



Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Interim Financial Statements

For the Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Silver Phoenix Resources Inc for the period ended September 30, 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	Note	September 30, 2017	December 31, 2016
		\$	\$
ASSETS			
Current assets			
Cash		23,298	7,696
Amounts receivable		573	1,164
Marketable securities	3	1	1
		23,872	8,861
Non-current assets			
Exploration and evaluation assets	5	720,564	698,480
Reclamation bond		10,110	10,000
Equipment	4	572	704
		731,246	709,184
		755,118	718,045
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	895,885	798,120
Deferred flow-through premium	8	23,125	23,125
		919,010	821,245
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6 (b)	1,670,029	1,649,779
Share Subscriptions Received	14	27,000	-
Contributed surplus		106,124	106,124
Deficit		(1,967,045)	(1,859,103)
		(163,892)	(103,200)
		755,118	718,045
GOING CONCERN	1		
COMMITMENTS	9		
SUBSEQUENT EVENT	14		

Approved on behalf of the Board on September 24, 2017

"William Murray"

William Murray, Director

"Leland Voll"

Leland Voll, Director

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
EXPENSES					
Management fees	7	28,500	28,500	85,500	85,500
Professional fees		3,338	3,800	8,938	8,600
Filing fees		1,500	1,500	4,500	6,994
Auto and travel		4,332	728	4,686	3,508
Promotion		105	256	262	2,500
Telephone and utilities		977	502	1,975	1,488
Transfer agent		597	607	1,790	2,039
Office and miscellaneous		113	34	245	346
Depreciation		44	61	132	183
Bank charges		19	136	60	189
Loss before other items		(39,525)	(36,124)	(108,088)	(111,347)
OTHER ITEMS (EXPENSES)					
Interest income		111	104	146	296
Net loss and comprehensive loss		(39,414)	(36,020)	(107,942)	(111,051)
Loss per share – basic and diluted		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares		19,147,353	19,108,853	19,138,624	19,108,853

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Changes in Equity (Deficiency)

Expressed in Canadian Dollars)

(Unaudited)

	Note	Common shares		Share Subscriptions Received	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
		Number	Amount				
			\$	\$	\$	\$	\$
Balance, December 31, 2015		19,108,853	1,649,029	-	106,124	(1,636,812)	118,341
Net loss		-	-	-	-	(111,051)	(111,051)
Balance, September 30, 2016		19,108,853	1,649,029	-	106,124	(1,747,863)	7,290
Balance, December 31, 2016		19,133,853	1,649,779	-	106,124	(1,859,103)	(103,200)
Shares issued for cash	8(b)(1)	135,000	20,250	-	-	-	20,250
Share Subscriptions Received		-	-	27,000	-	-	27,000
Net loss		-	-	-	-	(107,942)	(107,942)
Balance, September 30, 2017		19,268,853	1,670,029	27,000	106,124	(1,967,045)	(163,892)

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(39,414)	(36,020)	(107,942)	(111,051)
Items not involving cash:				
Depreciation	44	61	132	183
	(39,370)	(35,959)	(107,810)	(110,868)
Changes in non-cash working capital items				
Amounts receivable	(284)	(261)	591	6,464
Accounts payable	34,273	22,635	97,765	83,744
Cash used in operating activities	(5,381)	(13,585)	(9,454)	(20,660)
INVESTING ACTIVITY				
Reclamation Bond	(110)	140	(110)	140
Exploration and evaluation expenditures	(5,026)	(14,593)	(22,084)	(12,848)
Cash used in investing activity	(5,136)	(14,453)	(22,194)	(12,708)
FINANCING ACTIVITIES				
Share issuance	-	-	20,250	-
Share Subscriptions Received	27,000	-	27,000	-
Cash used in operating activities	27,000	-	47,250	-
Increase (decrease) in cash	16,483	(28,038)	15,602	(33,368)
Cash, beginning of year	6,815	61,084	7,696	66,414
Cash, end of year	23,298	33,046	23,298	33,046
NON-CASH TRANSACTIONS SUPPLEMENTARY CASH FLOW INFORMATION:				
Cash paid for interest	-	-	-	-
Cash paid for income taxes	-	-	-	-

The accompanying notes form an integral party of these financial statements

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Silver Phoenix Resources Inc. (the "Company") was incorporated on February 14, 2003 under the Company Act (British Columbia). The Company is an exploration stage company engaged in acquiring, exploring and developing mineral properties, principally located in British Columbia, Canada. The Company is listed on the Canadian National Stock Exchange, having the symbol SP-C. The address of the Company's corporate office and principal place of business is 4631-75th Ave. N.E., Box 134, Canoe, British Columbia, Canada V0E 1K0.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. As of September 30, 2017, the Company has not generated revenues from its principal activities and is considered to be in the exploration stage.

Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has a working capital deficit of \$895,138 and has incurred losses since its inception and had an accumulated deficit of \$1,967,045 at September 30, 2017. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future.

These financial statements do not give effect to any adjustments which would 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 in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. BASIS OF PREPARATION

The Company's financial statements were authorized for issuance on November 24, 2017 by the Board of Directors.

Statement of Compliance

The interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION (Continued)

Basis of Presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable. These interim financial statements do not include all the information required for full annual financial statements. The interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2016. The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year.

New accounting standards

Accounting standards adopted during the year:

The mandatory adoption of the following new and revised accounting standards on January 1, 2016 had no significant impact on the Company's financial statements for the years presented.

IFRS 10 – Consolidated Financial Statements - The amendments to IFRS 10 require a full gain or loss to be recognized when a transaction involves a business (whether it is housed in a subsidiary or not), while a partial gain or loss would be recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016.

New accounting standards effective for annual periods on or after January 1, 2018:

IFRS 2 Shared-Based Payments - In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. BASIS OF PREPARATION (Continued)

New accounting standards effective for annual periods on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

New accounting standards effective for annual periods on or after January 1, 2019:

IFRS 16 Leases - The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

3. MARKETABLE SECURITIES

As at December 31, 2016, the Company owns 475,000 common shares (2015 - 475,000 shares) of Armadillo Resources Ltd. During the year ended December 31, 2013, the shares of Armadillo Resources Ltd. halted trading. As a result, the marketable securities were written down to \$1 accordingly.

4. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book value September 30, 2017	Net Book value December 31, 2016
	\$	\$	\$	\$
Computer equipment	6,748	6,442	306	393
Equipment	2,877	2,611	266	311
Total	9,625	9,053	572	704

During the period ended September 30, 2017 and December 31, 2016 there were no equipment additions and the changes in net book value result solely from depreciation expenses.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

September 30, 2017	Big Showing	Waverly Tangier	River Jordan	Tolstoi/Lickens	Total
	\$	\$	\$	\$	\$
Acquisition costs:					
Opening balance	1	1	3,001	85,750	88,753
Closing balance	1	1	3,001	85,750	88,753
Exploration and evaluation costs:					
Opening balance	82,488	86,622	383,463	58,900	611,473
Geologist fees and assays				22,084	22,084
Closing balance	82,488	86,622	383,463	80,984	633,557
Tangible equipment:					
Silverbits NSR Sale	-	-	-	(1,746)	(1,746)
Closing balance	-	-	-	(1,746)	(1,746)
Total	82,489	86,623	386,464	164,988	720,564

December 31, 2016	Big Showing	Waverly Tangier	River Jordan	Tolstoi/Lickens	Total
	\$	\$	\$	\$	\$
Acquisition costs:					
Opening balance	1	1	3,001	85,000	88,003
Additions	-	-	-	750	750
Closing balance	1	1	3,001	85,750	88,753
Exploration and evaluation costs:					
Opening balance	82,488	86,622	382,758	24,812	576,680
Geologist fees and assays	-	-	705	21,661	22,366
Other costs	-	-	-	12,427	12,427
Closing balance	82,488	86,622	383,463	58,900	611,473
Tangible equipment:					
Opening balance	-	-	-	-	-
Silverbits NSR Sale	-	-	-	(1,746)	(1,746)
Closing balance	-	-	-	(1,746)	(1,746)
Total	82,489	86,623	386,464	142,904	698,480

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

The Company's mineral properties are described as follows:

Big Showing Property, British Columbia

On February 14, 2003, the Company entered into an agreement to acquire a 100% interest in the Big Showing property for mineral claims for a total area of 1,000 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

For payment on the property, the Company agreed to issue 750,000 common shares of the Company on the date of the agreement (issued), to pay \$35,000 in cash by April 30, 2007 (paid), to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date, the Company has not received an NI43-101 compliant report disclosing any indicated mineral resources or a positive pre-feasibility study on the claims, and therefore, the Company has not issued any common shares pursuant to these clauses.

Waverly Tangier Property, British Columbia

On March 15, 2004, the Company entered into an agreement to acquire a 100% interest in the Waverly Tangier Property for mineral claims for a total area of 5,675 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

The Company agreed to issue 750,000 common shares of the Company on the date of the agreement (issued), to pay \$35,000 in cash (paid in August 2007), to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date, the Company has not received an NI43-101 compliant report disclosing any indicated mineral resources or a positive pre-feasibility study on the claims, and therefore, the Company has not issued any common shares pursuant to these clauses.

Pursuant to the amended and restated option and royalty agreement (the "Option Agreement") dated February 25, 2009 with Armadillo Resources Ltd. ("Armadillo"), the Company granted Armadillo a 60% interest in the Waverley-Tangier property (the "Property") located in the Revelstoke Mining Division of British Columbia. Armadillo agreed to pay to the Company \$350,000 in cash, to incur \$3,000,000 in exploration expenditures and to issue 625,000 common shares of Armadillo to the Company as follows:

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

	Cash	Exploration Expenditures	Shares
	\$	\$	
Before March 31, 2009 (received)	75,000	–	175,000
Before March 30, 2010 (received)	75,000	200,000	150,000
Before March 30, 2011 (received except \$50,000 cash)	100,000	300,000	150,000
Before March 30, 2012 (not received)	100,000	1,000,000	150,000
Before March 30, 2013	–	1,500,000	–
	350,000	3,000,000	625,000

On February 28, 2013, the Company terminated the Option Agreement and entered into a Settlement Agreement with Armadillo given that Armadillo was in breach of the terms of the Option Agreement. Under the terms of the Settlement Agreement, Armadillo acknowledged that it has no interest in the Waverley-Tangier Property and that it has no right to re-instate the option to acquire an interest in the Waverley-Tangier Property. As part of the Settlement Agreement, the Company was to receive title to certain equipment relating to the Waverley-Tangier Property, including rock saws, blades, a storage container, a bridge and a rail car flatbed, as well as a cash payment. As at December 31, 2016, the Company has not received title to the equipment or the cash payment of \$7,000.

River Jordan Property, British Columbia

On March 16, 2006, the Company entered into an agreement to acquire a 100% interest in the River Jordan Property for mineral claims for a total area of 649 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from the President and director of the Company and 10% from an individual who became a director of the Company on November 1, 2006.

The Company agreed to pay \$35,000 in cash by April 30, 2007 (paid), to issue 750,000 common shares (issued in June 2007) of the Company, to issue 1,000,000 common shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further 1,583,333 common shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date, the Company has not received an NI43-101 compliant report disclosing any indicated mineral resources or a positive pre-feasibility study on the claims, and therefore, the Company has not issued any common shares pursuant to these clauses.

Tolstoi and Lickens Properties, Alaska, USA

On October 6, 2014, the Company entered into purchase agreement with Alaska Ventures Inc., a company controlled by the President of the Company, to acquire a 100% interest in two mineral property claim groups located in the Alaska Mining Division, USA known as the Tolstoi and Lichen properties by issuing 8,500,000 common shares. These shares were issued on October 16, 2014 and were valued at \$85,000 based upon the stock price on issuance.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL

a) Authorized

The Company is authorized to issue unlimited number of common shares without par value

b) Issued and outstanding common shares

	Number	Amount
		\$
Balance, December 31, 2016	19,133,853	1,649,779
Share issued pursuant to private placement ⁽¹⁾	135,000	20,250
Balance, June 30, 2018	19,268,853	1,670,029

(1) On May 24, 2017, the Company completed a non-brokered private placement of 135,000 units at a price of \$0.15 per unit. Each unit consists of one common share and one share purchase warrant ("warrant") of the Company. Each warrant entitled the holder to purchase one additional common share of the Company at \$0.25 per warrant share for two years.

c) There has been no change in contributed surplus since December 31, 2008.

d) Stock Options

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be five years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with stock exchange on which the common shares are listed.

There was no stock option granted during the period ended September 30, 2017 and year ended December 31, 2016.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. SHARE CAPITAL (continued)

e) Share purchase warrants

As at September 30, 2017, the following share purchase warrants were issued and outstanding:

	Number of warrants	Weighted Average Exercise Price	Expiry Date	Weighted Average Contractual life in years
Warrants outstanding, December 31, 2016	2,833,333	\$0.14		0.38
Issued	135,000	\$0.25	May 24, 2019	1.65
Expired	(333,333)	\$0.10	March 18, 2017	-
Warrants outstanding, September 30, 2017	2,635,000	\$0.25	May 24, 2019	1.65

7. RELATED PARTY TRANSACTIONS, BALANCES AND KEY MANAGEMENT COMPENSATION

The following is a summary of transactions with related parties of the Company for the period ended September 30, 2017 and 2016:

	2017	2016
	\$	\$
Management fees for the President	22,500	22,500
Management fees for the Chief Financial Officer	63,000	63,000

Refer to Note 9 for details on these management services agreements. The Company has identified its President and Chief Financial Officer as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were incurred during the period ended September 30, 2017 and 2016.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

7. RELATED PARTY TRANSACTIONS, BALANCES AND KEY MANAGEMENT COMPENSATION (continued)

The following is a summary of balances payable to related parties of the Company during the period ended September 30, 2017 and year ended December 31, 2016.

	September 30, 2017	December 31, 2016
	\$	\$
Amounts payable to President	515,876	430,875
Amounts payable to Chief Financial Officer	176,829	147,500
Total	692,705	578,375

These amounts are included in accounts payable and accrued liabilities during the period ended September 30, 2017 and year ended December 31, 2016, and are non-interest bearing and due on demand.

8. FLOW-THROUGH PREMIUM

During the year ended December 31, 2015, the Company issued 2,500,000 flow through units (Note 8(b)(2)) and recognized a deferred flow-through premium of \$62,500, non-cash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. During 2015, the Company recognized \$39,375 as amortization of the deferred flow-through premium liability to other income based on the amount of eligible expenditures spent as at December 31, 2015.

As at September 30, 2017 and December 31, 2016 and 2015 the remaining unrealized flow-through premium was \$23,125.

9. COMMITMENTS

- The Company is committed to a management services agreement with the President and director of the Company. The agreement requires payments of \$84,000 per year. This contract is payable monthly and may be terminated by both parties by giving one month's notice.
- The Company is committed to a management services agreement with the Chief Financial Officer of the Company. The agreement requires payments of \$30,000 per year. This contract is payable monthly and may be terminated by both parties by giving one month's notice.
- The Company is obligated to make certain payments and issue shares as described in Note 5 in connection with acquisition of its mineral properties.
- During the year ended December 31, 2015, the Company issued flow-through common shares of \$250,000 and renounced \$250,000 of resources expenditures (Note 8(b)(2) and 10). Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at December 31, 2016, the Company has \$93,212 in unspent flow-through funds which must be incurred by December 31, 2017 under the look back rules. As at December 31, 2016, the Company has recorded \$10,792 in accounts payable related to taxes due in unspent flow-through funds.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

10. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises all the components of shareholders' equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

11. FINANCIAL INSTRUMENTS AND RISKS

Fair values

The Company's financial instruments include cash, marketable securities, reclamation bond and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the classification and values of the Company's financial instruments:

	September 30, 2017	December 31, 2016
	\$	\$
FVTPL (i)	23,298	7,696
Available-for-sale (ii)	1	1
Loans and receivables (iii)	10,110	10,000
Other financial liabilities (iv)	838,344	723,455

- (i) Cash
- (ii) Marketable securities
- (iii) Reclamation bond
- (iv) Accounts payable

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs that are not based on observable market data

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

13. FINANCIAL INSTRUMENTS AND RISKS (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	September 30, 2017
	\$	\$	\$	\$
Cash	23,298	-	-	23,298

Financial risk management objectives and policies

The Company's financial instruments include cash, marketable securities, reclamation bond and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and exploration activity. The Company has a working capital deficiency and requires additional financing to meet its short-term obligations and to fund costs for the Company's projects and operations. The Company's accounts payable are generally due in terms ranging from 30 to 90 days.

Silver Phoenix Resources Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

For The Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

13. FINANCIAL INSTRUMENTS AND RISKS (continued)

(v) *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities.

The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company is not exposed to significant interest rate risk as the Company's has no interest bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. SUBSEQUENT EVENT

Private Placement

On May 23, 2017, the Company arranged a non-brokered private placement offering of up to \$20,250 by issuing up to 135,000 at a price of \$0.15 per unit. Each Unit will consist of one common share and one share purchase warrant. A full warrant will entitle the holder to purchase one additional common share at a price of \$0.25 for a period of 24 months from the closing of the placement.

As at September 30, 2017, the Company received \$27,000 in share subscriptions.