ 1.06	460,000	\$ 1.17
Granted	1,921,000	0.23	-	
Expired/forfeited	<u>(85,000)</u>	(1.18)	<u>(225,000)</u>	(1.28)
Balance, end of year	<u>2,071,000</u>	\$ 0.23	<u>235,000</u>	\$ 1.06

As at July 31, 2011, options were outstanding for the purchase of common shares as follows:

NUMBER OF SHARES	PRICE PER SHARE	NUMBER EXERCISABLE AT JULY 31, 2011	EXPIRY DATE
* 100,000	\$ 0.26	100,000	August 29, 2011
50,000	\$ 0.26	50,000	April 24, 2013
271,000	\$ 0.24	203,250	October 21, 2013
725,000	\$ 0.26	534,750	October 27, 2015
925,000	\$ 0.20	675,000	June 17, 2016
<u>2,071,000</u>		<u>1,563,000</u>	

* Subsequent to year end, these options expired unexercised.

Compensation costs attributable to share options granted to employees, directors or consultants are measured at fair value at the grant date and expensed with a corresponding increase to contributed surplus over the vesting period. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

As a result of the re-pricing of 150,000 stock options on October 27, 2010, the Company recorded stock based compensation of \$7,600. Stock options were re-priced as follows:

- 100,000 from \$1.00 to \$0.26 expiring August 29, 2011.
- 50,000 from \$1.00 to \$0.26 expiring April 24, 2013.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

12. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

During the year ended July 31, 2011, the Company recorded \$347,400 (2010 - \$Nil) in stock based compensation for options accruing or vesting during the year.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	<u>2011</u>	<u>2010</u>
Risk free rate	2.29%	N/A
Dividend yield	Nil	N/A
Expected life	4 years	N/A
Expected volatility	101%	N/A
Weighted average fair value per option grant	\$0.18	N/A

d) Warrants

A summary of changes in share purchase warrants for the years ended July 31, 2011 and 2010 is presented below:

	<u>2011</u>		<u>2010</u>	
	<u>NUMBER</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>	<u>NUMBER</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>
Balance, beginning of year	-	\$ -	-	\$ -
Issued	16,615,850	0.28		
Exercised	<u>(66,180)</u>	<u>(0.15)</u>		
Balance, end of year	<u>16,549,670</u>	<u>\$ 0.28</u>	<u>-</u>	<u>\$ -</u>

As at July 31, 2011, share purchase warrants were outstanding for the purchase of common shares as follows:

<u>NUMBER OF SHARES</u>	<u>EXERCISE PRICE</u>		<u>NUMBER EXERCISABLE AT</u>	<u>EXPIRY DATE</u>
	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>JULY 31, 2011</u>	
2,705,670	\$0.15	\$0.20	2,705,670	October 5, 2012
<u>13,844,000</u>	\$0.30	\$0.40	<u>13,844,000</u>	May 30, 2013
<u>16,549,670</u>			<u>16,549,670</u>	

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

12. SHARE CAPITAL (Continued)

e) Broker's Options

A summary of changes in broker's options for the years ended July 31, 2011 and 2010 is presented below:

	2011		2010	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	-	\$ -	-	\$ -
Granted	938,610	0.30	-	-
Balance, end of year	938,610	\$ 0.30	-	\$ -

As at July 31, 2011, broker's options were outstanding for the purchase of common shares as follows:

NUMBER OF SHARES	EXERCISE PRICE		NUMBER EXERCISABLE AT JULY 31, 2011	EXPIRY DATE
	YEAR 1	YEAR 2		
938,610	\$0.30	\$0.40	938,610	May 30, 2013

13. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable is \$3,390 (2010 - \$Nil) owing to a company controlled by a director and \$6,840 (2010 - \$Nil) owing to a company controlled by an officer for services rendered to the Company, and \$13,227 (2010 - \$Nil) owing to two directors of the Company for expenses and services rendered.

CARMAX MINING CORP.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2011 AND 2010

13. RELATED PARTY TRANSACTIONS (Continued)

During the years ended July 31, 2011 and 2010, the Company also incurred the following expenses charged by directors, officers or companies controlled by the directors or officers:

	<u>2011</u>	<u>2010</u>
Balance Sheet Items		
Mineral property acquisition cost	\$ 10,000	\$ -
Deferred exploration expenditures	15,500	92,291
Share issue costs	<u>21,454</u>	<u>-</u>
	<u>\$ 46,954</u>	<u>\$ 92,291</u>
Statement of Operations Items		
Consulting	\$ 15,000	\$ 34,816
Management fees	105,500	105,000
Office administration	6,000	20,013
Professional fees	14,450	-
Property investigation	-	14,455
Rent	24,000	4,000
Shareholder communications	<u>2,700</u>	<u>-</u>
	<u>\$ 167,650</u>	<u>\$ 178,284</u>

14. SUBSEQUENT EVENT

On September 7, 2011, the Company granted 50,000 stock options, exercisable at \$0.20 until September 7, 2016 to an officer of the Company.