

# SILVER PHOENIX RESOURCES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2016

The following Management's Discussion and Analysis (MD&A) is intended to assist the reader to assess material changes in financial condition and results of operations Silver Phoenix Resources Ltd. (the Company or Silver Phoenix) as at June 30, 2016 and for the six month period then ended in comparison to the same period in 2015. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

This MD&A should be read in conjunction with the financial statements for the year ended December 31, 2015 and supporting notes. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is August 26, 2016. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Forward-Looking Information**

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **Nature of Business**

Silver Phoenix is an exploration stage company engaged in acquiring, exploring and developing mineral properties, principally located in British Columbia, Canada. The Company has no mineral producing properties, and thus, has no revenues from any mineral properties.

## **Current Status**

The level of the Company's future operations will be determined by the availability of capital resources, which will be derived from the issuance of special warrants and future financings.

The Company has incurred recurring losses since its inception, and had an accumulated deficit of \$1,711,843 as at June 30, 2016 which has been funded primarily by the issuance of shares. The Company has no source of operating cash flows and expects to incur further losses in the exploration and development of its mineral properties. The Company's ability to continue its operations, exploration programs and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

The operations to date have consisted of initial organizational costs and commencement of exploration. Included in these costs were management fees accrued to the President and director of \$42,000 and Chief Financial Officer of \$15,000 for the period ended June 30, 2016.

## **Exploration Project**

The Company has acquired 100% interest in four properties, the Big Showing Property, the Waverly Tangier Property, the River Jordan Property, and the Tolstoi and Lickens Properties.

### **Big Showing Property**

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 November 1, 2006.

For payment of 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.

The Big Showing Property covers three separate deposits of sulphide mineralization called 1) Big Showing (formerly the Ruby Silver Showing); 2) Scout Showing and 3) Mammoth Showing. Mineralization consists of disseminations, blebs and aggregate of Pb-Zn-Ag sulphides hosted by silicified, iron-rich carbonate rocks within carbonaceous pelite and meta-volcanic rocks belonging to the Lower Paleozoic Hardeau Group. The deposits are thought to be structurally modified, stratiform in character, possibly SEDEX in origin. During the 2009 fiscal year, the Company completed an airborne survey for the Big Showing project. The cost for the airborne survey was \$18,950. The work program planned for 2013 is subject to financing.

As at June 30, 2016, the Company had \$82,502 of cumulative acquisition and exploration costs related to the Big Showing project.

### Waverley Tangier Property

On March 15, 2004, the Company entered into an agreement to acquire a 100% interest in the Waverley 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.

The Waverley Tangier Property consists of two principle old mine workings: The Waverley which occur on the Tangier Claim (388305), and the Tangier, which occur on Waverley Claim (388306) and is situated at the head of the Sorcerer Creek, about 1 km below summit flats separating that creek from the head of Tangier Creek. Stratabound mineral occurrences in the project area are two main types: massive sulfide vein and carbonate replacement deposits. The Waverley and Tangier mineralization is similar to Polymetallic Manto-Type Replacement Deposits such as in the Midway of northern BC and Bluebell in southeast BC.

As at June 30, 2016, the Company had \$86,623 of cumulative acquisition and exploration costs related to the Waverley Tangier project.

#### Armadillo Option

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:

	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 (not incurred)	.	1,500,000	.
	<u>\$ 350,000</u>	<u>\$ 3,000,000</u>	<u>625,000</u>

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 March 31, 2016, the Company has not received title to the equipment or the cash payment of \$7,000.

### River Jordan Property

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.

The River Jordan Property covers a sulphide deposit variously known as the River Jordan/Jordan River and the King Fissure Deposit which is a metamorphic rock . hosted massive sulphide deposit comprising Pb-Zn-Ag +/- Cu that has been variably described as a Broken Hill type and a sedimentary exhalative-type deposit. The deposit consists of a sulphide layer ranging up to 6 meters in thickness within calc-silicate gneiss. The property is located 19 km northwest of Revelstoke and covers Copeland Ridge between Copeland and Hiren Creek. Preliminary exploration was completed between August 8, 2008 and August 24, 2008 including geologic mapping, rock sampling and an orientation magnetometer survey, for an estimated cost of \$71,153. The Company evaluated initial results and recommends that further exploration be carried out on the property. The Phase 1 program was estimated to cost \$56,650. Management of the Company decided that it was prudent, more cost effective and more informative to do an airborne survey of the River Jordan project.

As at June 30, 2016, the Company had \$385,746 of cumulative acquisition and exploration costs related to the River Jordan project.

### 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.

During the period ended June 30, 2016, the Company offered a Net Smelter Royalty (%NSR+) for sale to raise funds for exploration. The NSR of 2.5 million ounces of silver was registered against the property and will be divided into grams, which called Silverbits. As at June 30, 2016, the Company received \$1,745 from the sale, all proceeds of the royalty sale will offset the capital cost

As at June 30, 2016, the Company had \$108,067 of cumulative acquisition and exploration costs related to the Tolstoi and Lickens project.

## **Results of Operations**

Silver Phoenix is a publicly traded Canadian exploration company with no mineral producing properties, and thus, does not have revenues from any mineral properties.

For the six months ended June 30,	2016	2015
	\$	\$
Financial results:		
Net loss	(75,031)	(72,568)
Basic and diluted loss per share	(0.00)	(0.00)
Balance sheet date		
Cash	61,084	265,868
Exploration and evaluation assets	662,938	496,781
Total assets	735,729	266,629
Shareholders equity	43,310	155,442

### **For the Three Months Ended June 30, 2016**

#### ***Net Loss and Operating Expenses***

For the period ended June 30, 2016, the Company experienced a net loss of \$39,768 compared to a net loss of \$37,761 for the comparative period in 2015.

Total operating expenses for the period ended June 30, 2016 were \$39,884 compared to \$37,963 in 2015. The Company had a loss per share of \$0.00 as compared to a loss per share of \$0.00 in the same period in 2015.

#### **Expenses**

	2016	June 30, 2015
Auto and travel	2,383	207
Bank charges	15	199
Depreciation	61	84
Filing fees	4,494	4,265
Management fees	28,500	28,500
Office and miscellaneous	-	77
Professional fees	2,800	3,200
Promotion	429	110
Telephone and utilities	537	528
Transfer agent	665	793
<b>Total</b>	<b>(39,884)</b>	<b>(37,963)</b>

Management fees of \$28,500 (2015 - \$28,500) were accrued to the directors and officers of the Company, including day to day administration for the Company, and overseeing regulatory filings and requirements. Professional fees of \$2,0800 (2015 . \$3,200) were incurred for accounting, audit and legal fees.

## Summary of Quarterly Results

The following table sets forth selected results of operation for the Company's eight most recently completed quarters.

<u>Quarter Ended</u>	<u>Revenues</u>	<u>Net loss</u>	<u>Loss per share</u>
June 30, 2016	\$Nil	(\$39,768)	(\$0.00)
March 31, 2016	\$Nil	(\$35,263)	(\$0.00)
December 31, 2015	\$Nil	\$65,095	(\$0.00)
September 30, 2015	\$Nil	(\$39,494)	(\$0.00)
June 30, 2015	\$Nil	(\$37,963)	(\$0.00)
March 31, 2015	\$Nil	(\$34,807)	(\$0.00)
December 31, 2014	\$Nil	(\$44,475)	(\$0.01)
September 30, 2014	\$Nil	(\$39,343)	(\$0.01)

Quarterly results will vary in accordance with the Company's exploration and financing activities.

Mineral exploration is typically a seasonal business, and accordingly, the Company's operating expenses and cash requirements will fluctuate depending upon the season and the level of activity. The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing with favorable terms, the Company's activity levels and the size and scope of planned exploration projects will typically increase

	June 30, 2016 \$	June 30, 2015 \$
Cash used in operating activities	(7,075)	(15,059)
Cash used in investing activities	1,745	(6,000)
Cash provided by financing activities	-	275,000
Change in cash	(5,330)	253,941

## Liquidity

	June 30, 2016 \$	December 31, 2015 \$
Working capital deficiency	630,594	557,430
Deficit	1,711,843	1,636,812
Cash	61,084	66,414
Current assets	61,825	73,880
Current liabilities	692,419	631,310

## **Capital Resources**

Since incorporation, the Company's capital resources have been limited. The Company has had to rely upon the sale of equity securities for the cash required for capital acquisitions, exploration and development, and administration.

The Company does not have any commitments for material capital expenditures and none are presently contemplated other than as disclosed above normal operating requirements. The Company may require funds in order to fund exploration programs on the Big Showing Property, the Waverly Tangier Property, the River Jordan Property, and the Tolstoi and Lickens Properties, and as a result, the Company will have to continue to rely on equity and debt financing in the future. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

## **Risks and Uncertainties**

There are no significant changes relating to the risk factors since the filing of the annual MD&A of December 31, 2015.

## **Off-Balance Sheet Arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

## **Related Party Transactions**

The following is a summary of transactions with related parties of the Company for the period ended June 30, 2016 and 2015:

	2016	2015
	\$	\$
Management fees for the President	42,000	42,000
Management fees for the Chief Financial Officer	15,000	15,000

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 June 30, 2016 and 2015.

The following is a summary of balances payable to related parties of the company as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
	\$	\$
Amounts payable to President	410,657	368,765
Amounts payable to Chief Financial Officer	132,500	117,500
<b>Total</b>	<b>543,157</b>	<b>486,265</b>

These amounts are included in accounts payable and accrued liabilities as at June 30, 2016 and December 31, 2015, and are non-interest bearing and due on demand.

## **Commitments**

- a) 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.
- b) 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.
- c) The Company is obligated to make certain payments and issue shares as described in Note 7 in connection with acquisition of its mineral properties.

## **Flow-Through Premium Liability**

During the year ended December 31, 2015, the Company issued 2,500,000 flow through units (Note 8(b)<sup>(4)</sup>) 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 June 30, 2016, the flow-through premium liability outstanding was \$23,125.

## **Change in Accounting Policies**

In preparing these interim financial statements as at July 30, 2016, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2015.

## **Management of Financial Risks**

### Fair values

The Company's financial instruments include cash, marketable securities 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:

	June 30, 2016	December 31, 2015
	\$	\$
FVTPL (i)	61,084	66,414
Available-for-sale (ii)	1	1
Loans and receivables (iii)	10,140	10,140
Other financial liabilities (iii)	665,294	600,185

- (i) Cash
- (ii) Marketable securities
- (iii) Accounts payable
- (iv) Other financial liabilities

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

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	June 30, 2016
	\$	\$	\$	\$
Cash	61,084	-	-	61,084

#### 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.

(v) *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.

(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 unfavorable market conditions could result in dispositions of investments at less than favorable 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 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.

**Capital 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 the items included in 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.

**Management's Report on Internal Control Over Financing Reporting**

In connection with National Instrument (NI) 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

**Outstanding Shares, Options and Warrants**

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
		\$	
Common Shares	19,108,853	n/a	n/a
Stock Options	Nil		
Warrants	333,333	0.10	March 18, 2017
Warrants	2,500,000	0.15	May 28, 2017